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

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

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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)

- (1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO
CAPITAL INCREASE IN WULING INDUSTRIAL**
**(2) CONNECTED TRANSACTION IN RELATION TO ISSUE OF
CONVERTIBLE NOTES UNDER SPECIFIC MANDATE**
**(3) PROPOSED PLACING OF CONVERTIBLE NOTES
UNDER SPECIFIC MANDATE**
**(4) RE-ELECTION OF THE RETIRING DIRECTORS
AND**
(5) NOTICE OF SPECIAL GENERAL MEETING

Arranger



Joint Placing Agents



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



Capitalised terms used in this cover page shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 8 to 41 of this circular. A letter from the Independent Board Committee containing its recommendations in respect of the Capital Increase and the Subscription to the Independent Shareholders is set out on pages 42 to 43 of this circular. A letter from Gram Capital containing its advice on the Capital Increase and the Subscription to the Independent Board Committee and the Independent Shareholders is set out on pages 44 to 60 of this circular.

A notice convening the SGM to be held at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Friday, 16 December 2016 at 12:00 noon is set out on pages SGM-1 to SGM-3 of 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 Level 22, Hopewell Centre, 183 Queen's Road East, 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 desire.

28 November 2016

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DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this circular shall have the following meanings:

“Announcement”	the announcement of the Company dated 13 October 2016 regarding the major and connected transaction in relation to the Capital Increase; connected transaction in relation to the issue of Convertible Notes A; and proposed placing of Convertible Notes B
“Arranger”	China Industrial Securities International Capital Limited, a company incorporated in Hong Kong and a licensed corporation under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day, other than Saturday and a day on which a tropical cyclone warning no. 8 or above is hoisted or a “black rainstorm warning signal” is given in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., on which licensed banks in Hong Kong are open for general banking business throughout their normal business hours
“Capital Increase”	the contribution of an additional sum of RMB590,000,000 (equivalent to approximately HK\$664,340,000) in cash by the Company to Wuling Industrial which will be settled by the First Instalment and the Second Instalment, of which RMB279,601,173 (equivalent to approximately HK\$314,831,000) will be contributed to the registered capital of Wuling Industrial and the remaining balance of RMB310,398,827 (equivalent to approximately HK\$349,509,000) will be contributed to the capital reserves of Wuling Industrial
“Capital Increase Agreement”	the conditional capital increase agreement dated 13 October 2016 entered into between the Company, Guangxi Automobile and Wuling Industrial in relation to the Capital Increase of Wuling Industrial
“Company”	Wuling Motors Holdings Limited (五菱汽車集團控股有限公司), an exempted company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Period”	the period during which the Noteholder(s) may exercise the Conversion Rights to subscribe for the Conversion Shares A at the Conversion Price, details of which are set out in the paragraph headed “Principal terms of the Convertible Notes A” in this circular
“Conversion Price”	the conversion price at which each Conversion Share shall be issued upon a conversion of all or any part of the Convertible Notes, which is initially fixed at HK\$0.70 per Conversion Share and subject to adjustments (if any)
“Conversion Rights”	Conversion Rights A and Conversion Rights B
“Conversion Rights A”	the rights attaching to the Convertible Notes A to convert the whole or part of the outstanding principal amount of the Convertible Notes A into Conversion Shares A subject to the terms and conditions of the Convertible Notes A
“Conversion Rights B”	the rights attaching to the Convertible Notes B to convert the whole or part of the outstanding principal amount of the Convertible Notes B into Conversion Shares B subject to the terms and conditions of the Convertible Notes B
“Conversion Share(s)”	Conversion Shares A and Conversion Shares B
“Conversion Shares A”	new Share(s) to be allotted and issued by the Company upon the exercise of the conversion rights attaching to the Convertible Notes A
“Conversion Shares B”	new Share(s) to be allotted and issued by the Company upon the exercise of the conversion rights attaching to the Convertible Notes B
“Convertible Notes”	the Convertible Notes A and the Convertible Notes B
“Convertible Notes A”	the 4.0% convertible notes due in 2019 in an aggregate principal amount of HK\$400,000,000 to be issued by the Company to Wuling HK pursuant to the Subscription Agreement
“Convertible Notes B”	the 4.0% convertible notes due in 2019 in an aggregate principal amount of up to HK\$300,000,000 to be issued by the Company pursuant to the Placing Agreement
“Directors”	directors of the Company

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“Dragon Hill”	Dragon Hill Development Limited, a company incorporated in Samoa with limited liability and a substantial Shareholder beneficially interested in approximately 15.34% of the total number of Shares in issue of the Company as at the Latest Practicable Date. It is solely and beneficially owned by Mr. Lee Shing, an executive Director, the vice-chairman and the Chief Executive Officer of the Company
“First Instalment”	the capital increase of a sum of RMB340,000,000 (equivalent to approximately HK\$382,840,000) in cash by the Company to Wuling Industrial of which RMB161,126,100 (equivalent to approximately HK\$181,428,000) will be contributed to the registered capital of Wuling Industrial and RMB178,873,900 (equivalent to approximately HK\$201,412,000) will be contributed to the capital reserves of Wuling Industrial
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO), and the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Capital Increase and the Subscription
“Group”	the Company and its subsidiaries
“Guangxi Automobile”	Guangxi Automobile Holdings Limited (廣西汽車集團有限公司), a state-controlled enterprise established in the PRC, being the ultimate beneficial controlling Shareholder
“Guangxi Department of Commerce”	廣西壯族自治區商務廳 (Department of Commerce of Guangxi Zhuang Autonomous Region)
“Guangxi Development and Reform Commission”	廣西壯族自治區發展和改革委員會 (Guangxi Zhuang Autonomous Region Development and Reform Commission)
“Guangxi SASAC”	廣西壯族自治區人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the People’s Government of Guangxi Zhuang Autonomous Region)
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board comprising Mr. Zuo Duofu, Mr. Ye Xiang and Mr. Wang Yuben, being all of the independent non-executive Directors, established for the purposes of advising the Independent Shareholders regarding the Capital Increase and the Subscription
“Independent Shareholders”	Shareholders other than (a) Wuling HK, parties acting in concert with it and their respective associates; and (b) any other persons who are interested or involved in the Capital Increase Agreement and the Subscription Agreement or who are prohibited to vote under the Listing Rules
“Issue Date”	the date of issue of the Convertible Notes A, which shall be on the date of completion of the Subscription
“Joint Placing Agents”	China Industrial Securities International Capital Limited, Essence International Securities (Hong Kong) Limited, GF Securities (Hong Kong) Brokerage Limited and CCB International Capital Limited
“Latest Practicable Date”	24 November 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Liudong Production Facilities”	the production facilities of Wuling Industrial Group which is situated at Hualing, Liudong New District in Liuzhou, Guangxi (廣西柳州市柳東新區花嶺), which commenced operation in 2015 and is established targeting at the passenger vehicles’ components businesses
“Maturity Date”	the maturity date of the Convertible Notes, being the date falling on the third anniversary of the Issue Date
“NDRC”	中華人民共和國國家發展和改革委員會 (National Development and Reform Commission)
“Nomination Committee”	the nomination committee of the Company
“Noteholder(s)”	the holder(s) of the Convertible Notes
“Placee(s)”	any independent professional, institutional or other investor(s) procured by the Arranger and the Joint-Placing Agents to subscribe for any principal amount of the Convertible Notes B under the Placing Agreement

DEFINITIONS

“Placing”	the private placing of the Convertible Notes B in the principal amount of up to HK\$300,000,000 pursuant to the Placing Agreement
“Placing Agreement”	the conditional placing agreement dated 13 October 2016 entered into between the Company, the Arranger and the Joint Placing Agents in relation to the Placing
“Placing Completion Date”	date of completion of the Placing
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Second Instalment”	the capital increase of a sum of RMB250,000,000 (equivalent to approximately HK\$281,500,000) in cash by the Company to Wuling Industrial of which RMB118,475,073 (equivalent to approximately HK\$133,403,000) will be contributed to the registered capital of Wuling Industrial and RMB131,524,927 (equivalent to approximately HK\$148,097,000) will be contributed to the capital reserves of Wuling Industrial
“SFO”	the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
“SGM”	the special general meeting of the Company to be convened and held on 16 December 2016 for the purpose of considering and, if thought fit, approving the Capital Increase Agreement, the Subscription Agreement and the Placing Agreement, together with the transactions contemplated thereunder and the re-election of the retiring Directors
“SGMW”	SAIC-GM-Wuling Automobile Co., Limited, a company established in the PRC and a joint venture formed among Shanghai Automobile Industry (Group) Company Limited, GM (China) Investment Co., Limited and Guangxi Automobile and is currently a major customer of Wuling Industrial Group’s businesses in engines and automotive components
“Share(s)”	ordinary share(s) of HK\$0.004 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate”	a specific mandate to allot and issue new Shares to be sought from the Shareholders at the SGM to satisfy the Conversion Shares pursuant to the Subscription and the Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	conditional subscription of the Convertible Notes A by Wuling HK pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 13 October 2016 entered into between the Company and Wuling HK in relation to the Subscription and issue of the Convertible Notes A
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“WI Capital Increase Agreement”	the capital increase agreement dated 3 December 2015 entered into between the Company, Guangxi Automobile and Wuling Industrial in relation to the contribution of an additional sum of RMB160,000,000 (equivalent to approximately HK\$180,160,000) in cash by the Company to Wuling Industrial
“Wuling HK”	Wuling (Hong Kong) Holdings Limited, a company incorporated in Hong Kong with limited liability and a controlling Shareholder beneficially interested in approximately 56.04% of the total number of Shares in issue of the Company as at the Latest Practicable Date and an indirect wholly-owned subsidiary of Guangxi Automobile
“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 approximately 54.86% and approximately 45.14% by the Company and Guangxi Automobile respectively
“Wuling Industrial Group”	Wuling Industrial and its subsidiaries
“%”	per cent

