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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)*

**CONTINUING CONNECTED TRANSACTIONS**

**2014–2016 MASTER AGREEMENT**

On 21 November 2013 (after trading hours), Wuling Industrial, a non-wholly owned subsidiary of the Company, entered into the 2014–2016 Master Agreement with Liuzhou Wuling for a term of three years from 1 January 2014 to 31 December 2016 to govern various continuing connected transactions between the Group and Liuzhou Wuling Group. The 2014–2016 Master Agreement will renew terms of the 2011 GL Trading Agreement, the 2013 GB Trading Agreement and the 2013 Baomali Purchase Agreement; and replace the 2011 GH Trading Agreement, the 2011 GL Supply Agreement and the 2013 KE Purchase Agreement.

**LISTING RULES IMPLICATIONS**

Liuzhou Wuling, being the controlling Shareholder, is indirectly interested in approximately 37% of the total issued share capital of the Company. In this regard, Liuzhou Wuling is a connected person of the Company under the Listing Rules. The Sale Transactions and Purchase Transactions contemplated under the 2014–2016 Master Agreement constitute continuing connected transactions 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 2014–2016 Master 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.

**GENERAL**

The Company has appointed Proton Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders to consider the terms of the 2014–2016 Master Agreement, including the Annual Caps for the Sale Transactions and Purchase Transactions, and the transactions contemplated thereunder.

A circular containing, among other things, details of the 2014–2016 Master Agreement; recommendation of the Independent Board Committee and advice of Proton Capital in relation to the 2014–2016 Master Agreement; and a notice of SGM, will be despatched to the Shareholders on or before 12 December 2013.

## **BACKGROUND**

References are made to the following announcements and circulars of the Company in relation to the Continuing Connected Transactions of the Company:

- (a) the announcement and circular of the Company dated 31 January 2011 and 21 February 2011 respectively in relation to the 2011 GL Trading Agreement for GL Trading Transactions which shall expire on 31 December 2013;
- (b) the announcement of the Company dated 30 December 2011 in relation to the 2011 GH Trading Agreement for GH Trading Transactions and the 2011 GL Supply Agreement for GL Water and Power Supply Services which shall expire on 31 December 2014; and
- (c) the announcement and circular of the Company dated 18 September 2013 and 21 October 2013 respectively in relation to the 2013 GB Trading Agreement for GB Trading Transactions and the 2013 Baomali Purchase Agreement for Baomali Purchase Transactions which shall expire on 31 December 2013; and the 2013 KE Purchase Agreement for KE Purchase Transactions which shall expire on 31 December 2014.

Since the above Continuing Connected Transactions will continue after the expiration of the respective agreements and it is expected that Wuling Industrial Group will enter into transactions of similar nature to the transactions under these agreements with Liuzhou Wuling Group from time to time thereafter, therefore, in view of the above and for better management of the existing and/or new continuing connected transactions with Liuzhou Wuling Group, Wuling Industrial entered into the 2014–2016 Master Agreement with Liuzhou Wuling on 21 November 2013 (after trading hours) for a term of three years from 1 January 2014 to 31 December 2016. The 2014–2016 Master Agreement will renew terms of the 2011 GL Trading Agreement, the 2013 GB Trading Agreement and the 2013 Baomali Purchase Agreement; and replace the 2011 GH Trading Agreement, the 2011 GL Supply Agreement and the 2013 KE Purchase Agreement.

## **CONTINUING CONNECTED TRANSACTIONS**

The principal terms of the 2014–2016 Master Agreement are summarized as follows:

- Date : 21 November 2013 (after trading hours)
- Parties : (a) Wuling Industrial, a non-wholly owned subsidiary of the Company; and
- (b) Liuzhou Wuling, being the controlling Shareholder, indirectly interested in approximately 37% of the total issued share capital of the Company and a connected person of the Company under the Listing Rules.

- Scope of products and services to be provided : Wuling Industrial Group agreed to supply certain raw materials (including but not limited to steels) and products (including parts, automotive components and accessories) and provide water and power supply services) to Liuzhou Wuling Group, collectively the “Sale Transactions” of the Group.
- Liuzhou Wuling Group agreed to supply certain products (including specialized vehicles, automotive components and accessories, mould tools and parts, electronics devices and components, automotive air-conditioners, parts and accessories) to Wuling Industrial Group, collectively the “Purchase Transactions” of the Group.
- Term : Three years from 1 January 2014 to 31 December 2016 (both dates inclusive).
- Pricing principles : The pricing for the products and/or services supplied by or to Liuzhou Wuling Group will be determined on the following principles in order of priority:
- (i) the market prices which are offered to or by Independent Third Parties in the ordinary and usual course of business; and
  - (ii) the agreed prices based on the actual cost incurred thereof plus a reasonable profit margin and will be determined on terms which are no less favourable than those available from/to Independent Third Parties to/from the Group.
- Payment terms : Payments for the products and/or services supplied by and/or to Liuzhou Wuling Group will be settled by way of cash or such other manner as agreed by the parties and in accordance with the agreed timing and manners as specified in the actual product and service contracts to be entered into between Wuling Industrial Group and Liuzhou Wuling Group. The payment terms will be on market terms which are no less favourable than those obtainable by the Group from Independent Third Parties.
- Condition precedent : The 2014–2016 Master Agreement is conditional upon the approval of the Independent Shareholders at the SGM.

