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If you 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)

CONTINUING CONNECTED 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 6 to 24 of this circular. A letter from the Independent Board Committee (as defined herein) to the Independent Shareholders (as defined herein) is set out on page 25 of this circular. A letter from Proton Capital Limited, containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 42 of this circular.

A notice convening the SGM (as defined herein) to be held at 3:00 p.m. on Thursday, 23 January 2014 at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong is set out on pages 51 to 52 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend and vote at the SGM in person, you are requested to complete, sign and return the enclosed 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 of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed 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.

31 December 2013

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DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this circular shall 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 three 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 respective 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

DEFINITIONS

“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 automotive air-conditioners, related parts and accessories by Wuling Industrial Group from Baomali
“Board”	board of Directors
“Company”	Wuling Motors Holdings Limited, 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 vehicles, primarily passenger coaches and mini-buses by Wuling Industrial Group from Guilin Bus
“GB Sale Transactions”	sale of automotive 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 other related products by Wuling Industrial Group from Guihua
“GH Sale Transactions”	sale of raw materials, mainly steels, 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 other related products, mould tools and parts by Wuling Industrial Group from Guangling
“GL Sale Transactions”	sale of parts and raw materials, mainly steels, by Wuling Industrial Group to Guangling

DEFINITIONS

“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
“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 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 electronic devices and components by Wuling Industrial Group from KE Digital
“Latest Practicable Date”	23 December 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 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 SFO, 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, mould tools and parts, 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
“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 3:00 p.m. on Thursday, 23 January 2014 at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if though fit, approving the 2014–2016 Master Agreement and the transactions contemplated thereunder
“Shareholder(s)”	holder(s) of the Shares
“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% 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 which is owned as to 51% and 49% by the Company and Liuzhou Wuling respectively
“Wuling Industrial Group”	Wuling Industrial and its subsidiaries
“%”	per cent

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

LETTER FROM THE BOARD



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 HM12
Bermuda

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

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

31 December 2013

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 21 November 2013. Since the 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 these Continuing Connected Transactions 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, a non-wholly owned subsidiary of the Company, 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.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the 2014–2016 Master Agreement; (ii) recommendation of the Independent Board Committee; (iii) advice of Proton Capital in relation to the 2014–2016 Master Agreement; and (iv) the notice of SGM.

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, which currently consist of:
- (i) GL Sale Transactions — sale of parts and raw materials, mainly steels, to Guangling for manufacturing of automotive components and other related products;
- (ii) GB Sale Transactions — sale of automotive parts and raw materials to Guilin Bus for production of vehicles, primarily passenger coaches and mini-buses;
- (iii) GH Sale Transactions — sale of raw materials, mainly steels, to Guihua for production of automotive components and other related products; and
- (iv) GL Water and Power Supply Services — provision of water and power supply services to Guangling.

LETTER FROM THE BOARD

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 the Wuling Industrial Group, collectively the “Purchase Transactions” of the Group, which currently consist of:

- (i) GL Purchase Transactions — (a) purchase of automotive components and other related products from Guangling which are different from those to be sourced under GH Purchase Transactions for resale, assembly into component units, as well as for manufacturing of specialized vehicles; and (b) purchase of mould tools and parts, including the pressing moulds and pressing parts, from Guangling for manufacturing of automotive components and other related products;
- (ii) GB Purchase Transactions — purchase of vehicles, primarily passenger coaches and mini-buses, from Guilin Bus for resale;
- (iii) GH Purchase Transactions — purchase of automotive components and other related products from Guihua which are used for certain assembled parts of the chassis, are different from those to be sourced under GL Purchase Transactions for resale, assembly into component units, as well as for manufacturing of specialized vehicles;
- (iv) KE Purchase Transactions — purchase of electronic devices and components from KE Digital for manufacturing of specialized vehicles, including the electric vehicles and the passenger mini-buses of Guilin Bus; and
- (v) Baomali Purchase Transactions — purchase of automotive air-conditioners, related parts and accessories from Baomali for production of automotive components and accessories, some of which are resold to Guilin Bus for manufacturing of the passenger mini-buses.

Term : Three years from 1 January 2014 to 31 December 2016 (both dates inclusive).

LETTER FROM THE BOARD

- Pricing principles : The pricing for the products and/or services supplied by or to Liuzhou Wuling Group, including each of the Continuing Connected Transactions, 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.

The pricing of the GL Water and Power Supply Services will be determined with reference to, among others, 《關於調整廣西電價有關問題的通知》(桂價格[2011]181號) (Notice on Relevant Issues Relating to the Adjustment of Price of Electricity in Guangxi (Gui Jia Ge [2011] No. 181)*) by 價格局 (Bureau of Commodity Prices*) of Guangxi Zhuang autonomous region and any prices prescribed by the government of the PRC from time to time.

Except for the GL Water and Power Supply Services, it is not commercially practical to determine the specific unit price of the products and/or services supplied by or to Liuzhou Wuling Group as those products and/or services are not consumer goods/services but industrial products which have various specifications, different specific technology standards and are tailor made.

- Payment terms : Payments for the products and/or services supplied by and/or to Liuzhou Wuling Group, including each of the Continuing Connected Transactions, 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 make reference to the payment terms of previous Continuing Connected Transactions, which currently have a credit period ranged from 90 to 180 days, and on market terms which are no less favourable than those obtainable by the Group from Independent Third Parties.

LETTER FROM THE BOARD

Condition precedent : The 2014–2016 Master Agreement is conditional upon the approval of the Independent Shareholders at the SGM.

Standard control procedures over the purchasing activities of the Group, which comprise, inter alia, supplier selection processes, price determination processes and product quality evaluation processes, were adopted and implemented on both the purchase transactions with Independent Third Parties and the Purchase Transactions in order to ensure the above payment terms and pricing basis of the Purchase Transactions will be on market terms or on terms which are no less favourable than those available from Independent Third Parties. The finance department of the Group will determine the target purchase price of products with reference to the total purchase cost; the purchase department of the Group will then negotiate or conduct bidding exercise with suppliers based on the target purchase price. In the event that the target purchase price cannot be agreed, the finance department and purchase department of the Group will consider to adjust the target purchase price and/or seek for other suppliers. Besides, when determining the agreed prices for automotive components, mould tools and parts purchased which are industrial products, the Group will periodically, at least once every year or whenever there is a proposed change to the purchase price, request the relevant members of Liuzhou Wuling Group to provide their costs and sale records of the related products supplied to the Group to compare the profit margin therefrom with the estimated profit margin earned by Wuling Industrial Group from the sale of the end products of the Group, most of which are also industrial products, to ensure that the profit margins of the relevant member of Liuzhou Wuling Group are reasonable as compared to the profit margins earned by the Group. When determining the market prices of vehicles purchased (currently mainly passenger mini-buses), the Group will obtain the market prices of similar products from its authorized distributors to assess the prices charged by the relevant members of Liuzhou Wuling Group at least once every year or whenever there is a proposed change to the purchase price and/or the selling price.

For the Sale Transactions, the Group has adopted and implemented its standard pricing policies on both the sale transactions with Independent Third Parties and the Sale Transactions in order to ensure the above payment terms and pricing basis of the Sale Transactions will be on market terms or on terms which are no less favourable than those available to Independent Third Parties, i.e. charging of a reasonable profit margin over the cost of production. In this regard, the sale department of the Group will collect and analyse price information for the same/similar products provided by competitors in the market; the finance department of the Group, with the supports from the purchase department, technique department and manufacture department of the Group, will then evaluate the products' total cost of sale; and finally a price determination committee of the Group will be established to determine the price of the products to be sold with the aforesaid market and cost information. The Group will also conduct periodic reviews of the profit margins earned from the Sale Transactions as compared to the profit margins earned from products sold to other Independent Third Parties.

LETTER FROM THE BOARD

In addition, all of the Purchase Transactions and Sale 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 all of the Purchase Transactions and Sale Transactions, will be set out in the Company's next annual report following the occurrence of such transactions. In order to facilitate the review process, relevant members of Liuzhou Wuling Group will also provide their relevant records to the auditors of the Company during the course of auditors' review.