DEFINITIONS

In this circular, unless otherwise specified, conversion of RMB into Hong Kong Dollars is, based on the exchange rate of RMB1 to HK\$1.126, for information purpose only. Such conversion should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

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

** For identification purpose only*

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. Yuan Zhijun (*Chairman*)

Mr. Lee Shing (*Vice-chairman and
Chief Executive Officer*)

Mr. Zhong Xianhua

Ms. Liu Yaling

Mr. Yang Jianyong

Independent non-executive Directors:

Mr. Zuo Duofu

Mr. Ye Xiang

Mr. Wang Yuben

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

28 November 2016

To the Shareholders,

Dear Sirs,

- (1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO
CAPITAL INCREASE IN WULING INDUSTRIAL**
- (2) CONNECTED TRANSACTION IN RELATION TO ISSUE OF
CONVERTIBLE NOTES UNDER SPECIFIC MANDATE**
- (3) PROPOSED PLACING OF CONVERTIBLE NOTES
UNDER SPECIFIC MANDATE**
- (4) RE-ELECTION OF THE RETIRING DIRECTORS**

INTRODUCTION

Reference is made to the Announcement whereby the Board announced, inter alia, that on 13 October 2016 (after the trading hours), the Company entered into (1) the Capital Increase Agreement with Guangxi Automobile and Wuling Industrial; (2) the Subscription Agreement with Wuling HK; and (3) the Placing Agreement with the Arranger and the Joint Placing Agents.

Reference is also made to the announcement of the Company dated 4 November 2016 in relation to the appointment of Mr. Yuan Zhijun as an executive Director, the chairman of the Board and the chairman of the Nomination Committee in place of the resignation of Mr. Wei Hongwen as an executive Director, the chairman of the Board and the chairman of the

LETTER FROM THE BOARD

Nomination Committee, and the appointment of Mr. Yang Jianyong as an executive Director in place of the resignation of Mr. Sun Shaoli as an executive Director, all with effect from 4 November 2016.

The purpose of this circular is to provide you with, among other things, (i) details of the Capital Increase, the Subscription and the Placing, (ii) a letter from the Independent Board Committee to the Independent Shareholders giving its recommendations in respect of the Capital Increase and the Subscription; (iii) a letter from Gram Capital to the Independent Board Committee and the Independent Shareholders containing its advice on the Capital Increase and the Subscription; (iv) details of the re-election of the retiring Directors; and (v) a notice of the SGM approving: (a) the Capital Increase, the Subscription and the Placing together with the transactions contemplated thereunder; and (b) the re-election of the retiring Directors.

1. CAPITAL INCREASE IN WULING INDUSTRIAL

1.1 The Capital Increase Agreement

The Board is pleased to announce that, on 13 October 2016 (after trading hours), the Company entered into the Capital Increase Agreement with Guangxi Automobile and Wuling Industrial, details of which are set out below.

Date:

13 October 2016 (after trading hours)

Parties to the Capital Increase Agreement:

- a. the Company;
- b. Guangxi Automobile; and
- c. Wuling Industrial.

As at the Latest Practicable Date, Guangxi Automobile indirectly owns all issued shares of Wuling HK, the controlling Shareholder which is currently interested in approximately 56.04% of the total number of Shares in issue of the Company. Further, as at the Latest Practicable Date, Guangxi Automobile owns approximately 45.14% equity interest in Wuling Industrial, a direct non-wholly owned subsidiary of the Company. Accordingly, Guangxi Automobile, Wuling HK and Wuling Industrial are connected persons of the Company under the Listing Rules.

The Capital Increase and payment terms:

The existing registered capital of Wuling Industrial, a limited company established in the PRC, is currently owned as to approximately 54.86% by the Company and as to approximately 45.14% by Guangxi Automobile. Pursuant to the Capital Increase Agreement, the Company conditionally agreed to contribute an additional sum of RMB590,000,000 (equivalent to approximately HK\$664,340,000)

LETTER FROM THE BOARD

in cash for the Capital Increase, of which RMB279,601,173 (equivalent to approximately HK\$314,831,000) will be contributed to the registered capital of Wuling Industrial and RMB310,398,827 (equivalent to approximately HK\$349,509,000) will be contributed to the capital reserves of Wuling Industrial. The registered capital and the capital reserves of Wuling Industrial are both capital of Wuling Industrial.

The allocation of the Capital Increase between the registered capital and the capital reserves was determined based on the agreed valuation of RMB2,200,000,000 (equivalent to approximately HK\$2,477,200,000) of Wuling Industrial, which was determined in accordance with the market value of Wuling Industrial as of 30 June 2016 as assessed by BMI Appraisals Limited, an independent valuer, and the shareholding percentage of each of the Company and Guangxi Automobile in Wuling Industrial. A summary of the final valuation report of Wuling Industrial Group issued by BMI Appraisals Limited on 28 November 2016 is set out in Appendix V to this circular.

Based on the agreed valuation of RMB2,200,000,000 of Wuling Industrial, the value attributable to the equity interest in Wuling Industrial held by the Company (54.86% in Wuling Industrial) is approximately RMB1,206,920,000. Following completion of the Capital Increase, the valuation of Wuling Industrial will become RMB2,790,000,000 and out of which approximately RMB1,796,920,000 (being the sum of RMB1,206,920,000 and RMB590,000,000) should be attributable to the Company and this will represent an equity interest of 64.41% in Wuling Industrial. This will in turn represent an increase of the Company's equity interest in Wuling Industrial of approximately 9.55% from 54.86% to 64.41%. As at the Latest Practicable Date, the registered capital of Wuling Industrial was RMB1,042,580,646, which was owned as to RMB571,970,646 (54.86%) by the Company and as to RMB470,610,000 (45.14%) by Guangxi Automobile. In order to achieve the Company's percentage ratio of 64.41% in the equity interest of Wuling Industrial after completion of the Capital Increase, RMB279,601,173 out of the Capital Increase was allocated to increase the registered capital of Wuling Industrial.

The difference of RMB310,398,827 between the Capital Increase and the increase in the registered capital of Wuling Industrial will be accounted as capital reserve of Wuling Industrial. Therefore, the balance of the contribution to the capital reserves of RMB310,398,827, which is the surplus amount over the contribution amount to the registered capital of Wuling Industrial under the Capital Increase, will form part of the shareholders' equities of Wuling Industrial and will be classified as the contribution reserve in the financial statement of Wuling Industrial in accordance with the applicable accounting standards.

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The table below set out the change of registered capital of Wuling Industrial upon completion of the Capital Increase:

	Registered capital of Wuling Industrial before the Capital Increase	Registered capital of Wuling Industrial after the Capital Increase
Company	RMB571,970,646 (54.86%)	RMB851,571,819 (64.41%)
Guangxi Automobile	RMB470,610,000 (45.14%)	RMB470,610,000 (35.59%)
Total	RMB1,042,580,646 (100%)	RMB1,322,181,819 (100%)

In view of the funding requirements of Wuling Industrial with reference to the on-going and potential projects as more fully described under the following section “1.2 Reasons for the Capital Increase”, the Capital Increase will be contributed by the Company in two instalments, namely, the First Instalment and the Second Instalment.

Subject to fulfilment of the conditions precedent to the Capital Increase, the First Instalment in the sum of RMB340,000,000 (equivalent to approximately HK\$382,840,000) in cash will be paid by the Company to Wuling Industrial within 10 Business Days upon completion of the Subscription or such later date as the parties to the Capital Increase Agreement may otherwise agree and the Second Instalment in the sum of RMB250,000,000 (equivalent to approximately HK\$281,500,000) in cash is expected to be paid by the Company to Wuling Industrial within 30 Business Days upon completion of Placing and in any event no later than 31 December 2017, being the latest date of injecting capital to Wuling Industrial.

To strengthen the financial position and to enhance the liquidity of Wuling Industrial, which as at 30 June 2016, had audited net current liabilities of approximately RMB752,073,000 (equivalent to approximately HK\$846,834,000), and to enable Wuling Industrial to pursue its capacity expansion and technology enhancement projects, the Company intends to complete the Second Instalment, which is intended to be financed entirely or partly from the Placing to be carried out on a best efforts basis and has a long stop date falling on or prior to 15 January 2017, after the First Instalment as soon as practicable.

In addition, the early completion of the Second Instalment will also be in the interest of the Company and its Shareholders as the increase in the Company’s equity interests in Wuling Industrial will directly increase the proportion of entitlement in the profit generated from Wuling Industrial, which is calculated based on the actual paid up registered capital in Wuling Industrial by its shareholders.

LETTER FROM THE BOARD

The Capital Increase is to be contributed by two instalments as the First Instalment will be funded by proceeds from the Subscription which subject to satisfaction of certain conditions precedent, has been committed by Wuling HK whereas the Second Instalment is intended to be funded by proceeds from the Placing, which will be carried out on a best efforts basis and the Company may or may not raise sufficient funds for the Second Instalment from the Placing. In order to fulfill the funding requirements of Wuling Industrial as soon as possible, the Capital Increase is to be contributed by two instalments such that the First Instalment can be completed as soon as the Subscription is completed after the relevant conditions precedent are satisfied.