## HISTORICAL TRANSACTION RECORDS

Set out below are the historical transaction amounts of the Continuing Connected Transactions:

	Year ended 31 December		Ten months ended
	2011	2012	31 October
	(audited)	(audited)	(unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)
<b>Sale Transactions, including:</b>			
(i) GL Sale Transactions	79,763	37,971	60,682
(ii) GB Sale Transactions	67,572	108,050	149,467
(iii) GH Sale Transactions	—	—	—
(iv) GL Water & Power Supply Services	<u>1,872</u>	<u>1,223</u>	<u>1,013</u>
	<u>149,207</u>	<u>147,244</u>	<u>211,162</u>
<b>Purchase Transactions, including:</b>			
(i) GL Purchase Transactions	60,730	69,864	69,780
(ii) GB Purchase Transactions	89,397	159,973	208,459
(iii) GH Purchase Transactions	—	—	—
(iv) KE Purchase Transactions	1,783	3,477	6,651
(v) Baomali Purchase Transactions	<u>1,779</u>	<u>3,468</u>	<u>5,670</u>
	<u>153,689</u>	<u>236,782</u>	<u>290,560</u>

The respective aggregate annual amounts of the Continuing Connected Transactions for the years ended 31 December 2011 and 2012 did not exceed the respective maximum aggregate annual values as approved by the Board (for exempted continuing connected transactions) or by the then Independent Shareholders of the Company (for non-exempt continuing connected transactions) respectively.

As at the date of this announcement, the Board (i) confirmed that the respective aggregate amounts of the Continuing Connected Transactions for the ten months ended 31 October 2013 did not exceed; and (ii) anticipated that the aggregate annual amounts of the Continuing Connected Transactions for the year ending 31 December 2013 will not exceed, the respective maximum aggregate annual values for the year ending 31 December 2013 as approved by the Board (for exempted continuing connected transactions) or by the then Independent Shareholders of the Company (for non-exempt continuing connected transactions) respectively.

The Directors also confirmed that they will closely monitor the Continuing Connected Transactions to ensure that the respective existing annual caps for the year ending 31 December 2013 will not be exceeded.

## PROPOSED ANNUAL CAPS

Set out below are the Annual Caps proposed by the Directors for each of the three years ending 31 December 2016 in respect of the Sale Transactions and Purchase Transactions:

	Year ending 31 December		
	2014 (RMB'000)	2015 (RMB'000)	2016 (RMB'000)
<b>Sale Transactions</b>	493,000	676,000	870,000
<b>Purchase Transactions</b>	615,000	838,000	1,091,000

## BASIS OF DETERMINATION OF THE PROPOSED ANNUAL CAPS

The above Annual Caps were determined by reference to (a) the historical transaction amounts of the Continuing Connected Transactions during the ten months ended 31 October 2013; and (b) the target sale volume of Wuling Industrial Group and Liuzhou Wuling Group for the three years ending 31 December 2016. In addition, a buffer of 5% for (i) any transactions of similar nature which may be entered into with Liuzhou Wuling Group in the three years ending 31 December 2016; and (ii) any unforeseeable circumstances, in particular, unexpected market fluctuations, change in government policies on automobile industry, fluctuations in raw material costs and increase in labour costs, is also considered.

In determining the target sale volume, Wuling Industrial Group and Liuzhou Wuling Group have assumed the sale and production volume of the passenger mini-buses (currently mainly school buses and some buses for other purposes in future) produced by Guilin Bus will be gradually increased from the target volume of 4,600 vehicles for 2013 to 5,400 vehicles, 7,500 vehicles and 10,000 vehicles respectively for the three years ending 31 December 2016. Such increases will contribute to significant increases in the value of transactions of the related Baomali Purchase Transactions, KE Purchase Transactions and GB Trading Transactions which results in significant increases in the amounts of Continuing Connected Transactions.

Meanwhile, Wuling Industrial Group and Liuzhou Wuling Group expect a more prominent increase of about 60% (inclusive of the abovementioned 5% buffer) for the value of GL Sale Transactions for the year ending 31 December 2014 as compared to the annual cap for the year ending 31 December 2013, resulting from an expansion of its production capacity. After that, moderate increases of about 28% and 25% (both inclusive of the abovementioned 5% buffer) respectively are expected for the two years ending 31 December 2016. For the GL Purchase Transactions, gradual increases range from 18% to 27% annually (inclusive of the abovementioned 5% buffer) are expected for the three years ending 31 December 2016.