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)
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Sale Transactions, including:			
(i) GL Sale Transactions	79,763	37,971	59,669
(ii) GB Sale Transactions	67,572	108,050	149,467
(iii) GH Sale Transactions	—	—	—
(iv) GL Water and Power Supply Services	1,872	1,223	1,013
	<u>149,207</u>	<u>147,244</u>	<u>210,149</u>
Purchase Transactions, including:			
(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	1,779	3,468	5,670
	<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.

LETTER FROM THE BOARD

As at the Latest Practicable Date, 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 be exceeded, 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.

In the event that if the Annual Caps of any transactions under the 2014–2016 Master Agreement exceeds in the future, the Company will re-comply with the applicable requirements under the Listing Rules.

PROPOSED ANNUAL CAPS

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

	Year ending 31 December		
	2014	2015	2016
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Sale Transactions, including:			
(i) GL Sale Transactions	131,400	168,100	210,200
(ii) GB Sale Transactions	350,400	490,400	637,600
(iii) GH Sale Transactions <i>(Note 1)</i>	7,600	12,700	16,000
(iv) GL Water and Power Supply Services <i>(Note 2)</i>	3,600	4,800	6,200
	493,000	676,000	870,000
Purchase Transactions, including:			
(i) GL Purchase Transactions	119,800	152,700	180,800
(ii) GB Purchase Transactions	453,800	630,200	840,500
(iii) GH Purchase Transactions <i>(Note 1)</i>	8,000	10,100	11,100
(iv) KE Purchase Transactions <i>(Note 3)</i>	15,500	21,700	28,300
(v) Baomali Purchase Transactions	17,900	23,300	30,300
	615,000	838,000	1,091,000

LETTER FROM THE BOARD

Notes:

1. The existing annual caps of RMB7 million for the GH Sale Transactions and RMB8 million for the GH Purchase Transactions for the year ending 31 December 2014 have been approved by the Board on 30 December 2011. By entering into the 2014–2016 Master Agreement, the Annual Caps for the GH Sale Transactions and the GH Purchase Transactions for the year ending 31 December 2014 are RMB7.6 million and RMB8 million respectively and will seek for Independent Shareholders' approval at the SGM.
2. The existing annual cap of RMB2 million for the GL Water and Power Supply Services for the year ending 31 December 2014 has been approved by the Board on 30 December 2011. By entering into the 2014–2016 Master Agreement, the Annual Cap for the GL Water and Power Supply Services for the year ending 31 December 2014 is revised to RMB3.6 million and will seek for Independent Shareholders' approval at the SGM.
3. The existing revised annual cap of RMB15 million for the KE Purchase Transactions (which was based on historical transaction amounts up to 31 August 2013 and the then revised estimated orders from Guilin Bus in September 2013) for the year ending 31 December 2014 has been approved by the then Independent Shareholders by way of poll at the special general meeting held on 8 November 2013. By entering into the 2014–2016 Master Agreement, the Annual Cap for the KE Purchase Transactions for the year ending 31 December 2014 is slightly further revised to RMB15.5 million (which is based on historical transaction amounts up to 31 October 2013 and the further revised estimated orders from Guilin Bus in November 2013) and will seek for Independent Shareholders' approval at the SGM.

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; (b) the target sale volume of Wuling Industrial Group and Liuzhou Wuling Group for the three years ending 31 December 2016; (c) the changes in types of products to be purchased or sold (as the case may be and if applicable) to Liuzhou Wuling Group ; and (d) the changes in price range of products to be purchased or sold (as the case may be and if applicable) to Liuzhou Wuling Group as a result of the changes in types of products offered. In addition, a buffer of approximately 5% in general 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, unforeseeable change in government policies on automobile industry, unexpected fluctuations in raw material costs and labour costs, is also considered.

GB Trading Transactions, KE Purchase Transactions and Baomali Purchase Transactions

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

Wuling Industrial Group has supplied the automotive parts and raw materials to Guilin Bus for its vehicle productions since 2007 and acted as a sale agent of such vehicles since 2008. In early 2012, the PRC government called a temporary halt for sale of new school buses in order to rectify the safety issues after a number of school bus crashes or accidents caused by over-crowding 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. Demand for such school buses produced by Guilin Bus, which have a higher average purchase price as compared to its other similar models, has increased since 2013. In response to such changes and based on a revised business plan formulated between Wuling Industrial and Guilin Bus (the “**2013 Revised Business Plan**”), the original annual caps of the GB Trading Transactions for the year ending 31 December 2013 were revised pursuant to the 2013 GB Trading Agreement, which were subsequently approved by the Independent Shareholders in a special general meeting of the Company held on 8 November 2013. As the main sale agent of the vehicles produced by Guilin Bus, Wuling Industrial Group has continuously received orders and enquiries from its customers on the existing models as well as some new models (including some new models under development). Both of Wuling Industrial Group and Guilin Bus believed that the expansion trend as experienced in the year 2013 is likely to continue and have worked out a more aggressive business plan for the next three years. As a result, Wuling Industrial Group and Liuzhou Wuling Group have assumed that both the transaction volumes of GB Sale Transactions (i.e. automotive components and parts) and GB Purchase Transactions (currently mainly school buses and some other planned models in future) and the related Annual Caps will gradually increase and are illustrated as follows:

	Year ending 31 December			
	2013	2014	2015	2016
GB Purchase Transactions:				
Annual Caps (RMB'000)	420,000	453,800	630,200	840,500
<i>Increment (%)</i>	<i>N/A</i>	<i>8.0%</i>	<i>38.9%</i>	<i>33.4%</i>
Target purchase quantity (units of vehicles)	4,600	5,400	7,500	10,000
<i>Increment (%)</i>	<i>N/A</i>	<i>17.4%</i>	<i>38.9%</i>	<i>33.3%</i>
GB Sale Transactions:				
Annual Caps (RMB'000)	350,000	350,400	490,400	637,600
<i>Increment (%)</i>	<i>N/A</i>	<i>0.1%</i>	<i>40.0%</i>	<i>30.0%</i>
Target sale quantity (million units of automotive components and parts)	8.38 <i>(Note)</i>	11.54	16.15	20.99
<i>Increment (%)</i>	<i>N/A</i>	<i>37.7%</i>	<i>39.8%</i>	<i>30.0%</i>

Note: This sale quantity represented the recorded quantity for the year ending 31 December 2013.

LETTER FROM THE BOARD

GB Purchase Transactions

The average unit price of the GB Purchase Transactions adopted for the three years ending 31 December 2016 is expected to be reduced by approximately 8% as compared to that of 2013 due to the management's expectation that the average unit price of these vehicles, including school buses and some other planned models, will be lower in 2014 and maintained at the same level for the two years ending 31 December 2016. As a result, the percentage increase in the Annual Cap of GB Purchase Transactions for the year ending 31 December 2014 (as compared to that for 2013) is less than the percentage increase in target purchase volume of vehicles for the same year. The percentage increases in the Annual Caps of GB Purchase Transactions for the years ending 31 December 2015 and 2016 are in line with the percentage increases in target purchase volumes of vehicles from Guilin Bus for the corresponding years.

GB Sale Transactions

In line with the changes in product mix and increases in purchase volume under the GB Purchase Transactions recently and as abovementioned, the types and volumes of automotive components and parts planned to be sourced by Guilin Bus from Wuling Industrial Group for manufacturing of the different models of passenger mini-buses, i.e. the GB Sale Transactions, will have to be changed and increased. Based on the business plan of Guilin Bus for 2014, automotive components and parts to be sourced by Guilin Bus (mainly for its school buses production currently) under the GB Sale Transactions comprise more than 2,000 different types or specifications and due to the shift of production focus to school buses and the tightened safety and quality requirements imposed by the PRC government, most of which are different from those previously sourced under the previous GB Sale Transactions. As such, the management considers it is not appropriate to use the 2013 recorded sale volume of GB Sale Transactions to analyse the target sale volume of 2014. Standard unit prices are adopted for components and parts which are expected to be sourced by Guilin Bus (mainly for its school buses production currently) in estimating the Annual Caps of the GB Sale Transactions for the three years ending 31 December 2016. The percentage increases in Annual Caps of GB Sale Transactions for the years ending 31 December 2015 and 2016 are in line with the percentage increases in target sale volume of components and parts to Guilin Bus for the corresponding years.