Conditions Precedent of the Capital Increase:

The Capital Increase Agreement is conditional upon the following conditions precedent:

- (a) all permissions and approvals in respect of the Capital Increase having been obtained from Guangxi SASAC and Guangxi Department of Commerce;
- (b) the Capital Increase Agreement, the amended and restated articles of association of Wuling Industrial and all the necessary documents having been signed;
- (c) the Capital Increase having been unanimously approved by the board of directors of Wuling Industrial;
- (d) the passing of a resolution to approve the Capital Increase Agreement and the transactions contemplated thereunder at the SGM by the Independent Shareholders;
- (e) the Subscription having been completed in accordance with the terms of the Subscription Agreement; and
- (f) the final valuation of Wuling Industrial as at 30 June 2016 as assessed by BMI Appraisals Limited would be no less than RMB2,200,000,000.

None of the conditions precedent can be waived. If the conditions precedent are not satisfied in full on or before 31 December 2016 or such later date as the parties to the Capital Increase Agreement may otherwise agree, the Capital Increase Agreement will lapse, and none of the parties thereto shall have any claim against the others in respect of the Capital Increase Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, none of the conditions precedent has been satisfied.

LETTER FROM THE BOARD

Completion:

Subject to satisfaction of the conditions precedent to the Capital Increase, completion of the Capital Increase with respect to the First Instalment will take place on the 10th working day (or such other day as the parties to the Capital Increase Agreement may agree) of completion of the Subscription and completion of the Capital Increase with respect to the Second Instalment will take place before 31 December 2017, being the latest date of injecting capital to Wuling Industrial.

Others:

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

1.2 Reasons for the Capital Increase

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

Wuling Industrial and its subsidiaries are the only operating subsidiaries of the Company that are engaged in the principal activities of the Group. For the six months ended 30 June 2016 and the financial year ended 31 December 2015, Wuling Industrial's turnover accounted for the entire turnover of the Group, except for the property rental income of RMB125,000 (equivalent to approximately HK\$140,750) recorded for the financial year ended 31 December 2015. As disclosed in the chairman's statement of the annual report of the Company for the financial year ended 31 December 2015 (the "**2015 Annual Report**"), as the controlling shareholder of Wuling Industrial, the Group will implement appropriate financing strategies in a timely manner to provide funding for the development of Wuling Industrial, including utilizing the fund raising platform of the Company as a listed company. To keep pace with the customer demands and the shifting of the Group's focus to high value-added products, the Group, via Wuling Industrial, is proceeding with various projects in terms of the establishment of new production facilities, construction and installation of plant and machinery, as well as the research and development of new products. The Group will also commit to major technology enhancement projects and equity investment projects.

The Capital Increase will increase the Company's shareholding interest in Wuling Industrial, strengthen the financial position of Wuling Industrial and provide funding for the Wuling Industrial Group's various expansion and enhancement projects including technical re-engineering projects, business expansion programs, capacity expansion programs, technical capacity strengthening programs and upgrading and integration

LETTER FROM THE BOARD

programs, which will improve its overall profitability and the shareholders' return directly. The Company is expected to benefit from, among others, its stable return on investment for Shareholders from the profitable operation of Wuling Industrial.

In addition, the Company's capital contribution to Wuling Industrial will further enhance its business cooperation with Wuling Industrial, pave ways for the future development of the Company by securing a reliable financing channel and being provided with safe and convenient settlement service, lower the financial costs, optimize the financial structure and reinforce the financial position of the Company, which is beneficial to the effective resources allocation of the Company.

Details of the various programs undertaken by the Group, via Wuling Industrial, are set out in the 2015 Annual Report, the interim report of the Company for the six months ended 30 June 2016 (the **"2016 Interim Report"**) and the announcement published by the Company dated 23 May 2016.

On 23 May 2016, the Company made an announcement on the progress of the establishment of the Group's first overseas production base located in Indonesia (the **"Indonesian Production Base"**) as mentioned in the chairman's statement of the 2015 Annual Report (**"2015 Chairman's Statements"**) and the "Messages from the Board of Directors" in the 2016 Interim Report.

As mentioned in the 2015 Chairman's Statement and the "Messages from the Board of Directors" in the 2016 Interim Report, over the past few years, the Group has taken strategic steps in the PRC to transform from a single production point operation in Liuzhou into an inter-provincial production group with facilities in Guangxi, Shandong and Chongqing, accomplishing a synchronized expansion and improvement in terms of corporate size and core competitiveness, meanwhile establishing a sound foundation for the Group's business growth and sustainable development in the future. These strategic steps, accompanied with the satisfactory growth in the business volume of the major customer and other customers of the Group over the past few years, have benefited the business performance of the Group. Total revenue of the Group was increased from approximately RMB7,112 million for the year ended 31 December 2008 to approximately RMB13,451 million for the year ended 31 December 2015, whereas, gross profit of the Group was also increased from approximately RMB772 million for the year ended 31 December 2008 to approximately RMB1,521 million for the year ended 31 December 2015. Meanwhile, total revenue of the Group for the six months ended 30 June 2016 was also increased by approximately 26.6% to RMB8,502 million as compared to the corresponding period in 2015.

Apart from the improvement in business performance, these strategic steps over the past few years have strengthened the commercial collaboration between the Group and SGMW, the major customer in pursuing current businesses as well as other future business opportunities. As SGMW has been actively promoting its overseas business activities by establishing its production plant in Indonesia, as mentioned in the 2015 Chairman's Statement and the "Messages from the Board of Directors" in the 2016 Interim Report, the Group has kept pace with such development of SGMW and decided to

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develop its overseas businesses concurrently. As such, the project for the construction of the Indonesian Production Base to cope with the potential business activities of the main customer was therefore considered and formulated recently, which is expected to commence operation in the second half of 2017.

Being the fourth largest population country in the world and in consideration of its recent economic development, the Directors are of the view that there is great business potential for the automobile industry in Indonesia and consider that the geographical expansion of the Group's automotive components businesses in Indonesia is an appropriate expansion strategy for the Group for the time being. The Directors also consider the co-operation with SGMW in Indonesia will further strengthen the commercial collaboration between the Group and SGMW, which will be beneficial to the business performance of the Group.

Based on the current plan, construction and installation of the production lines and facilities in the Indonesian Production Base has been commenced in the second half of 2016 and will take about one year to complete. The production lines and facilities planned to be installed and constructed will comprise a number of welding, stamping and assembly production lines for manufacturing of the automotive components for the rear suspension, front axle parts of vehicles, with a planned production volume of 150,000 sets/units per annum. Based on the Group's current estimation, the total capital expenditure of the machinery and equipment for the construction and installation of these production lines and facilities will amount to approximately RMB160 million. Establishment of the Indonesian Production Base has been carried out according to the planned schedule. As at 31 October 2016, the aggregate amount of capital expenditure, primarily construction in progress, incurred by Wuling Industrial amounted to approximately RMB44,000,000 (equivalent to approximately HK\$49,544,000).

Meanwhile, as set out in the 2016 Interim Report, there has been significant growth of businesses of the passenger vehicles' components businesses since 2015 and after commencement of operation of the Liudong Production Facilities in late 2014, which was established targeting at the passenger vehicles' components businesses, Wuling Industrial has immediately commenced construction of the second phase development of Liudong Production Facilities in 2015 to ensure adequate production capacity can become available on a timely basis. Further details of the second phase development of Liudong Production Facilities are set out in the announcement of the Company dated 11 May 2015. Construction of the second phase development of Liudong Production Facilities has been completed in December 2015 and the second phase development of Liudong Production Facilities has become fully operational in July 2016. In view of the significant growth of passenger vehicles' components businesses as reported in the 2016 Interim Report, Wuling Industrial has recently decided to expand its Liudong Production Facilities by undertaking the third phase development of Liudong Production Facilities. The third phase development of Liudong Production Facilities which involves the acquisition of a new industrial site with a site area of approximately 140,500 sq. meters, at a consideration of RMB48,000,000 (equivalent to approximately HK\$54,048,000) from Liuzhou Municipal Bureau of Land Resources (柳州市國土資源局) which is located adjacent to the Liudong

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Production Facilities has been concluded recently, where Wuling Industrial intends to commence the work of foundation and infrastructure for this new site immediately after the acquisition to provide a readily available site for its further capacity expansion plans.

Apart from the Liudong Production Facilities, Wuling Industrial has also recently formulated development plans for the other two main production facilities in the PRC, i.e. the production facilities in Qingdao and Chongqing. As for the production facilities in Qingdao, due to the launches of the new passenger vehicles by SGMW manufactured in their production base in Shandong, the production facilities of Wuling Industrial located in Qingdao will also be required to undertake certain technology advance and capacity expansion projects. In order to cope with the potential increasing demands and the upgrading standard required by SGMW, Wuling Industrial is currently planning certain expansion and upgrading projects for its production facilities in Qingdao which will involve the establishment of several large scale plastic injection production lines, as well as other automatic welding and assembly lines and the installation of industrial robots. Based on the preliminary estimation, total capital expenditure for these technology advance and capacity expansion projects would be approximately RMB110 million. Wuling Industrial is now closely monitoring the progress of the launches of these new passenger vehicles by SGMW, which are expected to be gradually commenced from the second half of 2017, to ensure these technology advance and capacity expansion projects could be implemented on a timely manner.

With respect to the production facilities in Chongqing which has commenced operation for about a year in supplying automotive components to SGMW, as mentioned in the 2016 Interim Report, Wuling Industrial has also been reviewing its second phase development in line with the expansion plan of SGMW and would initiate appropriate plans for further expansion in due course. Besides formulating appropriate plans for the automotive components and other industrial services division, taking the advantages of having an existing operation in this region, Wuling Industrial has recently decided to establish a production plant for the assembly of specialized vehicles in the production facilities in Chongqing.