## INFORMATION ON THE GROUP

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.

## **INFORMATION ON LIUZHOU WULING GROUP**

Liuzhou Wuling Group mainly engaged in trading, manufacturing and design of (i) various types of machinery, molds and tools for production of automobiles, engines, and other relevant parts; (ii) various types of vehicles, primarily passenger coaches and mini-buses, automotive components and accessories, (iii) tractors, farm transport vehicles, storage machines and agriculture machines; (iv) the provision of related services in relation to the aforementioned products and equipment; (v) and rental of property and other related services.

## **REASONS FOR THE 2014–2016 MASTER AGREEMENT AND THE CONTINUING CONNECTED TRANSACTIONS**

In relation to the Purchase Transactions, Wuling Industrial Group has been procuring certain parts and components and services for the manufacture of its products from Liuzhou Wuling Group for many years. As a result of such long-term business relationship, Liuzhou Wuling Group has been familiar with its standards and specifications and has been able to respond quickly and in a cost efficient manner to any new requirements that Wuling Industrial Group may request. Meanwhile, Wuling Industrial Group has also acted as the main sale agent of certain types of passenger mini-buses of Liuzhou Wuling Group since 2008, in view of the improvement of sale of higher-end model passenger mini-buses recently, the Group would like to continue such arrangement to strengthen the revenue stream of the Group.

In relation to the Sale Transactions, Wuling Industrial Group has been supplying certain parts and components and services to Liuzhou Wuling Group for many years. As a result, the Group and Liuzhou Wuling Group have a solid business relationship. The 3-year procurement and supply relationship with Liuzhou Wuling Group to be established pursuant to the 2014–2016 Master Agreement will contribute to stabilizing the business of the Group. In addition, Wuling Industrial Group has also been providing centralized procurement services to its group companies, customers and suppliers for the supply of raw materials, mainly steels, and provision of water and power. Such centralized procurement mechanism strengthens the business relationships amount the entities and enhances the efficiency and productivity of the entities' operations through the benefits of bulk purchases and scale operation.

The Sale Transactions and Purchase Transactions will help strengthen the Group's ability to carry out a stable and sustainable business operation which is in the interest of the Shareholders as a whole.

Messrs. Sun Shaoli, Wei Hongwen and Zhong Xianhua, who are directors or senior management of Liuzhou Wuling, have abstained from voting on the board resolution passed to approve the 2014–2016 Master Agreement. Save as disclosed above, no other Director is regarded having a material interest in the Sale Transactions and Purchase Transactions and required to abstain from voting on the board resolution to approve the 2014–2016 Master Agreement.

Given that the Sale Transactions and Purchase Transactions are in the 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 which are no less favourable than those obtainable by the Group from Independent Third Parties, the Directors (excluding the

independent non-executive Directors who will express their opinion after having received the advice of Proton Capital) are of the view that the terms of the 2014–2016 Master Agreement, including the Annual Caps for the Sale Transactions and Purchase Transactions, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Liuzhou Wuling, being the controlling Shareholder, is indirectly interested in approximately 37% of the total issued share capital of the Company. In this regard, Liuzhou Wuling is a connected person of the Company under the Listing Rules. The Sale Transactions and Purchase Transactions contemplated under the 2014–2016 Master Agreement constitute continuing connected transactions 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 2014–2016 Master 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.

## **GENERAL**

The approval of the Independent Shareholders will be sought at the SGM by way of poll in respect of the 2014–2016 Master Agreement and the transactions contemplated thereunder. Liuzhou Wuling and its associates will abstain from voting at the SGM.

The Independent Board Committee (which consists all of independent non-executive Directors) has been established to advise the Independent Shareholders the terms of the 2014–2016 Master Agreement, including the Annual Caps for the Sale Transactions and Purchase Transactions, and the transactions contemplated thereunder, and to advise the Independent Shareholders on how to vote, taking into account the recommendations on the same to be given by Proton Capital.

The Company has appointed Proton Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders to consider the terms of the 2014–2016 Master Agreement, including the Annual Caps for the Sale Transactions and Purchase Transactions, and the transactions contemplated thereunder.