LETTER FROM THE BOARD

KE Purchase Transactions and Baomali Purchase Transactions

As the KE Purchase Transactions and Baomali Purchase Transactions are primarily used for the production of the passenger mini-buses of Guilin Bus, the projected increases in the target volume of GB Trading Transactions for the three years ending 31 December 2016 will have a direct impact in the value of transactions of the KE Purchase Transactions and Baomali Purchase Transactions for the corresponding years. Given that the electronic devices and components purchased from KE Digital are also used for the manufacturing of electric vehicles of Wuling Industrial, it is expected that the growth of KE Purchase Transactions will be higher than the growth of Baomali Purchase Transactions and are illustrated as follows:

	Year ending 31 December			
	2013	2014	2015	2016
KE Purchase Transactions:				
Annual Caps (RMB'000)	11,000	15,500	21,700	28,300
<i>Increment (%)</i>	<i>N/A</i>	<i>40.9%</i>	<i>40.0%</i>	<i>30.4%</i>
Target purchase quantity (units of electronic devices and components)	259,000 <i>(Note)</i>	484,000	664,000	864,000
<i>Increment (%)</i>	<i>N/A</i>	<i>86.9%</i>	<i>37.2%</i>	<i>30.1%</i>
Baomali Purchase Transactions:				
Annual Caps (RMB'000)	14,000	17,900	23,300	30,300
<i>Increment (%)</i>	<i>N/A</i>	<i>27.9%</i>	<i>30.2%</i>	<i>30.0%</i>
Target purchase quantity (units of automotive air-conditioners, related parts and accessories)	212,000 <i>(Note)</i>	276,000	359,000	466,000
<i>Increment (%)</i>	<i>N/A</i>	<i>30.2%</i>	<i>30.1%</i>	<i>29.8%</i>

Note: These purchase quantities represented the recorded quantities for the year ending 31 December 2013.

Based on the same reasons mentioned above (i.e. the shift of the production focus to school buses and the tightened safety and quality requirements imposed by the PRC government in which the number and the types of components and parts to be sourced will be changed), the management considers it is not appropriate to use the 2013 recorded purchase volumes of KE Purchase Transactions and Baomali Purchase Transactions to analyse the target purchase volumes of these transactions of 2014.

Standard unit prices are adopted for over 140 types of electronic devices and components which are expected to be sourced from KE Digital in estimating the Annual Caps of KE Purchase Transactions for the three years ending 31 December 2016. As a result, the percentage increases in Annual Caps of KE Purchase Transactions for the years ending 31 December 2015 and 2016 are generally in line with the percentage increases in the target purchase volumes from KE Digital for the corresponding years.

LETTER FROM THE BOARD

Standard unit prices are adopted for over 80 types of automotive air-conditioners, related parts and accessories which are expected to be sourced from Baomali in estimating the Annual Caps of Baomali Purchase Transactions for the three years ending 31 December 2016. As a result, the percentage increases in Annual Caps of Baomali Purchase Transactions for the years ending 31 December 2015 and 2016 are generally in line with the percentage increases in the target purchase volumes from Baomali for the corresponding years.

GL Trading Transactions and GL Water and Power Supply Services

Guangling is principally engaged in (i) trading and manufacturing and sale of mould tools and parts, including the pressing moulds and pressing parts for automotive components and other related products; and (ii) provision of maintenance service on related equipment and facilities.

Wuling Industrial Group, as a centralized procurement services provider, has sold parts and raw materials, mainly steels, to Guangling for manufacturing of automotive components and other related products as well as mould tools and parts products. After processed, part of the automotive components and other related products manufactured by Guangling will be sold to Wuling Industrial Group for resale, assembly into component units, and manufacturing of specialized vehicles; whereas part of the mould tools and parts, including the pressing moulds and pressing parts manufactured by Guangling will be sold to Wuling Industrial Group for manufacturing of automotive components and other related products. This co-operation relationship have been in place for many years. In determining the Annual Caps for GL Trading Transactions for the three years ending 31 December 2016, the management has taken into account of the relocation plan of Guangling to a new factory premise which will be fully operational in 2014 and will result in an expansion of its production capacity. It is expected that both the transaction volumes of GL Sale Transactions (i.e. parts and raw materials, mainly steels) and GL Purchase Transactions (i.e. automotive components and mould tools and parts) and the related Annual Caps will gradually increase and are illustrated as follows:

	Year ending 31 December			
	2013	2014	2015	2016
GL Sale Transactions:				
Annual Caps (RMB'000)	82,000	131,400	168,100	210,200
<i>Increment (%)</i>	<i>N/A</i>	<i>60.2%</i>	<i>27.9%</i>	<i>25.0%</i>
Target sale quantity (tonnes of steels) (<i>Note</i>)	12,000	20,000	29,000	36,000
<i>Increment (%)</i>	<i>N/A</i>	<i>66.7%</i>	<i>45.0%</i>	<i>24.1%</i>
GL Purchase Transactions:				
Annual Caps (RMB'000), comprising:	96,000	119,800	152,700	180,800
<i>Increment (%)</i>	<i>N/A</i>	<i>24.8%</i>	<i>27.5%</i>	<i>18.4%</i>
Automotive components (RMB'000)		91,200	112,100	133,100
<i>Increment (%)</i>	<i>N/A</i>	<i>N/A</i>	<i>22.9%</i>	<i>18.7%</i>

LETTER FROM THE BOARD

	Year ending 31 December			
	2013	2014	2015	2016
Mould tools and parts (RMB'000)		21,000	31,500	36,800
<i>Increment (%)</i>	<i>N/A</i>	<i>N/A</i>	<i>50.0%</i>	<i>16.8%</i>
Scrap materials (RMB'000)		7,600	9,100	10,900
<i>Increment (%)</i>	<i>N/A</i>	<i>N/A</i>	<i>19.7%</i>	<i>19.8%</i>
Target purchase quantity (units/ sets of automotive components)	500,000	830,000	1,030,000	1,230,000
<i>Increment (%)</i>	<i>N/A</i>	<i>66.0%</i>	<i>24.1%</i>	<i>19.4%</i>

Note: GL Sale Transactions mainly comprise sale of steels (others are ancillary items only with insignificant amount) to Guangling, when determining the Annual Caps of GL Sale Transactions, management mainly takes into account the target sale quantities of steels.

GL Sale Transactions

A business plan has been formulated between Wuling Industrial Group and Liuzhou Wuling Group, in which a more prominent increase of about 60% is expected for the value of GL Sale Transactions for the year ending 31 December 2014 as compared to the existing annual cap for the year ending 31 December 2013. When determining the Annual Caps of GL Sale Transactions for the three years ending 31 December 2016, the average unit price of steels under the GL Sale Transactions is expected to be slightly reduced by approximately 4% in the year ending 31 December 2014 as compared to that of 2013 and further reduced by approximately 12% for 2015 due to the management's expectation on sourcing steels with a lower cost and different gradings for its customers. Similar level of average unit price for 2015 is also adopted for 2016. Based on the above, the percentage increases in the Annual Caps of GL Sale Transactions for the years ending 31 December 2014 and 2015 (as compared to those for respective previous years) are less than the percentage increases in target sale volumes of steels for the corresponding years. The percentage increase in the Annual Cap of GL Sale Transactions for the year ending 31 December 2016 is in line with the percentage increase in target sale volume of steels to Guangling for the same year.