As indicated in the 2016 Interim Report, being the third main business segment of Wuling Industrial, the specialized vehicles division experienced moderate improvements in performance in the six months ended 30 June 2016 as compared to the corresponding period in 2015, in which total revenue and operating profits were increased by 19.2% and 41% respectively. During the six months ended 30 June 2016, Wuling Industrial sold approximately 28,000 specialized vehicles, representing an increase of 16.7% as compared to the corresponding period in 2015, which increase was mainly attributable to an increase in the sale volume of redecorated vans, whereas sale volume of other products such as mini-school buses, mini-buses and multi-purpose mini-vans, etc, remained stable. Meanwhile, the specialized vehicles division has been actively promoting new models to expand its product range and business volume, as well as to enhancing its profitability.

Currently, production facilities of the specialized vehicles division of Wuling Industrial are situated in Liuzhou and Qingdao with respective annual capacities of approximately 60,000 vehicles and 30,000 vehicles. It is expected that the establishment

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of the production plant of specialized vehicles in Chongqing with annual capacity of approximately 15,000 vehicles will not only expand the capacity of the specialized vehicles division, but also facilitate geographical diversification which enables the benefits of quality services and cost effectiveness. According to the initial plan of Wuling Industrial, construction of the production plant of specialized vehicles in Chongqing will commence by end of 2016 and will be completed in mid-2017, which will become operational in the second half of 2017.

Upon completion of the First Instalment, the Company currently intends to apply, via Wuling Industrial, the increased capital of RMB340,000,000 (equivalent to approximately HK\$382,840,000) as to: (i) approximately RMB86,000,000 (equivalent to approximately HK\$96,836,000) for financing the scheduled capital expenditures of the Indonesian Production Base, which will primarily be incurred during the period from November 2016 to July 2017, comprising the construction cost for the establishment of a mechanical pressing production line, the costs of construction and establishment of seven different welding and assembly production lines of an aggregate amount of approximately RMB50,000,000 (equivalent to approximately HK\$56,300,000) and the purchase costs of other various types of tools, machinery and equipment of an aggregate amount of approximately RMB36,000,000 (equivalent to approximately HK\$40,536,000); (ii) approximately RMB28,000,000 (equivalent to approximately HK\$31,528,000) for financing the related costs of transport, installation and initial setup of the operation facilities of the Indonesian Production Base to be incurred during the period from November 2016 to July 2017; (iii) approximately RMB52,000,000 (equivalent to approximately HK\$58,552,000) as the general working capital (for acquiring inventory for operation, settlement of production costs and general and administrative expenses) for the operation of the Indonesian Production Base, being a separate operating entity outside the core operating location of Wuling Industrial Group in the PRC, and is planned to commence operation in the second half of 2017; (iv) approximately RMB58,000,000 (equivalent to approximately HK\$65,308,000) for financing the remaining balances of the purchase consideration of the acquisition of a new industrial site (together with the related cost of foundation and infrastructure) adjacent to the Liudong Production Facilities which is planned to be used for constructing the third phase development of the Liudong Production Facilities from November 2016 to April 2017; (v) approximately RMB80,000,000 (equivalent to approximately HK\$90,080,000) for financing the costs of construction of the production plant of specialized vehicles in Chongqing to be incurred from December 2016 to July 2017; and (vi) approximately RMB36,000,000 (equivalent to approximately HK\$40,536,000) as general working capital of Wuling Industrial (for settlement of general and administrative expenses).

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Upon completion of the Second Instalment, the Company currently intends to apply, via Wuling Industrial, the increased capital of RMB250,000,000 (equivalent to approximately HK\$281,500,000) as to: (i) approximately RMB120,000,000 (equivalent to approximately HK\$135,120,000) for financing the cost of construction of the third phase development of the Liudong Production Facilities which is scheduled to commence in the second half of 2017; and (ii) out of the remaining balances of approximately RMB130,000,000 (equivalent to approximately HK\$146,380,000), 75% of which will be used for financing the technology enhancement and capacity expansion projects of the production facilities in Qingdao which are currently under planning and 25% of which as general working capital of Wuling Industrial (for settlement of general and administrative expenses).

The Company intends to utilize (i) RMB340,000,000 (equivalent to approximately HK\$382,840,000) out of the net proceeds from the issue of the Convertible Notes A under the Subscription for settlement of the First Instalment; and (ii) RMB250,000,000 (equivalent to approximately HK\$281,500,000) out of the net proceeds from the issue of the Convertible Notes B under the Placing for settlement of the Second Instalment.

If the Placing, which is on a best efforts basis, could not be completed or fully completed, such that the Convertible Notes B could not be issued or fully issued, the Company will seek other sources of finances which include the application of specific banking facilities for this particular purpose and/or utilizing the available unused banking facilities and/or internal resources to settle any outstanding balances of the Second Instalment not satisfied by the Placing.

The Company at present does not have any fund raising plans other than the Subscription, Placing and the normal bank financing activities. Besides, the Company at present has no intention to further inject capital into Wuling Industrial other than the Capital Increase.

1.3 Information on Wuling Industrial

Wuling Industrial was established on 30 October 2006 as a state-owned company in the PRC. It has been converted into a sino-foreign joint venture since 17 August 2007. In February 2016, the Company completed the contribution, on a non pro-rata basis, a sum of RMB160,000,000 in cash to Wuling Industrial, of which RMB82,580,646 was contributed to the registered capital of Wuling Industrial and RMB77,419,354 was contributed to the capital reserves of Wuling Industrial pursuant to a capital increase agreement entered into between the Company, Guangxi Automobile and Wuling Industrial on 3 December 2015. For further details, please refer to the announcement of the Company dated 3 December 2015 and the circular of the Company dated 24 December 2015. Accordingly, Wuling Industrial is currently owned as to approximately 54.86% by the Company and as to approximately 45.14% by the Guangxi Automobile. Wuling Industrial and its subsidiaries are principally engaged in the manufacturing and trading of engines and parts, automotive components and accessories, specialised vehicles and the trading of raw materials, water and power supply services in the PRC.

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Set out below is the audited net profit before and after taxation and extraordinary items of the Wuling Industrial Group for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016:

	For the year ended 31 December 2014	For the year ended 31 December 2015	For the six months ended 30 June 2016
Profit before tax	Approximately RMB162,239,000 (equivalent to approximately HK\$182,681,000)	Approximately RMB268,155,000 (equivalent to approximately HK\$301,943,000)	Approximately RMB178,375,000 (equivalent to approximately HK\$200,850,000)
Profit after tax	Approximately RMB131,667,000 (equivalent to approximately HK\$148,257,000)	Approximately RMB200,123,000 (equivalent to approximately HK\$225,338,000)	Approximately RMB146,746,000 (equivalent to approximately HK\$165,236,000)

The audited consolidated net assets of the Wuling Industrial Group attributable to the shareholders of Wuling Industrial as at 31 December 2015 and 30 June 2016 were approximately RMB1,770,961,000 (equivalent to approximately HK\$1,994,102,000) and RMB2,044,088,000 (equivalent to approximately HK\$2,301,643,000) respectively.

1.4 Information on Guangxi Automobile

Guangxi Automobile, through its direct and indirect wholly owned subsidiaries, namely Wuling Motors (Hong Kong) Company Limited and Wuling HK, is currently interested in 1,028,846,806 Shares, representing approximately 56.04% of the total number of Shares in issue of the Company, and is the ultimate controlling shareholder of the Company as at the Latest Practicable Date. Guangxi Automobile is currently a state-controlled company established in the PRC with the State-owned Assets Supervision and Administration Commission of the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府國有資產監督管理委員會) being the registered shareholder empowered by the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府). Guangxi Automobile, together with its subsidiaries, including the Group, is mainly engaged in the trading, manufacturing and design of (i) various types of vehicles, primarily passenger coaches and mini-buses, automotive components and accessories; (ii) various types of machinery, molds and tools for production of automobiles, engines, and other relevant parts; (iii) the provision of related services, including the technical advisory, information, production, after sales services and the supply of power and water services, etc, in relation to the aforementioned products and equipment; and (iv) rental of property and other related services.

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2. ISSUE OF CONVERTIBLE NOTES A UNDER SPECIFIC MANDATE

2.1 The Subscription Agreement

The Board is pleased to announce that after trading hours on 13 October 2016, the Company entered into the Subscription Agreement with Wuling HK, details of which are set out below.

Date:

13 October 2016 (after trading hours)

Parties to the Subscription Agreement:

- a. the Company (as the issuer); and
- b. Wuling HK (as the subscriber).

Issue of the Convertible Notes A:

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue, and Wuling HK conditionally agreed to subscribe for, the Convertible Notes A in the aggregate principal amount of HK\$400,000,000, which will be issued on their face value.

Conditions Precedent of the Subscription:

Completion of the Subscription is conditional upon the fulfillment of the following:

- (a) the Independent Shareholders having passed an ordinary resolution at the SGM to approving the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Notes A and the allotment and issue of the Conversion Shares A, in compliance with the requirements of the Listing Rules;
- (b) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares A;
- (c) the Guangxi SASAC having granted the relevant approval in relation to the Convertible Notes A;
- (d) the relevant registration and approval in relation to the Convertible Notes A having been made with, and obtained from, the NDRC; and
- (e) the conditions precedent to the Capital Increase as stated in the Capital Increase Agreement (other than the condition relating to completion of the Subscription) having been satisfied.

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None of the above conditions precedent may be waived. If any of the conditions precedent has not been fulfilled on or before 31 December 2016 or such other date as may be agreed in writing by the Company and Wuling HK, the Subscription Agreement will lapse and the parties thereto will be released from all obligations thereunder, save for liabilities for any antecedent breaches of the Subscription Agreement.