A circular containing, among other things, details of the 2014–2016 Master Agreement; recommendation of the Independent Board Committee and advice of Proton Capital in relation to the 2014–2016 Master Agreement; and a notice of SGM, will be despatched to the Shareholders on or before 12 December 2013.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“2011 GH Trading Agreement”	the agreement dated 30 December 2011 entered into between Wuling Industrial and Guihua in relation to the GH Trading Transactions for a term of three years from 1 January 2012 to 31 December 2014
“2011 GL Supply Agreement”	the agreement dated 30 December 2011 entered into between Wuling Industrial and Guangling in relation to the GL Water and Power Supply Services for a term of three years from 1 January 2012 to 31 December 2014
“2011 GL Trading Agreement”	the agreement dated 31 January 2011 entered into by Wuling Industrial and Guangling in relation to the GL Trading Transactions for a term of 3 years from 1 January 2011 to 31 December 2013
“2013 Baomali Purchase Agreement”	the agreement dated 18 September 2013 entered into between Wuling Industrial and Baomali in relation to the Baomali Purchase Transactions for the year ending 31 December 2013
“2013 GB Trading Agreement”	the agreement dated 18 September 2013 entered into between Wuling Industrial and Guilin Bus in relation to the GB Trading Transactions for the year ending 31 December 2013
“2013 KE Purchase Agreement”	the agreement dated 18 September 2013 entered into between Wuling Industrial and KE Digital in relation to the KE Purchase Transactions for the two years ending 31 December 2014
“2014–2016 Master Agreement”	the agreement dated 21 November 2013 entered into between Wuling Industrial and Liuzhou Wuling in relation to the Sale Transactions and the Purchase Transactions for a term of three years from 1 January 2014 to 31 December 2016
“Annual Cap(s)”	the proposed annual caps of the Sale Transactions and the Purchase Transactions set out in the 2014–2016 Master Agreement for each of the three years ending 31 December 2016
“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 Transactions”	purchase of certain automotive air-conditioners, related parts and accessories by Wuling Industrial Group from Baomali
“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
“Continuing Connected Transactions”	the GL Trading Transactions, GB Trading Transactions, GH Trading Transactions, Baomali Purchase Transactions, KE Purchase Transactions and GL Water and Power Supply Services
“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“GB Purchase Transactions”	purchase of passenger mini-buses and its related accessories by Wuling Industrial Group from Guilin Bus
“GB Sale Transactions”	sale of parts and raw materials by Wuling Industrial Group to Guilin Bus
“GB Trading Transactions”	the GB Purchase Transactions and GB Sale Transactions
“GH Purchase Transactions”	purchase of automotive components and related accessories by Wuling Industrial Group from Guihua
“GH Sale Transactions”	sale of raw materials by Wuling Industrial Group to Guihua
“GH Trading Transactions”	the GH Purchase Transactions and GH Sale Transactions
“GL Purchase Transactions”	purchase of automotive components and related accessories, mould tools and parts by Wuling Industrial Group from Guangling
“GL Sale Transactions”	sale of parts and raw materials by Wuling Industrial Group to Guangling
“GL Trading Transactions”	the GL Purchase Transactions and GL Sale Transactions

“GL Water and Power Supply Services”	provision of water and power supply services by Wuling Industrial Group to Guangling
“Group”	the Company and its subsidiaries
“Guangling”	柳州廣菱模具技術有限公司 (Liuzhou Guangling Moulds & Tools Technology Limited*), a company established in the PRC of which Liuzhou Wuling is beneficially interested in approximately 50.1% of its total registered capital
“Guihua”	南寧五菱桂花車輛有限公司 (Nanning Wuling-Guihua Vehicle Co., Ltd.*), a company established in the PRC of which Liuzhou Wuling is beneficially interested in approximately 62.24% of its total registered capital
“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
“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 2014–2016 Master Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) 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 Transactions”	purchase of certain electronic devices and components by Wuling Industrial Group from KE Digital
“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 which is indirectly interested in approximately 37% of the total issued share capital of the Company

“Liuzhou Wuling Group”	Liuzhou Wuling, its subsidiaries and associates (excluding the Group and including but not limit to Baomali, Guangling, Guihua, Guilin Bus, and KE Digital)
“PRC”	The People’s Republic of China
“Proton Capital”	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 Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the 2014–2016 Master Agreement and the transactions contemplated thereunder
“Purchase Transactions”	supply of certain products (including specialized vehicles, automotive components and accessories, electronics devices and components, automotive air-conditioners, parts and accessories) by Liuzhou Wuling Group to Wuling Industrial Group pursuant to the 2014–2016 Master Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Transactions”	supply of certain raw materials (including but not limited to steels) and products (including parts, automotive components and accessories) and provision of water and power supply service by Wuling Industrial Group to Liuzhou Wuling Group pursuant to the 2014–2016 Master Agreement
“SGM”	special general meeting of the Company to be held to approve the 2014–2016 Master Agreement and the transactions contemplated thereunder
“Shareholder(s)”	holder(s) of ordinary shares of HK\$0.004 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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

By Order of the Board  
**Wuling Motors Holdings Limited**  
**Sun Shaoli**  
*Chairman*

Hong Kong, 21 November 2013

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

\* *For identification purposes only*