GL Purchase Transactions

According to the business plan formulated between Wuling Industrial Group and Liuzhou Wuling Group, the expected purchases of components from Guangling will increase from a total of approximately 500,000 units/sets consisted of more than 10 different types of components in 2013 to a total of approximately 830,000 units/sets consisted of only 4 major types of components in 2014, which will gradually increase to a total of approximately 1,030,000 units/sets in 2015 and a total of approximately 1,230,000 units/sets in 2016, in which, the price range of the GL Purchase Transactions for the three years ending 31 December 2016 is also different with that for the year ending 31 December 2013. The management considers, given that there will be changes in types of products to be sourced (as mentioned above) and changes in price range (previously 10 types of products in 2013 and only 4 types of products in 2014 to 2016), it is not appropriate to directly compare the Annual

LETTER FROM THE BOARD

Caps of GL Purchase Transactions for the year ending 31 December 2014 with that for 2013, whereas the percentage increases in the Annual Caps of GL Purchase Transactions in respect of the purchases of automotive components for the two years ending 31 December 2016 are generally in line with the percentage increases in the target purchase volumes of Guangling for the corresponding years. In addition, Wuling Industrial Group also plans to purchase RMB21 million, RMB31.5 million and RMB36.8 million respective values of mould tools and parts from Guangling for use as consumables in its manufacturing processes (mainly metal pressing and stamping processes), and RMB7.6 million, RMB9.1 million and RMB10.9 million respective values of scrap materials which could be collected and resold by Wuling Industrial Group at certain profit margins for the three years ending 31 December 2016 as a result of further business co-operation and expansion with Guangling.

GL Water and Power Supply Services

Guangling currently only sourced part of its utilities from Wuling Industrial for its old factory premises and part of it from State Grid Corporation of China. After the relocation to the new factory premises, it will source all the utilities in the new factory premises from Wuling Industrial because the new factory premises of Guangling is in a closer proximity of the production base of Wuling Industrial.

GH Trading Transactions

Guihua is principally engaged in manufacturing and trading of tractors, farm transport vehicles, storage machines and agriculture machines. As described in the Company's announcement dated 30 December 2011, due to certain idle capacity, Guihua established a subcontracting division for manufacturing automotive components and planned to provide such services to Wuling Industrial Group. However, this subcontracting division which gives rise to the GH Trading Transactions has not yet commenced its operation since then due to certain technical issues encountered in the test runs. During the period, Guihua has been engaged in the re-engineering programs of its production technique and standards in fulfilling the quality requirements for the manufacturing of automotive components. As the re-engineering programs is still underway currently, there was no transaction between Guihua and Wuling Industrial Group during the year ended 31 December 2012 and the ten months ended 31 October 2013. Based on the latest progress, it is expected that such re-engineering programs will be completed soon, from which the subcontracting services from Guihua can be commenced in 2014. The subcontracting arrangement will involve the sale of raw materials, mainly steels, by Wuling Industrial Group to Guihua for production of automotive components and other related products, majority of which will be sold back to Wuling Industrial Group for resale, assembly into component units, as well as for manufacturing of specialized vehicles. Depending on the future development, Guihua may also use some raw materials purchased from Wuling Industrial Group for manufacturing components for its own trucks and other related products for sale to other customers.

LETTER FROM THE BOARD

Based on the business plan formulated between Wuling Industrial Group and Liuzhou Wuling Group, it is estimated that the transaction volumes of GH Sale Transactions (i.e. raw materials, mainly steels) and GH Purchase Transactions (i.e. automotive components for chassis assembly) and the related Annual Caps will gradually increase as follows:

	Year ending 31 December			
	2013	2014	2015	2016
GH Sale Transactions:				
Annual Caps (RMB'000)	7,000	7,600	12,700	16,000
<i>Increment (%)</i>	<i>N/A</i>	<i>8.6%</i>	<i>67.1%</i>	<i>26.0%</i>
Target sale quantity (tonnes of steels) (<i>Note</i>)	1,400	1,400	2,200	2,750
<i>Increment (%)</i>	<i>N/A</i>	<i>0%</i>	<i>57.1%</i>	<i>25.0%</i>
GH Purchase Transactions:				
Annual Caps (RMB'000)	8,000	8,000	10,100	11,100
<i>Increment (%)</i>	<i>N/A</i>	<i>0%</i>	<i>26.3%</i>	<i>9.9%</i>
Target purchase quantity (units of automotive components)	450,000	450,000	600,000	660,000
<i>Increment (%)</i>	<i>N/A</i>	<i>0%</i>	<i>33.3%</i>	<i>10.0%</i>

GH Sale Transactions

Guihua will purchase 1,400 tonnes steels from Wuling Industrial Group for the year ending 31 December 2014, therefore, the previously approved annual cap for the year ending 31 December 2014 for GH Sale Transactions of RMB7 million was used as a reference and an upward adjustment of approximately 8.6% thereon was considered for the Annual Cap of GH Sale Transactions of RMB7.6 million for the year ending 31 December 2014 since the steel price adopted to determine the previously approved annual cap for the year ending 31 December 2014 was based on steel price in 2011 when entered into the 2011 GH Trading Agreement in 2011. Meanwhile, taking into account of the possibility of Guihua being able to expand its own business in future, the volume of steels to be purchased from Wuling Industrial Group are expected to be further increased to 2,200 tonnes and 2,750 tonnes respectively for the two years ending 31 December 2016 respectively. The average unit price of the GH Sale Transactions is expected to be increased by approximately 6% for 2015 as compared to that of 2014 as the management considers the price of the steels under the GH Sale Transactions is more volatile in the market. Same level of average unit price for 2015 is adopted for 2016. Accordingly, the percentage increase in Annual Cap of GH Sale Transactions for the year ending 31 December 2014 are higher than the percentage increase in target sale volume of steels for the same year. The percentage increase in Annual Cap of GH Sale Transactions for the year ending 31 December 2016 is generally in line with the percentage increase in target sale volume of steels to Guihua for the same year.

LETTER FROM THE BOARD

GH Purchase Transactions

As Wuling Industrial Group expected that it will initially purchase 3 types of automotive components for chassis assembly from Guihua (which are currently being supplied by other suppliers at prices higher than the indicative prices of Guihua) in order to assess its quality during the year ending 31 December 2014 and source more such automotive components from Guihua for the years ending 31 December 2015 and 2016 (i.e. from 450,000 units in 2014 to 600,000 units in 2015 and 660,000 units in 2016) if their quality can meet the Group's expectation and related prices are more favourable to the Group. Same unit prices are adopted for the 3 types of components planned to be sourced from Guihua in estimating the Annual Caps of the GH Purchase Transactions for the three years ending 31 December 2016. The existing annual cap for the year ending 31 December 2014 for GH Purchase Transactions of RMB8 million which was approved in 2011 when entered into the 2011 GH Trading Agreement, was adopted as the Annual Cap of GH Purchase Transactions for the year ending 31 December 2014. When determining such annual cap in 2011, an initial buffer of approximately 10% was considered by the management. Accordingly, even though the types of products and unit prices adopted for determining the Annual Caps for the years ending 31 December 2014 to 2016 are the same, the percentage increases in the Annual Cap of GH Purchase Transactions for the year ending 31 December 2015 (as compared to that for 2014) is distorted by the initial 10% buffer (instead of the general buffer of 5% for 2015 and 2016), and hence, it is less than the percentage increase in target purchase volume from Guihua for the same year. The percentage increase in the Annual Cap of GH Purchase Transactions for the year ending 31 December 2016 is in line with the percentage increase in target purchase volume from Guihua for the same year.

Based on the above, the Directors, including the independent non-executive Directors, consider that the Annual Caps (with the buffer of 5% in general for (i) any transactions of similar nature which may be entered into with Liuzhou Wuling Group for the three years ending 31 December 2016; and (ii) any unforeseeable circumstances, in particular, unexpected market fluctuations, unforeseeable change in government policies on automobile industry, unexpected fluctuations in raw material costs and labour costs) for the Continuing Connected Transactions for the three years ending 31 December 2016 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.