As at the Latest Practicable Date, none of the conditions precedent has been satisfied.

Completion:

Subject to all the conditions precedent having been fulfilled, completion of the Subscription will take place at 4:00 p.m. on the fifth Business Day after satisfaction of the last of the conditions precedent (or such other date as may be agreed by the Company and Wuling HK in writing). Upon completion of the Subscription, Wuling HK shall pay in cash to satisfy the consideration for the Subscription in full.

2.2 Principal Terms of the Convertible Notes A

The principal terms of the Convertible Notes A are summarised below:

Total issue price and aggregate principal amount upon issue	HK\$400,000,000
Maturity Date	The date falling on the third anniversary of the Issue Date
Redemption price at maturity	100% of the outstanding principal amount of the Convertible Notes A on the Maturity Date, together with all unpaid and accrued interest due on the outstanding principal amount of the Convertible Notes A
No early redemption	Save for the occurrence of any event of default as set out in the terms and conditions of the Convertible Notes A, the Noteholder(s) will not be entitled to demand for early repayment of the Convertible Notes A

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Interest	<p>The Convertible Notes A will bear interest on the outstanding principal amount thereof from the Issue Date at a rate of 4.0% per annum. Interest will be payable yearly in arrears. In the event that the Company does not pay any sum payable under the Convertible Notes A when due, a default interest at the rate of 10% per annum for the relevant default payment period will be payable by the Company. The interest rate was determined by the parties after arm's length negotiations and with references to: (i) the prevailing market conditions; (ii) the indicative costs of mid-term/long-term debt finance (without any pledges and securities) preliminarily quoted to the Company by its banks upon general enquiries; and (iii) the interest rate of the Convertible Notes B proposed to be issued under the Placing</p>
Conversion Rights	<p>A Noteholder will have the rights to convert the whole or part of the outstanding principal amount of the Convertible Notes A (in amount of not less than a whole multiple of HK\$10,000,000 on each conversion, unless the outstanding principal amount of the Convertible Notes A to be converted is less than HK\$10,000,000 in which case the whole (but not part only) of that amount shall be converted) into the Conversion Shares A at any time during the Conversion Period (as detailed below) at the Conversion Price (subject to adjustments) (as detailed below). The Company will not be obliged to issue any Conversion Shares A if immediately following the conversion, the Company will be unable to meet the prescribed minimum public float requirement under the Listing Rules</p>
Conversion Period	<p>The period from the 183rd day after the Issue Date up to the fifth Business Day prior to the Maturity Date</p>

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Conversion Price

The initial Conversion Price is HK\$0.70 per Share A, which will be subject to such usual adjustments as follows:

- (i) In the event of a change in nominal value of the Shares upon, among others, share consolidation, share subdivision and share re-classification, the Conversion Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount;
- (ii) In the event of issue (other than in lieu of a cash dividend) of any Shares credited as fully paid by way of capitalisation of profits or reserves, the Conversion Price in force immediately prior to such issue shall be adjusted by multiplying it by the following fraction:

$$\frac{A}{A+B}$$

where:

A = the aggregate nominal amount of the issued Shares immediately before such capitalisation issue

B = the aggregate nominal amount of the Shares issued in such capitalisation;

- (iii) In the event of capital distribution to the Shareholders or grant to the Shareholders of rights to acquire for cash assets of the Group, the Conversion Price in force immediately prior to such distribution or grant shall be reduced by multiplying it by the following fraction:

$$\frac{C - D}{C}$$

where:

C = the market price on the date on which the Capital Distribution is or, as the case may be, the grant is publicly announced or (failing any such announcement) the date next preceding the date of the Capital Distribution or, as the case may be, of the grant; and

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D = the fair market value on the day of such announcement or (as the case may require) the next preceding day, as determined in good faith by an approved merchant bank or the auditors, of the portion of the Capital Distribution or of such rights which is attributable to one Share;

(iv) In the event of offer, or grant, by the Company to the Shareholders of new Shares, or options or warrants to subscribe for new Shares by way of rights, at a price which is less than 90% of the relevant market price of the Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of the announcement of such offer or grant by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate of the amount (if any) payable for the rights, options or warrants and of the amount payable for the total number of new Shares comprised therein would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the aggregate number of Shares offered for subscription or comprised in the options or warrants (such adjustment to become effective (if appropriate retroactively) from the commencement of the day next following the record date for the offer or grant);

(v) In the event of issue of Shares or securities (the “**relevant convertible securities**”) convertible into or exchangeable for or carrying rights of subscription for Shares for cash, or for acquisition of assets by the Group where the total effective price for the relevant Shares issued (for the case of issue of the relevant convertible securities, including consideration receivable by the Company for the relevant convertible securities and any additional minimum consideration to be received by the Company for the Shares which may be issued upon exercise of the conversion rights or exchangeable rights or subscription rights attaching to the relevant convertible securities) is less than 90% of the relevant market price of those Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the issue by a fraction of which the numerator is the number of Shares in issue immediately before the date of the issue plus the number of Shares which the Total Effective Consideration receivable for the securities issued would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of the issue plus the number of Shares to be issued upon conversion or exchange of, or the exercise of the subscription rights conferred by, such securities at the initial conversion or exchange rate or subscription price.

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The initial Conversion Price was determined by the parties after arm's length negotiations and with references to the historical prices during the last twelve months and the prevailing market prices of the Shares. The initial Conversion Price represents:

- (i) a premium of approximately 16.7% over the closing price of HK\$0.600 per Share as quoted on the Stock Exchange on 24 November 2016, being the Latest Practicable Date;
- (ii) a premium of approximately 22.8% over the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on 12 October 2016, being the last trading day before the date of the Subscription Agreement;
- (iii) a premium of approximately 24.1% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including 12 October 2016, being approximately HK\$0.564 per Share;
- (iv) a premium of approximately 24.6% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including 12 October 2016, being approximately HK\$0.562 per Share;
- (v) a premium of approximately 21.1% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the thirty consecutive trading days up to and including 12 October 2016, being approximately HK\$0.578 per Share;
- (vi) a premium of approximately 14.2% over the average of the closing prices of the Shares as quoted on the Stock Exchange for last six months up to and including 12 October 2016, being approximately HK\$0.613 per Share;
- (vii) a premium of approximately 13.8% over the average of the closing prices of the Shares as quoted on the Stock Exchange for last twelve months up to and including 12 October 2016, being approximately HK\$0.615 per Share; and

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- (viii) a premium of approximately 3.6% over the unaudited consolidated net assets value of the Company of approximately HK\$0.676 per Share based on the unaudited consolidated net assets of approximately RMB1,101,593,000 (equivalent to approximately HK\$1,240,394,000) as at 30 June 2016 and 1,835,821,841 Shares in issue as at the Latest Practicable Date.

Events of default

The events of default include, among other things,

- (i) the Company fails to pay the principal when due or the Company fails to pay interest on the Notes when due unless non-payment of such interest is due solely to administrative or technical error and payment is made within seven (7) Business Days of the due date thereof;
- (ii) the Company defaults in performance or observance or compliance with any of its other material obligations set out in the Subscription Agreement which default is incapable of remedy or, if capable of remedy, is not remedied within 14 Business Days after notice of the occurrence of such default by the Company;
- (iii) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its subsidiaries;
- (iv) the Company or any of its subsidiaries becomes insolvent or is unable to pay its debts as they fall due or applies for or consents to or suffers the appointment of any administrator, liquidator or receiver of the Company or any of its subsidiaries or the whole or any substantial part of the undertaking, property, assets or revenues of the Company or any of its subsidiaries or takes any proceeding under any law for a readjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or compromise with or for the benefit of its creditors;

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- (v) a petition is presented or a proceeding is commenced or an order is made or an effective resolution is passed for the winding-up, insolvency, administration or dissolution of the Company or any of its subsidiaries except in the case of winding-up of subsidiaries of the Company in the course of internal reorganisation;
- (vi) trading of the Shares on the Stock Exchange has been suspended for over 10 trading days or that the Stock Exchange or the SFC have notified the Company that the listing of the Shares shall be withdrawn or suspended or that the listing status of the Shares have been objected to;
- (vii) the insolvency of the Company; or
- (viii) a moratorium is agreed or declared in respect of any indebtedness of the Company or any of its subsidiaries or any governmental authority or agency condemns, seizes, compulsorily purchases or expropriates all or a substantial part of the assets of the Company or any of its subsidiaries.

If any of the events occurs, the Noteholder may give notice to the Company that the Notes are, and it shall on the giving of such notice immediately become, due and payable at its principal amount together with any accrued interest, including default interest payable calculated up to and including the date of actual repayment.

Ranking of the Conversion Shares A

The Conversion Shares A, when allotted and issued upon exercise of the Conversion Rights, shall rank *pari passu* in all respects with all other then issued Shares as at the date of the relevant conversion notice and shall be entitled to all dividends, bonus and other distributions the record date of which falls on a date on or after the date of the relevant conversion notice

Transferability

No assignment or transfer (whether in whole or in part(s)) of the Convertible Notes A may be made unless:

- (a) it is made to (i) the holding company; (ii) the subsidiaries; or (iii) associates of the Noteholder(s); or

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(b) it is made to other person(s) who is (are) not connected person(s) of the Group.