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 is mainly engaged in trading, manufacturing and design of (i) various types of vehicles, primarily passenger coaches and mini-buses, automotive components and accessories, (ii) tractors, farm transport vehicles, storage machines and agriculture

LETTER FROM THE BOARD

machines; (iii) various types of machinery, molds and tools for production of automobiles, engines, and other relevant parts; (iv) the provision of related services in relation to the aforementioned products and equipment; and (v) 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, the 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 the 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 vehicles, primarily 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, the 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 (including the independent non-executive Directors after considering 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.

LETTER FROM THE BOARD

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.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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. Your attention is drawn to the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders on page 25 of this circular.

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. Your attention is drawn to the letter from the Proton Capital to the Independent Board Committee and the Independent Shareholders on pages 26 to 42 of this circular.

THE SGM

The SGM will be convened at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Thursday, 23 January 2014 at 3:00 p.m. to consider and, if thought fit, approve the 2014–2016 Master Agreement, including the Annual Caps for the Sale Transactions and Purchase Transactions, and the 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 the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any

LETTER FROM THE BOARD

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.

VOTING INFORMATION

As at the Latest Practicable Date, Wuling HK is directly interested in approximately 37% 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 resolution to consider and approve the 2014–2016 Master Agreement and the 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.

RECOMMENDATION

The Directors consider that the terms of the 2014–2016 Master Agreement, including the Annual Caps for the Sale Transactions and Purchase Transactions, and the 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 ordinary resolution in relation to the 2014–2016 Master Agreement, including the Annual Caps for the Sale Transactions and Purchase Transactions, and the transactions contemplated thereunder, to be proposed at the SGM.

FURTHER INFORMATION

Your attention is also drawn to the general 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

31 December 2013

To the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise you in respect of the 2014–2016 Master Agreement, including the Annual Caps for the Sale Transactions and Purchase Transactions, and the transactions contemplated thereunder, details of which are set out in the letter from the Board in the circular (the “**Circular**”) of the Company dated 31 December 2013, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw your attention to the letter of advice from Proton Capital as set out on pages 26 to 42 of the Circular, which contains its advice and recommendation to us as to whether or not the 2014–2016 Master Agreement, including the Annual Caps for the Sale Transactions and Purchase Transactions, and the transactions contemplated thereunder, is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, as well as the principal factors and reasons for its advice and recommendation.

Having considered, amongst other matters, the factors and reasons considered by, and the opinion of, Proton Capital as stated in its aforementioned letter of advice, we are of the opinion that the 2014–2016 Master Agreement, including the Annual Caps for the Sale Transactions and Purchase Transactions, and the transactions contemplated thereunder, is fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the 2014–2016 Master Agreement, including the Annual Caps for the Sale Transactions and Purchase Transactions, and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Yu Xiumin
*Independent non-executive
Director*

Ye Xiang
*Independent non-executive
Director*

Zuo Duofu
*Independent non-executive
Director*

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 2014–2016 Master Agreement 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

31 December 2013

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

Dear Sirs,

CONTINUING CONNECTED 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 2014–2016 Master Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 31 December 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.

On 21 November 2013, 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.

Given that Liuzhou Wuling is the controlling Shareholder, the 2014–2016 Master Agreement and the Sale Transactions and Purchase Transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. According to the Board Letter, the 2014–2016 Master Agreement and the Sale Transactions and Purchase Transactions 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 the 2014–2016 Master Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the entering into the 2014–2016 Master Agreement is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent

LETTER FROM PROTON CAPITAL

Shareholders should vote in respect of the relevant resolution to approve the 2014–2016 Master Agreement (including the Annual Caps) and the Sale Transactions and Purchase Transactions 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.

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 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 the 2014–2016 Master Agreement. 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.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the 2014–2016 Master Agreement and the Annual Caps, we have taken into consideration the following principal factors and reasons:

Background of the 2014–2016 Master Agreement

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:

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

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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 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 its long term business potential in the PRC automobile industry will continue to be strengthened.

Information on Liuzhou Wuling Group

According to the Board Letter, 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; and (v) rental of property and other related services. We further noted from the website of Liuzhou Wuling that (i) Liuzhou Wuling recorded revenue of approximately RMB13.6 billion for the year ended 31 December 2012; and (ii) Liuzhou Wuling is one of the top 30 enterprises in the automobile industry of the PRC. Furthermore, Liuzhou Wuling intended to invest RMB10 billion in 20 significant projects in the next five years.

Industry overview

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.

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 October 2013, (i) the PRC's motor vehicles sales reached approximately 17.8 million units, representing an increase of approximately 13.47% as compared with the corresponding period in 2012; (ii) the passenger vehicles sales in the PRC reached approximately 14.5 million units, representing an increase of approximately 14.99% as compared with the corresponding period in 2012; and (iii) the PRC's commercial vehicles sales reached approximately 3.4 million units, representing an increase of approximately 7.38% as compared with the corresponding period in 2012.

Reasons for the entering into of the 2014–2016 Master Agreement

As mentioned above, the 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.

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 stabilize the business of the Group.

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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.

Based on the above reasons, in particular, (i) the long-term business relationship between the Group and Liuzhou Wuling Group (as a sizeable market participant in the PRC automobile industry); and (ii) that the Sale Transactions are expected to provide a stable source of income to the Group, we concur with the Directors that the Sale Transactions and Purchase Transactions 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 2014–2016 Master Agreement

The tables below summarise the major terms of the 2014–2016 Master Agreement:

Date:	21 November 2013
Parties:	Wuling Industrial and Liuzhou Wuling
Scope of products and services to be provided:	<p>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, including each of the Continuing Connected Transactions.</p> <p>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.</p>
Term:	Three years from 1 January 2014 to 31 December 2016 (both dates inclusive)

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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.

The prices of the GL Water and Power Supply Services will be determined with reference to, among others, 《關於調整廣西電價有關問題的通知》(桂價格[2011]181號) (Notice on Relevant Issues Relating to the Adjustment of Price of Electricity in Guangxi (Gui Jia Ge [2011] No. 181*)) by 價格局 (Bureau of Commodity Prices*) of Guangxi Zhuang autonomous region and any prices prescribed by the government of the PRC from time to time.

Except for the GL Water and Power Supply Services, it is not commercially practical to determine the specific unit price of the products and/or services supplied by or to Liuzhou Wuling Group as those products and/or services are not consumer goods/services but industrial products which have various specifications, different specific technology standards and are tailor made.

Payment terms:

Payments for the products and/or services supplied by and/or to Liuzhou Wuling Group, including each of the Continuing Connected Transactions, 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 made with reference to the payment terms of previous Continuing Connected Transactions, which currently have a credit period ranged from 90 to 180 days, and on market terms which are no less favourable than those obtainable by the Group from Independent Third Parties.

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With reference to the Board Letter, standard control procedures over the purchasing activities of the Group, which comprise, inter alia, supplier selection processes, price determination processes and product quality evaluation processes (the “**Purchase Control**”), were adopted and implemented on both the purchase transactions with Independent Third Parties and the Purchase Transactions in order to ensure the above payment terms and pricing basis of the Purchase Transactions will be on market terms or on terms which are no less favourable than those available from Independent Third Parties. The finance department of the Group will determine the target purchase price of products with reference to the total purchase cost; the purchase department of the Group will then negotiate or conduct bidding exercise with suppliers based on the target purchase price. In the event that the target purchase price cannot be agreed, the finance department and purchase department of the Group will consider to adjust the target purchase price and/or seek for other suppliers. For our due diligence purpose, we have requested and obtained the Purchase Control and noted the same details as disclosed above. Besides, when determining the agreed prices for automotive components, mould tools and parts purchased which are industrial products, the Group will also periodically, at least once every year or whenever there is a proposed change to the purchase price, in order to determine the agreed prices, request the relevant members of Liuzhou Wuling Group to provide their costs and sale records of the related products supplied to the Group to compare the profit margin therefrom with the estimated profit margin earned by Wuling Industrial Group from the sale of the end products of the Group, most of which are also industrial products, to ensure that the profit margins of the relevant member of Liuzhou Wuling Group are reasonable as compared to the profit margins earned by the Group. When determining the market prices of vehicles purchased (currently mainly passenger mini-buses), the Group will obtain the market prices of similar products from its authorized distributors to assess the competitiveness of the prices charged by the relevant members of Liuzhou Wuling Group at least once every year or whenever there is a proposed change to the purchase price and/or the selling price.

For the Sale Transactions, the Group has adopted and implemented its standard pricing policies (the “**Sales Pricing Policies**”) on both the sale transactions with the Independent Third Parties and the Sale Transactions in order to ensure the above payment terms and pricing basis of the Sale Transactions will be on market terms or on terms which are no less favourable than those available to Independent Third Parties, i.e. charging of a reasonable profit margin over the cost of production. In this regard, the sale department of the Group will collect and analyse price information for the same/similar products provided by competitors in the market; the finance department of the Group, with the supports from the purchase department, technique department and manufacture department of the Group, will then evaluate the products’ total cost of sale; and finally a price determination committee will be established to determine the price of the products to be sold with the aforesaid market and cost information. For our due diligence purpose, we have requested and obtained the Sales Pricing Policies and noted the same details as disclosed above. In addition, the Group will also conduct periodic review of the profit margins earned from the Sale Transactions as compared to the profit margins earned from products sold to other Independent Third Parties.

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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 Continuing Connected Transactions).

With reference to the Board Letter, all of the Purchase Transactions and Sale 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 all of the Purchase Transactions and Sale Transactions, will be set out in the Company's next annual report following the occurrence of such transactions. In order to facilitate the review process, relevant members of Liuzhou Wuling Group will also provide their relevant records to the auditors of the Company during the course of auditors' review.

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 Continuing Connected Transactions (save as and except for the GH Trading Transactions which were not incurred during 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 (save as and except for the GH Trading Transactions which were not incurred during the year ended 31 December 2012) 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, among other things, that the Continuing Connected Transactions (save as and except for the GH Trading Transactions which were not incurred during the year ended 31 December 2012) incurred 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). Such confirmation is in compliance with the provision under Rule 14A.38 of the Listing Rules.

In light of all of the above, we concur with the Directors that the terms of the 2014–2016 Master Agreement (including the pricing policies) 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 Annual Caps

Set out below is a summary of (i) the historical transaction amounts of the Continuing Connected Transactions for the two years ended 31 December 2012 and the ten months ended 31 October 2013; and (ii) the Annual Caps for each of the three years ending 31 December 2016:

Historical transaction amounts

	For the year ended 31 December 2011 (audited) RMB'000	For the year ended 31 December 2012 (audited) RMB'000	For the ten months ended 31 October 2013 (unaudited) RMB'000
Sale Transactions, including:			
GL Sale Transactions	79,763	37,971	59,669
GB Sale Transactions	67,572	108,050	149,467
GH Sale Transactions	—	—	—
GL Water & Power Supply Services	1,872	1,223	1,013
	149,207	147,244	210,149
Purchase Transactions, including:			
GL Purchase Transactions	60,730	69,864	69,780
GB Purchase Transactions	89,397	159,973	208,459
GH Purchase Transactions	—	—	—
KE Purchase Transactions	1,783	3,477	6,651
Baomali Purchase Transactions	1,779	3,468	5,670
	153,689	236,782	290,560

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Annual Caps

	For the year ending 31 December 2014 <i>RMB'000</i>	For the year ending 31 December 2015 <i>RMB'000</i>	For the year ending 31 December 2016 <i>RMB'000</i>
Sale Transactions, including:			
GL Sale Transactions	131,400	168,100	210,200
GB Sale Transactions	350,400	490,400	637,600
GH Sale Transactions (<i>Note 1</i>)	7,600	12,700	16,000
GL Water & Power Supply Services (<i>Note 2</i>)	3,600	4,800	6,200
	493,000	676,000	870,000
Purchase Transactions, including:			
GL Purchase Transactions	119,800	152,700	180,800
GB Purchase Transactions	453,800	630,200	840,500
GH Purchase Transactions (<i>Note 1</i>)	8,000	10,100	11,100
KE Purchase Transactions (<i>Note 3</i>)	15,500	21,700	28,300
Baomali Purchase Transactions	17,900	23,300	30,300
	615,000	838,000	1,091,000

Notes:

1. The annual caps of RMB7 million for the GH Sale Transactions and RMB8 million for the GH Purchase Transactions for the year ending 31 December 2014 have been approved by the Board on 30 December 2011. By entering into the 2014–2016 Master Agreement, the Annual Caps for the GH Sale Transactions and the GH Purchase Transactions for the year ending 31 December 2014 are RMB7.6 million and RMB8 million respectively and will seek for Independent Shareholders' approval at the SGM.

2. The annual cap of RMB2 million for the GL Water and Power Supply Services for the year ending 31 December 2014 have been approved by the Board on 30 December 2011. By entering into the 2014–2016 Master Agreement, the Annual Cap for the GL Water and Power Supply Services for the year ending 31 December 2014 is further revised to RMB3.6 million and will seek for Independent Shareholders' approval at the SGM.

3. The revised annual cap of RMB15 million for the KE Purchase Transactions (which was based on historical transaction amounts up to 31 August 2013 and the then revised estimated orders from Guilin Bus in September 2013) for the year ending 31 December 2014 has been approved by the then Independent Shareholders by way of poll at the special general meeting held on 8 November 2013. By entering into the 2014–2016 Master Agreement, the Annual Cap for the KE Purchase Transactions for the year ending 31 December 2014 is slightly further revised to RMB15.5 million (which is based on historical transaction amounts up to 31 October 2013 and the further revised estimated orders from Guilin Bus in November 2013) and will seek for Independent Shareholders' approval at the SGM.

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With reference to the Board Letter, the Annual Caps were determined with reference to (i) the historical transaction amounts of the Continuing Connected Transactions during the ten months ended 31 October 2013; and (ii) 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 approximately 5% for (a) any transactions of similar nature which may be entered into with Liuzhou Wuling Group in the three years ending 31 December 2016; and (b) any unforeseeable circumstances, in particular, unexpected market fluctuations, unforeseeable change in government policies on automobile industry, unexpected fluctuations in raw material costs and labour costs, are also considered by the Board (altogether, the “**Buffer Basis**”).

GB Trading Transactions, KE Purchase Transactions and Baomali Purchase Transactions

Upon our further enquiries, the Directors advised us that (i) the specific electronic devices and components designed and produced by KE Digital which are the subjects under the KE Purchase Transactions; and (ii) 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. In addition, 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.

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 (the “**Target Sale Volume**”). Such increase will contribute to significant increase in the value of transactions of the related Baomali Purchase Transactions, KE Purchase Transactions and GB Trading Transactions and hence lead to significant increase in the amounts of Continuing Connected Transactions.

As advised by the Directors, 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. Such favourable condition (the “**GB Favourable Condition**”) would support the Target Sale Volume.

In determining the Annual Caps for the GB Trading Transactions, the Company had taken into account (i) the Target Sale Volume; (ii) increase in demand for school buses produced by Guilin Bus; (iii) orders and enquiries on the existing models as well as some

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new models (including some new models under development) of vehicles produced by Guilin Bus continuously received by Wuling Industrial Group from its customers; and (iv) changes in product mix and increases in sale volume under the GB Purchase Transactions which may lead to changes and increase in the types and volumes of automotive components and accessories planned to be sourced by Guilin Bus from Wuling Industrial Group for manufacturing of the different models of passenger mini-buses. We understand from the Company that the Target Sale Volume is determined by multiplying the estimated market size of the vehicles by the estimated market share of Wuling Industrial Group. Such estimated market size of the vehicles and the market share of Wuling Industrial Group are based on historical statistics conducted by the Company. Having taken into account (i) the positive outlook of the vehicle industry in the PRC (as demonstrated in the section headed “Industry overview” of this letter); (ii) the GB Favourable Condition; and (iii) the conservative approach in estimating the market share of Wuling Industrial Group (i.e. conservative increase and decrease in market share for respectively products), we considered that the Target Sale Volume to be justifiable. We also noted that the increases in the Annual Caps for the GB Trading Transactions are in line with the increase in Target Sale Volume for the two years ending 31 December 2016.