Voting	A Noteholder will not be entitled to attend or vote at any meetings of the Company by reason only of being a Noteholder
Conversion restrictions	<p>The Company shall not be obliged to issue any Shares upon exercise of the Conversion Right in the event that such conversion would result in the non-compliance of the prescribed minimum public float requirement under the Listing Rules applicable to the Company</p> <p>Wuling HK has undertaken not to exercise the Conversion Rights A if it would result in the non-compliance of the prescribed minimum public float requirement under the Listing Rules applicable to the Company</p>

Assuming that the Conversion Rights A in relation to the total principal amount of the Convertible Notes A of HK\$400,000,000 are exercised in full at the initial Conversion Price of HK\$0.70 per Conversion Share A, a total of 571,428,571 Conversion Shares A will be allotted and issued, representing approximately 31.13% of the total number of Shares in issue of the Company as at the Latest Practicable Date and approximately 23.74% of the number of Shares in issue of the Company as enlarged by the allotment and issue of such Conversion Shares A (assuming that save for the issue of the 571,428,571 Conversion Shares A, there will be no change to the issued share capital of the Company from the Latest Practicable Date up to (and including) the date of issue of such Conversion Shares A resulting from exercise in full of the Conversion Rights A).

2.3 Information on Wuling HK

Wuling HK is a company incorporated in Hong Kong with limited liability which is principally engaged in investment holding and is a controlling Shareholder holding 1,028,846,806 Shares, representing approximately 56.04% of the total number of Shares in issue of the Company as at the Latest Practicable Date. It is an indirect wholly-owned subsidiary of Guangxi Automobile, a wholly state-owned limited enterprise established in the PRC.

3. PLACING

3.1 The Placing Agreement

Date:

13 October 2016 (after trading hours)

Parties to the Placing Agreement:

- (a) the Company (as the issuer);
- (b) China Industrial Securities International Capital Limited (as the Arranger and one of the Joint Placing Agents);
- (c) Essence International Securities (Hong Kong) Limited (as one of the Joint Placing Agents);
- (d) GF Securities (Hong Kong) Brokerage Limited (as one of the Joint Placing Agents); and
- (e) CCB International Capital Limited (as one of the Joint Placing Agents).

To the best information, knowledge and belief of the Directors having made all reasonable enquiries, each of the Arranger and the Joint Placing Agents is independent of the Company and connected persons of the Company.

Placing

Pursuant to the Placing Agreement, each of the Arranger, as the exclusive arranger and one of the joint placing agents, and the Joint Placing Agents, as the joint placing agents conditionally agreed to procure subscriber(s), on a best efforts basis, for and the Company conditionally agreed to issue, the Convertible Notes B in the aggregate principal amount of up to HK\$300,000,000, which entitle the Noteholder(s) thereof to subscribe for up to 428,571,429 Conversion Shares B based on the initial Conversion Price of HK\$0.70 per Conversion Share B (subject to adjustments).

The maximum number of 428,571,429 Conversion Shares B to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes B in full (based on the initial Conversion Price of HK\$0.70 per Conversion Share B) represent (i) approximately 23.34% of the existing total number of Shares in issue of the Company as at the Latest Practicable Date; (ii) approximately 18.93% of the total number of Shares in issue of the Company as enlarged by the issue of the Conversion Shares B upon exercise of the conversion rights attaching to the Convertible Notes B in full (based on the initial Conversion Price of HK\$0.70 per Conversion Share B); and (iii) approximately 15.11% of the total number of Shares

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in issue of the Company as enlarged by the issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Notes in full (based on the initial Conversion Price of HK\$0.70 per Conversion Share).

Placing Commission

Under the Placing Agreement, subject to the fulfillment of the conditions precedent of the Placing, the Company has agreed to pay the Arranger a placing commission of 2.0% of the amount equal to the aggregate principal amount of the Convertible Notes B actually placed by the Arranger to the selected Placees in the Placing. The placing commission rate was determined after arm's length negotiation between the Company and the Arranger and the Directors consider that the terms of the Placing Agreement are fair and reasonable.

Placees

Each of the Arranger and the Joint Placing Agents shall use all reasonable endeavours to ensure that the Placees and their ultimate beneficial owners shall be independent of, and not connected with or acting in concert with, the directors, chief executives or substantial shareholders of the Company, any of its subsidiaries or their respective associates. The Arranger and the Joint Placing Agents will ensure that none of the Placees will become a substantial shareholder (as defined in the Listing Rules) of the Company upon full conversion of the conversion rights attached to the Convertible Notes B as a result of the Placing.

As at the Latest Practicable Date, no Placee has been secured under the Placing Agreement. The Conversion Shares B are expected to be placed to not less than six Placees. Further announcement(s) setting out the names of the Placees in accordance with Rule 13.28(7) of the Listing Rules shall be made by the Company if the Arranger and the joint Placing Agents fail to identify at least six Placees.

Conditions Precedent of the Placing

Completion of the Placing Agreement is conditional upon the following conditions precedent being fulfilled (or, if applicable, waived):

- (a) the Shareholders having passed an ordinary resolution at the SGM approving the Placing Agreement and the transactions contemplated hereunder, including the issue of the Convertible Notes B and the allotment and issue of the Conversion Shares B, in compliance with the requirements of the Listing Rules;
- (b) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, all the Shares falling to be issued on the exercise of the conversion rights to be attached to the Convertible Notes B;

LETTER FROM THE BOARD

- (c) the Subscription and the Subscription Agreement having become unconditional; and
- (d) no event having occurred or occurring before the completion of the Placing Agreement which would constitute an event of default under the Convertible Notes B had the Convertible Notes B been issued.

If any of the foregoing conditions precedent is not fulfilled (or as to the condition precedent in paragraph (c), waived in writing by the Arranger and the Company jointly or as to the condition precedent in paragraph (d), waived in writing by the Arranger) on or prior to 15 January 2017, the Placing Agreement shall terminate and none of the parties to the Placing Agreement shall have any claim against the other for any costs or losses (save for certain liabilities under or any prior breaches of the Placing Agreement). There is no arrangement under which the conditions precedent will be waived.

Completion

Subject to satisfaction of the conditions precedent of the Placing, completion of the Placing will occur on such day as may be notified by the Company to the Arranger which will take place after completion of the Subscription as soon as practicable and in any event shall not be later than 15 January 2017. The proceeds of the Placing is expected to be injected to Wuling Industrial within 30 Business Days upon completion of the Placing for the purpose of the Capital Increase and in any event no later than 31 December 2017, being the latest date of injecting capital to Wuling Industrial.

Termination

Notwithstanding anything contained in the Placing Agreement, the Arranger and/or the Joint Placing Agents may by prior notice to the Company terminate the Placing Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Placing Completion Date:

- (a) in the reasonable opinion of the Arranger and/or the Joint Placing Agents there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic or market (including stock market) conditions or taxation or currency exchange or exchange controls as would be likely to be materially adverse to the success of the Placing;
- (b) any breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Arranger and/or the Joint Placing Agents or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Placing Completion Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect;
- (c) there is any material adverse change in the financial position of the Company which in the reasonable opinion of the Arranger and/or the Joint Placing Agents is material in the context of the Placing;

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- (d) any new law or regulation or any change or development involving a prospective change in existing laws and regulations in any relevant jurisdiction which in the reasonable opinion of the Arranger and/or the Joint Placing Agents has or is likely to have a material adverse effect on the financial position of the Company and/or of the Group as a whole;
- (e) any outbreak or escalation of hostilities or act of terrorism involving Hong Kong or the PRC or the declaration by Hong Kong or the PRC of a national emergency or war; or
- (f) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise at any time prior to the Placing Completion Date.

In the event that the Arranger and/or the Joint Placing Agents terminates the Placing Agreement, all obligations of each of the parties under the Placing Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach.

3.2 Principal Terms of the Convertible Notes B

The principal terms of the Convertible Notes B were arrived at after arm's length negotiations between the Company and the Arranger. Except for the principal amount of the Convertible Notes B, principal terms of the Convertible Notes B are substantially the same as the principal terms of the Convertible Notes A as set out in the paragraph headed "Principal terms of the Convertible Notes A" above, except that (i) all references therein as to "Convertible Notes A" and "Conversion Shares A" shall be replaced by "Convertible Notes B" and "Convertible Shares B", respectively; (ii) the maturity date of the Convertible Notes B shall be the third anniversary of the Issue Date being the same as the maturity date of the Convertible Notes A; and (iii) the conversion period of the Convertible Notes B shall commence from the later of the 183rd day after the Issue Date and the date of issue of the Convertible Notes B.

4. APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No listing of the Convertible Notes will be sought on the Stock Exchange or any other stock exchanges.

5. RANKING OF THE CONVERSION SHARES

The Conversion Shares, when allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes, shall rank *pari passu* in all respects with all other then issued Shares as at the date of the relevant conversion notice and shall be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the relevant conversion notice.

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6. ISSUE OF CONVERTIBLE NOTES UNDER SPECIFIC MANDATE

The allotment and issue of the Conversion Shares will be made under the Specific Mandate to be sought from the Shareholders at the SGM.

7. INFORMATION ON THE GROUP

The Group, including Wuling Industrial and its subsidiaries, 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.