As the Baomali Purchase Transactions and KE Purchase Transactions are primarily used for the production of the passenger mini-buses of Guilin Bus, the projected increases in the target volume for GB Trading Transactions for the three years ending 31 December 2016 will have a direct impact in the value of transactions of the Baomali Purchase Transactions and KE Purchase Transactions for the corresponding years. Given that the electronic devices and components purchased from KE Digital are also used for the manufacturing of electric vehicles of Wuling Industrial, it is expected that the growth of KE Purchase Transactions will be higher than the growth of Baomali Purchase Transactions.

Detailed figures under the calculation of the Annual Caps for the GB Trading Transactions, the KE Purchase Transactions and the Baomali Purchase Transactions are set out in the section headed “Basis of determination of the proposed Annual Caps” of the Board Letter.

GL Trading Transactions and GL Water and Power Supply Services

With reference to the Board Letter, 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, taking into account of the relocation plan of Guangling (the “**GL Relocation**”) to a new factory premises which will be fully operational in 2014 and will result in an expansion of the production capacity of Guangling. 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. In determining the Annual Caps for the GL Sale Transactions, the Company had also taken into account the expected increase in the volume of steels to be purchased from Wuling Industrial Group by Guangling (with expected reduction in average unit price of steels of approximately 4% and 12% in the two years ending 31

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December 2015 respectively and similar level of average unit price in 2015 adopted for 2016 (the “**GL Steel Price Trend**”). For our due diligence purpose, we have requested and obtained information from the Company in relation to the said relocation plan of Guangling which show a production capacity to be expanded. We noted that the production capacity of Guangling would increase by approximately 185% after the GL Relocation. It is reasonable to expect an increase in the volume of steels to be purchased from Wuling Industrial Group by Guangling due to the said expansion of Guangling. In addition, we have discussed with the Company in relation to the GL Steel Price Trend and understood that Wuling Industrial Group intended to switch suppliers to source steels with a lower cost and different gradings for its customers. For our due diligence purpose, we have obtained market data through the Company and noted that the historical price of steels offered by the existing supplier, which is more reputable in the market for that particular type of products, is higher than those offered by other potential suppliers. Having considered the above, we are of the view that the GL Steel Price Trend and the expected increases in Annual Caps for the GL Sale Transactions of about 28% and 25% respectively for the two years ending 31 December 2016 are justifiable.

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. In determining the Annual Caps for the GL Purchase Transactions, the Company had taken into account the expected increase in purchase of components from Guangling and the change in the components of the GL Purchase Transaction. In addition, Wuling Industrial Group also plans to purchase more mould tools and parts from Guangling for use as consumables in its manufacturing processes (mainly metal pressing and stamping processes), and scrap materials which could be collected and resold by Wuling Industrial Group at certain profit margin for the three years ending 31 December 2016 as a result of further business co-operation and expansion with Guangling. As further advised by the Directors, the new factory premises of Guangling is in a closer proximity of the production base of Wuling Industrial after GL Relocation. Accordingly, the amount of GL Purchase Transactions may increase to facilitate Wuling Industrial’s production operation and achieve over-all cost saving purpose. Having taken into account (i) the growth in revenue of the Group’s “automotive components and accessories” segment from 2011 to 2012; (ii) the revenue of the Group’s “automotive components and accessories” segment for the six months ended 30 June 2013 represents approximately 58% of the same for the year ended 31 December 2012; (iii) that Wuling Industrial Group plans to purchase more mould tools and parts from Guangling as aforementioned, we considered the range; and (iv) that the amount of GL Purchase Transactions may increase after the GL Relocation to facilitate Wuling Industrial’s production operation and achieve over-all cost saving purpose, we considered that the range of annual increases of 18% to 27% in the GL Purchased Transactions for the three years ending 31 December 2016 to be justifiable.

For GL Water and Power Supply Services, Guangling currently only sourced part of its utilities from Wuling Industrial for its old factory premises. After the GL Relocation, Guangling will source all the utilities in the new factory premises from Wuling Industrial because the new factory premises of Guangling is in a closer proximity of the production

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base of Wuling Industrial. Having also taken into account of the expansion of the production capacity of Guangling, the amount of the GL Water and Power Supply Services are also expected to increase for the three years ending 31 December 2016.

Detailed figures under the calculation of the Annual Caps for the GL Trading Transactions and GL Water and Power Supply Services are set out in the section headed “Basis of determination of the proposed Annual Caps” of the Board Letter.

GH Trading Transactions

We noted from the Board Letter that the GH Trading Transactions did not incurred for the two years ended 31 December 2012 and the ten months ended 31 October 2013. With reference to the Board Letter, due to certain idle capacity, Guihua established a subcontracting division for manufacturing automotive components and planned to provide such services to Wuling Industrial Group. However, this subcontracting division which gives rise to the GH Trading Transactions has not yet commenced its operation since then due to certain technical issues encountered in the test runs. Based on the latest progress, it is expected that such re-engineering programs will be completed soon, from which the subcontracting services from Guihua can be commenced in 2014. Accordingly, part of the Annual Caps are reserved for the expected GH Trading Transactions in 2014. Upon our enquiry, the Company advised us that the GH Sale Transactions had commenced in small scale in late November 2013 to support the final stage of the test runs of the said subcontracting division of Guihua and the GH Purchase Transactions will incur upon commencement of the production of that subcontracting division. For our due diligence purpose, we have obtained the delivery order from the Company in relation to the GH Sale Transactions in late November 2013.

In determining the Annual Caps for the GH Sale Transactions, the Company had taken into account the possibility of Guihua being able to expand its own business in future which may lead to increase in demand of steels to be purchased from Wuling Industrial Group under the GH Sale Transactions and its price (with an increase of approximately 6% in the average unit price of the GH Sale Transactions in 2015 (“**GH Steel Price Increase**”)). In determining the Annual Caps for the GH Purchase Transactions, the Company had taken into account the expected increase in automotive components to be sourced from Guihua by Wuling Industrial Group if its quality can meet the Group’s expectation and its prices are more favourable to the Group. Given that (i) 2014 is expected to be the first year of commencement of the subcontracting services from Guihua; (ii) the subcontracting services will be conducted in a more mature scale in 2015 with further growth in 2016, it is reasonable to assume higher increases in the Annual Caps for the GH Trading Transactions (together with the respective increase in target sale quantity and target purchase quantity) “from 2014 to 2015” as compared to the increases “from 2015 to 2016”. As advised by the Directors, the raw materials, mainly steels, to be purchased by Guihua under the GH Sale Transactions may also be applied for other production lines of Guihua. Accordingly, it is reasonable to assume higher increases in the Annual Caps for the GH Sale Transactions as compared to the GH Purchase Transactions. In addition, we have discussed with the Company regarding the GH Steel Price Increase and understood that the steel purchased by Guangling and Guihua are

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different from each other. Having considered the historical trend of the price of steel to be purchased by Guihua which is volatile (i.e. the highest price represents a premium of approximately 18% over the lowest price in 2013), it is justifiable to incorporate the moderate GH Steel Price Increase of 6% for prudent sake.

Detailed figures under the calculation of the Annual Caps for the GH Trading Transactions are set out in the section headed “Basis of determination of the proposed Annual Caps” of the Board Letter.

In assessing the fairness and reasonableness of the Annual Caps for Sale Transactions (the “**Sale Caps**”), we have discussed with the Directors regarding the underlying bases and assumptions for the Sale Caps. For due diligence purpose, we have also obtained the business plans for the Sale Transactions which contains (i) the Sale Caps; and (ii) the estimated sale orders (which contain expected unit price and quantity) in respect of each products under each of the Sale Transactions to be executed by Wuling Industrial Group in relation to the Sale Transactions for each of the three years ending 31 December 2016 (the “**Estimated Sale Orders**”).

In assessing the fairness and reasonableness of the Annual Caps for Purchase Transactions (the “**Purchase Caps**”), we have discussed with the Directors regarding the underlying bases and assumptions for the Purchase Caps. For due diligence purpose, we have also obtained the business plans for the Purchase Transactions which contains (i) the Purchase Caps; and (ii) the estimated purchase orders (which contain expected unit price and quantity) in respect of each products under each of the Purchase Transactions to be executed by Wuling Industrial Group for each of the three years ending 31 December 2016 (the “**Estimated Purchase Orders**”).

In addition, having considered and discussed with the Directors the Buffer Basis, we concur with the Directors that the buffer of 5% (being a moderate buffer) for each of the three years ending 31 December 2016 for both Sale Transactions and Purchase Transactions are acceptable.

We found that the Sale Caps and Purchase Caps (which are supported by the Estimated Sale Orders and the Estimated Purchase Orders) are in line with the observations, findings and information provided by the Directors as mentioned above.

In light of (i) the foregoing basis of the Annual Caps for the 2014–2016 Master Agreement (together with our due diligence work); (ii) the business growth of the Group; and (iii) the positive outlook of the vehicle industry in the PRC (as demonstrated in the section headed “Industry overview” of this letter), we concur with the Directors that the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

Shareholders should note that as the Annual Caps 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 2016, and they do not represent forecasts of revenue or purchase amount to be generated/incurred from the Sale Transactions/Purchase Transactions. Consequently,

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we express no opinion as to how closely the actual revenue or purchase to be generated/ incurred under the Sale Transactions/Purchase Transactions will correspond with the Annual Caps.

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 2014–2016 Master Agreement must be restricted by the Annual Caps for the three years ending 31 December 2016; (ii) the terms of the 2014–2016 Master Agreement (together with the 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 the 2014–2016 Master Agreement (together with the 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 the 2014–2016 Master Agreement are carried out in accordance with the pricing policies of the Company, and the Annual Caps are not being exceeded. In the event that the total amounts of the transactions contemplated under the 2014–2016 Master Agreement exceed the Annual Caps, or that there is any material amendment to the terms of the 2014–2016 Master Agreement, 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 2014–2016 Master Agreement and hence the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the 2014–2016 Master Agreement (including the 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 the 2014–2016 Master Agreement 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 the 2014–2016 Master Agreement (together with the 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 interests 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	24.02%
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	0.33%
		3,000,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>3,906,818</u>			
Mr. Lee Shing	Beneficial owner (Note 4)	906,818	From 21 January 2011 to 31 December 2013	HK\$1.062	0.33%
		3,000,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>3,906,818</u>			
	Family interest (Note 3)	352,651	From 21 January 2011 to 31 December 2013	HK\$1.062	0.17%
		1,600,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
<u>1,952,651</u>					
Mr. Wei Hongwen	Beneficial owner (Note 6)	806,060	From 21 January 2011 to 31 December 2013	HK\$1.062	0.33%
		3,000,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>3,806,060</u>			
Mr. Zhong Xianhua	Beneficial owner	705,303	From 21 January 2011 to 31 December 2013	HK\$1.062	0.23%
		2,000,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>2,705,303</u>			
Ms. Liu Yaling	Beneficial owner	806,060	From 21 January 2011 to 31 December 2013	HK\$1.062	0.24%
		2,000,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>2,806,060</u>			
Mr. Zhou Sheji	Beneficial owner (Note 5)	705,303	From 21 January 2011 to 31 December 2013	HK\$1.062	0.23%
		2,000,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>2,705,303</u>			

Name of Directors	Capacity	Number of Options held	Exercise period	Subscription price per Share	Approximate % of the issued share capital
Mr. Yu Xiumin	Beneficial owner	604,545	From 21 January 2011 to 31 December 2013	HK\$1.062	0.14%
		1,000,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>1,604,545</u>			
Mr. Zuo Duofu	Beneficial owner	604,545	From 21 January 2011 to 31 December 2013	HK\$1.062	0.14%
		1,000,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>1,604,545</u>			
Mr. Ye Xiang	Beneficial owner	604,545	From 21 January 2011 to 31 December 2013	HK\$1.062	0.14%
		1,000,000	From 6 October 2013 to 30 June 2016	HK\$0.49	
		<u>1,604,545</u>			

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 24.52% 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 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

Name of Shareholders	Capacity	Nature of interest	Number of ordinary shares	Approximate % of the issued share capital
Dragon Hill (Note 1)	Beneficial owner	Corporate	<u>281,622,914</u>	<u>24.02%</u>
Mr. Lee Shing	Interest in controlled corporation (Note 1)	Corporate	281,622,914	24.02%
	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>24.52%</u>
Wuling HK (Notes 3 and 4)	Beneficial owner	Corporate	433,651,975	37.00%
		Unlisted derivatives	481,813,886	41.10%
		Total	<u>915,465,861</u>	<u>78.10%</u>
Wuling Motors (Hong Kong) Company Limited (“Wuling Motors”) (Notes 3 and 4)	Interest in controlled corporation	Corporate	433,651,975	37.00%
			481,813,886	41.10%
			<u>915,465,861</u>	<u>78.10%</u>

Name of Shareholders	Capacity	Nature of interest	Number of ordinary shares	Approximate % of the issued share capital
Liuzhou Wuling (Notes 3 and 4)	Interest in controlled corporation	Corporate	433,651,975	37.00%
		Unlisted derivatives	481,813,886	41.10%
		Total	<u>915,465,861</u>	<u>78.10%</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: (i) 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) with a maturity date on 12 January 2014; and (ii) 344,827,586 Shares issuable to Wuling HK upon exercise in full of the conversion rights attached to the proposed convertible notes (proposed to be issued on the maturity date of the abovementioned existing convertible notes) with a principal amount of HK\$200,000,000 at an initial conversion price of HK\$0.58 per Share (subject to adjustments) pursuant to a conditional subscription agreement entered into between the Company and Wuling HK on 27 November 2013, details of which are fully described in the Company's announcement dated 27 November 2013.

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

On 27 November 2013, the Company and Wuling HK entered into a conditional subscription agreement, pursuant to which the Company has conditionally agreed to issue and Wuling HK has conditionally agreed to subscribe for the convertible notes in an aggregate principal amount of HK\$200,000,000 at an initial conversion price of HK\$0.58 per Share (subject to adjustments) (the "**Subscription Agreement**"). Details of Subscription Agreement was fully described in the Company's announcements dated 27 November 2013 and 18 December 2013.

Save as disclosed herein, 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. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given an opinion or advice contained in this circular:

Name	Qualification
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 and including the date of SGM, whichever is longer:

- (a) the 2014–2016 Master Agreement;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 25 of this circular;
- (c) the letter from Proton Capital containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 26 to 42 of this circular; and
- (d) the written consent of Proton Capital referred to in the paragraph headed “Expert’s Qualification and Consent” in this appendix.

NOTICE OF SGM



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 a special general meeting (the “SGM”) of Wuling Motors Holdings Limited (五菱汽車集團控股有限公司*) (the “Company”) will be held at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Thursday, 23 January 2014 at 3:00 p.m. to consider and, if though fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT

- (a) the 2014–2016 Master Agreement dated 21 November 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) including the Annual Caps for the Sale Transactions and Purchase Transactions and the transactions contemplated thereunder 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 2014–2016 Master Agreement and the transactions contemplated thereunder.”

For the purpose of this resolution, the term “2014–2016 Master Agreement” shall have the same definitions as defined in the circular to the shareholders of the Company dated 31 December 2013.”

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

31 December 2013

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). 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.

NOTICE OF SGM

3. Shareholders are advised to read the circular to the shareholders of the Company dated 31 December 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.

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.

* *For identification purpose only*