8. EFFECT ON SHAREHOLDING STRUCTURE

For illustrative purposes only, the following table sets out the effect of the Subscription and the Placing on the shareholding structure of the Company immediately upon full exercise of the Conversion Rights (assuming that there is no other change in the shareholding structure of the Company from the Latest Practicable Date to immediately prior to completion of the Subscription and the Placing and the issue of the Conversion Shares upon full exercise of the Conversion Rights):

	As at the Latest Practicable Date		Immediately after the issue and allotment of the Conversion Shares A upon the full conversion of the Convertible Notes A (Notes 1 and 7)		Immediately after the issue and allotment of the Conversion Shares A and the Conversion Shares B upon the full conversion of the Convertible Notes A and the Convertible Notes B (Notes 2 and 7)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
I. Substantial Shareholders and Directors						
Wuling HK (Note 3)	1,028,846,806	56.04	1,600,275,377	66.48	1,600,275,377	56.43
Dragon Hill (Note 4)	281,622,914	15.34	281,622,914	11.70	281,622,914	9.93
Mr. Lee Shing (“Mr. Lee”) and his associates (Note 5)	4,739,380	0.26	4,739,380	0.20	4,739,380	0.17
Ms. Liu Yaling (Note 6)	2,060,600	0.11	2,060,600	0.08	2,060,600	0.07
Mr. Ye Xiang (Note 6)	1,030,300	0.06	1,030,300	0.04	1,030,300	0.04
Sub-total	1,318,300,000	71.81	1,889,728,571	78.50	1,889,728,571	66.64
II. Public Shareholders						
Existing public shareholders	517,521,841	28.19	517,521,841	21.50	517,521,841	18.25
Placee(s)	—	—	—	—	428,571,429	15.11
Total	<u>1,835,821,841</u>	<u>100.00</u>	<u>2,407,250,412</u>	<u>100.00</u>	<u>2,835,821,841</u>	<u>100.00</u>

LETTER FROM THE BOARD

Notes:

1. The figures derived are based on the existing shareholding structure of the Company and the assumption that save for the allotment and issue of up to 571,428,571 Conversion Shares A to Wuling HK, there will be no change in the total number of Shares in issue of the Company from the Latest Practicable Date up to (and including) the date of issue of such Conversion Shares A resulting from exercise in full of the Conversion Rights A.
2. The figures derived are based on the existing shareholding structure of the Company and the assumption that save for the allotment and issue of up to 1,000,000,000 Conversion Shares to the subscribers, there will be no change in the total number of Shares in issue of the Company from the Latest Practicable Date up to (and including) the date of issue of such Conversion Shares resulting from exercise in full of the conversion rights attaching to the Conversion Shares.
3. The entire issued share capital of Wuling HK is currently held by Wuling Motors (Hong Kong) Company Limited (“**Wuling Motors**”), whereas the entire issued share capital of Wuling Motors is currently held by Guangxi Automobile. Accordingly, Wuling Motors and Guangxi Automobile are deemed to be interested in the Shares in which Wuling HK is interested under the SFO.
4. Mr. Lee, an executive Director, the vice-chairman and the Chief Executive Officer of the Company, is beneficially interested in 281,622,914 Shares through Dragon Hill, a company wholly-owned by Mr. Lee.
5. These represent the Shares held by Mr. Lee and his spouse.
6. Ms. Liu Yaling is an executive Director, whereas Mr. Ye Xiang is an independent non-executive Director.
7. The Convertible Notes may only be converted if it will not cause the Company to be in breach of the public float requirement under Rule 8.08 of the Listing Rules pursuant to the principal terms of the Convertible Notes. The Company has implemented internal control measures to ensure that if the public float of the Company cannot be maintained at 25% or above after conversion of the Convertible Notes, no Conversion Shares will be issued in accordance with the conditions of the Convertible Notes.

9. REASONS FOR THE ISSUE OF CONVERTIBLE NOTES, THE SUBSCRIPTION AND THE PLACING AND THE USE OF PROCEEDS

Assuming that the Convertible Notes are issued in full, the gross proceeds and net proceeds from the issue of the Convertible Notes will be HK\$700,000,000 (equivalent to approximately RMB621,670,000) and estimated to be approximately HK\$690,000,000 (equivalent to approximately RMB612,789,000) respectively. Based on the estimated net proceeds from the issue of the Convertible Notes and a total of up to 1,000,000,000 Conversion Shares to be issued at the initial Conversion Price upon exercise of the Conversion Rights in full, the net issue price per Conversion Share would be approximately HK\$0.69. The Company intends to use the net proceeds from the issue of the Convertible Notes to the Capital Increase which involves a contribution of an additional sum of RMB590,000,000 (equivalent to approximately HK\$664,340,000) to Wuling Industrial, to be settled in two instalments, namely, the First Instalment and the Second Instalment. The Company will maintain the net proceeds raised from Subscription and Placing in its bank accounts during the transitory period before settlement of the First Instalment and the Second Instalment and will apply any remaining balances of approximately HK\$25,660,000 (equivalent to approximately RMB22,789,000) for repayment of its unsecured bank borrowings which amounted to approximately RMB49,000,000 (equivalent to approximately HK\$55,174,000) as at 30 September 2016.

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The unsecured bank borrowings, which are utilized by the Company for working capital purpose, are denominated in RMB, bears interest rate at 4.5% per annum as at the latest practicable date and subject to an annual review by the offered bank by not later than 31 July 2017. The reasons behind the Capital Increase are fully described in the above section under the heading of “Reasons for the Capital Increase”.

A summary of the use of proceeds from the Subscription (for financing the First Instalment entirely) and the Placing (for financing entirely or partly the Second Instalment) as detailed in the above section under the heading of “Reason to the Capital Increase” is set out below:

		Tentative schedule for usage of funds	RMB	HK\$	%
Use of proceeds from the Subscription					
1	For settlement of the First Instalment				
—	Capital expenditure for Indonesian Production Base which comprises construction cost of the construction cost for the establishment of a mechanical pressing production line, the costs of construction and establishment of seven different welding and assembly production lines and the purchase costs of other various types of tools, machinery and equipment	November 2016 to July 2017	86,000,000	96,836,000	24.5
—	The related costs of transport, installation and initial setup of the operation facilities of the Indonesian Production Base	November 2016 to July 2017	28,000,000	31,528,000	8.0
—	For the operation of the Indonesian Production Base (including acquiring inventory for operation, settlement of production costs and general and administrative expenses)	N/A	52,000,000	58,552,000	14.8
—	The acquisition cost of a new industrial site (together with the related cost of foundation and infrastructure) for constructing the third phase development of the Liudong Production Facilities	November 2016 to April 2017	58,000,000	65,308,000	16.5
—	Cost of construction of the production plant of specialised vehicles in Chongqing	December 2016 to July 2017	80,000,000	90,080,000	22.7
—	For settlement of general and administrative expenses of Wuling Industrial	N/A	36,000,000	40,536,000	10.2
	Sub-total		<u>340,000,000</u>	<u>382,840,000</u>	<u>96.7</u>
2	For repayment of unsecured bank borrowings		<u>11,688,000</u>	<u>13,160,000</u>	<u>3.3</u>
	Total net proceeds raised from the Subscription		<u><u>351,688,000</u></u>	<u><u>396,000,000</u></u>	<u><u>100.0</u></u>

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		Tentative schedule for usage of funds	RMB	HK\$	%
Use of proceeds from the Placing					
1	For settlement of the Second Instalment				
—	The cost of construction of the third phase development of the Liudong Production Facilities	May 2017 to December 2017	120,000,000	135,120,000	46.0
—	The cost of the technology enhancement and capacity expansion projects of the production facilities in Qingdao	May 2017 to December 2017	97,500,000	109,785,000	37.3
—	For settlement of general and administrative expenses of Wuling Industrial	N/A	32,500,000	36,595,000	12.4
	Sub-total		<u>250,000,000</u>	<u>281,500,000</u>	<u>95.7</u>
2	For repayment of unsecured bank borrowings		<u>11,101,000</u>	<u>12,500,000</u>	<u>4.3</u>
	Total net proceeds raised from the Placing		<u><u>261,101,000</u></u>	<u><u>294,000,000</u></u>	<u><u>100.0</u></u>

As a debt security, the issue of the Convertible Notes under the Subscription and the Placing has the disadvantages of interest-bearing and the potential dilution effects on the shareholding and the earnings per share of the existing shareholders.

In determining the fund raising alternatives of the Group for the Capital Increase, the Board has taken into consideration of the financial position of the Group as presented in the Group's financial statements. As at 30 June 2016, the Group's unaudited consolidated total assets amounted to approximately RMB14,237,377,000 (equivalent to approximately HK\$16,031,287,000) (comprising unaudited consolidated non-current assets of approximately RMB3,005,114,000 (equivalent to approximately HK\$3,383,759,000) and unaudited consolidated current assets of approximately RMB11,232,263,000 (equivalent to approximately HK\$12,647,528,000)), whereas its unaudited consolidated total liabilities amounted to approximately RMB12,224,802,000 (equivalent to approximately HK\$13,765,127,000) (comprising unaudited consolidated non-current liabilities of approximately RMB216,419,000 (equivalent to approximately HK\$243,688,000) and unaudited consolidated current liabilities of approximately RMB12,008,383,000 (equivalent to approximately HK\$13,521,439,000)). Hence, the unaudited consolidated net current liabilities of the Group as at 30 June 2016 amounted to approximately RMB776,120,000 (equivalent to approximately HK\$873,911,000), which represented a moderate decrease as compared to the audited consolidated net current liabilities of RMB835,503,000 (equivalent to approximately HK\$940,776,000) as at 31 December 2015. The Directors consider that financial position of the Group in having consolidated net current liabilities was mainly attributable to substantial amount of capital expenditures invested by the Group, via Wuling Industrial for various projects in terms of the establishment of new production facilities, construction and installation of plant and machinery, as well as the research and development of new products in recent years in order to keep pace with the customer demands and enable the shifting of the Group's focus to high value-added products.

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As at 30 September 2016, the Group, including Wuling Industrial Group maintained unaudited bank balances and cash of approximately RMB1,366,703,000 (equivalent to approximately HK\$1,538,911,000) and unaudited pledged bank deposits of approximately RMB754,420,000 (equivalent to approximately HK\$849,477,000) where the aggregate balances were decreased as compared to the unaudited bank balances and cash of approximately RMB1,182,173,000 (equivalent to approximately HK\$1,331,127,000) and the unaudited pledged bank deposits of approximately RMB1,472,586,000 (equivalent to approximately HK\$1,658,132,000) of the Group, including Wuling Industrial Group as at 30 June 2016. The bank balances and cash of the Group are primarily used as the general working capital or utilised as pledged deposits with the banks as collaterals for drawing the banking facilities for its operating activities.

In consideration of the increasing scale of operation of the Group, including the establishment of new production facilities, construction and installation of plant and machinery, as well as research of new products and various projects as mentioned in the section headed “Reasons of the Capital Increase”, which gives rise to an increase in the total current liabilities and the continuous position of net current liabilities of the Group, it is imperative for the Group to maintain a healthy cash position to ensure it has adequate financial resources to meet its financial obligations when they fall due.

In view of the unaudited consolidated financial position, in particular, the situation of having consolidated net current liabilities, of the Group as at 30 June 2016, the Board is of the opinion that it is appropriate for the Group to raise mid-term and/or long-term funds in the near future to finance the Capital Increase and to further strengthen the liquidity position of the Group and Wuling Industrial.

With respect to the determination of the initial Conversion Price, it is arrived at after arm’s length negotiations between the parties to the Subscription Agreement and the Placing Agreement with reference to, among others, the performance of the Shares during the period from the last twelve months (i.e. from 13 October 2015) up to and including 12 October 2016, the last trading day before the date of the Subscription Agreement and the Placing Agreement (the “Last Trading Day”) (the “Last 12 Months”) and the unaudited consolidated net assets value per Share of the Company.

As disclosed in the section headed “2.2 Principal Terms of the Convertible Notes A” in this letter above, the initial Conversion Price of HK\$0.70 per Conversion Share represented a slight premium of approximately 3.6% to the unaudited consolidated net asset value of approximately HK\$0.676 per Share as at 30 June 2016. The initial Conversion Price also represented a premium of approximately 13.8% to the average closing of the Shares for the Last 12 Months and a premium of approximately 22.8% to the closing price on the Last Trading Day. As compared to the highest and lowest closing prices during the Last 12 Months, the initial Conversion Price represented a premium of approximately 37.3% over the lowest closing price of HK\$0.510 per Share (on 13 October 2015, 14 October 2015 and 21 January 2016) and a discount of approximately 9.1% to the highest closing price of HK\$0.770 per Share on 4 December 2015 respectively. It was also found that the Shares were generally traded below the initial Conversion Price during the Last 12 Months. Among the 247 trading days in the Last 12 Months, only 13 trading days in which the closing prices of the Shares

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were higher than the initial Conversion Price (i.e., HK\$0.700) per Share, with 7 trading days in which the closing prices of the Shares were equal to the initial Conversion Price (i.e., HK\$0.700) per Share and 227 trading days in which the closing prices of the Shares were below the initial Conversion Price (i.e., HK\$0.700) per Share. Moreover, the liquidity of the Shares during the Last 12 Months was generally thin. Among the 247 trading days in the Last 12 Months, no Share was traded in 14 trading days, and the average daily trading volume of Shares for each month/period ranged from the lowest of 272,222 Shares (representing approximately 0.03% of the Conversion Shares) in February 2016 to the highest of 3,517,818 Shares (representing approximately 0.35% of the Conversion Shares) in August 2016.

Therefore, after taking into account (i) the prevailing market prices and trading volume of the Shares which are not favourable to a fund raising exercise for a substantial amount by way of issue of new Shares to independent third party(ies) or to existing Shareholders on a pro rata basis where considerable discount to the market prices of the Shares would be required, and (ii) the indicative preference of the banks of the Company to provide the Company with short-term instead of mid-term to long-term loans, as well as the indicative interest rates of mid-term/long-term finance (without any pledges and securities) preliminarily quoted to the Company by banks upon general enquiries that would be higher than the 4.0% interest charged for the Convertible Notes, the Directors (including the independent non-executive Directors who have considered the advice from Gram Capital) are of the view that the issue of the Convertible Notes, which will not lead to immediate dilution effect on the Shareholders' shareholding interest in the Company, although (i) upon the issue of 571,428,571 Conversion Shares A to Wuling HK upon exercise in full of the Conversion Rights A at the initial Conversion Price, the shareholding of public Shareholders (other than the Placees) will be diluted from approximately 28.19% of the total number of Shares in issue of the Company as at the Latest Practicable Date to approximately 21.50% of the total number of Shares in issue of the Company as enlarged by the issue of the Conversion Shares A; and (ii) upon the issue of the further 428,571,429 Conversion Shares B to the Placees upon exercise in full of the Conversion Rights B at the initial Conversion Price, the shareholding of public Shareholders (other than the Placees) will be further diluted to approximately 18.25% of the total number of Shares in issue of the Company as enlarged by the issue of the Conversion Shares A and the Conversion Shares B, is an appropriate means of raising substantial amount of mid-term funds to finance the Capital Increase and to further strengthen the liquidity position of the Group and Wuling Industrial. Based on the above, the Directors (including the independent non-executive Directors who have considered the advice from Gram Capital) consider the terms and conditions of the Subscription Agreement as well as the terms of the Convertible Notes are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

10. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS PRIOR TO THE DATE OF THIS CIRCULAR

The Company issued a total number of 14,230,270 new Shares to certain Directors and employees of the Group upon exercises of the share options held by them on 29 February 2016, 25 May 2016 and 3 June 2016 respectively and raised an aggregate net proceeds of approximately HK\$6,774,000 (equivalent to approximately RMB6,016,000 for use as working

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capital by the Company. Save as disclosed in this paragraph, the Company had not conducted any other fund raising activities in the past twelve months immediately before the date of this circular.

11. LISTING RULE IMPLICATIONS

As the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Capital Increase Agreement are more than 25% but less than 100%, and the aggregate applicable percentage ratios, when aggregated with the WI Capital Increase Agreement, remain to be less than 100%, the transactions contemplated under the Capital Increase Agreement constitutes a major transaction of the Company under Rule 14.06 of the Listing Rules.

As at the Latest Practicable Date, Guangxi Automobile is the ultimate holding company of Wuling HK which holds 1,028,846,806 Shares, representing approximately 56.04% of the total number of Shares in issue of the Company. Guangxi Automobile and Wuling HK are regarded as connected persons of the Company under the Listing Rules. In addition, Guangxi Automobile owns approximately 45.14% equity interests in Wuling Industrial, a direct non-wholly owned subsidiary of the Company. Therefore, Wuling Industrial is also regarded as a connected subsidiary of the Company under the Listing Rules. Accordingly, the Capital Increase and the Subscription constitute connected transactions for the Company.

The Capital Increase Agreement constitute a major and connected transaction of the Company and is subject to the requirements of reporting, announcement and approval of the Independent Shareholders at the SGM by way of poll pursuant to Chapter 14 and Chapter 14A of the Listing Rules. The Subscription, as a connected transaction of the Company, is subject to the requirements of reporting, announcement and approval of the Independent Shareholders at the SGM by way of poll pursuant to Chapter 14A of the Listing Rules.

Save for Mr. Wei Hongwen (former chairman and former executive Director of the Company, chairman of the board of Guangxi Automobile and director of Wuling HK), Mr. Sun Shaoli (former executive Director of the Company, former director of Guangxi Automobile and Wuling HK), Mr. Zhong Xianhua (executive Director of the Company and senior executive of Guangxi Automobile) and Mr. Yuan Zhijun (chairman and executive Director of the Company, director of Guangxi Automobile and Wuling HK) and Mr. Yang Jianyong (executive Director of the Company and senior executive of Guangxi Automobile), all of them having abstained from voting on the relevant board resolution approving the Capital Increase, none of the Directors has a material interest in the Capital Increase or was required to abstain from voting on the relevant board resolutions.

Save for Mr. Wei Hongwen, Mr. Sun Shaoli, Mr. Zhong Xianhua, Mr. Yuan Zhijun and Mr. Yang Jianyong, all of them having abstained from voting on the relevant board resolution approving the Subscription, none of the Directors has a material interest in the Subscription or was required to abstain from voting on the relevant board resolutions.

None of the Directors has a material interest in the Placing or was required to abstain from voting at the relevant board resolutions.

12. RE-ELECTION OF THE RETIRING DIRECTORS

In accordance with bye-law 91 of the Company and pursuant to paragraph A.4.2 of the Code on Corporate Governance Code and Corporate Governance Report annexed as Appendix 14 to the Listing Rules, Mr. Yuan Zhijun, who was appointed as an executive Director, the chairman of the Board and the Nomination Committee, and Mr. Yang Jianyong, who was appointed as an executive Director, both on 4 November 2016, will retire at the SGM, and being eligible, offer themselves for re-election at the SGM. Details of the retiring Directors proposed to be re-elected at the SGM are set out in Appendix VI hereto.

SGM

The SGM will be held at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Friday, 16 December 2016 at 12:00 noon, for the purpose of considering and, if thought fit, approving the Capital Increase, the Subscription and the Placing and the proposed grant of Specific Mandate; and the re-election of the retiring Directors. A notice of the SGM is set out on pages SGM-1 to SGM-3 of this circular.

In the view of their interests in the Capital Increase Agreement and the Subscription Agreement, Guangxi Automobile, Wuling HK, Wuling Industrial and their respective associates will abstain from voting at the SGM with respect to the related resolutions to approve the Capital Increase, the Subscription and the Placing. Save as disclosed, no other Shareholder is required to abstain from voting at the SGM with respect to these resolutions. Besides, no Shareholder is required to abstain from voting at the SGM in relation to the resolutions of the re-election of the retiring Directors. The Company will announce the results of the poll in accordance with the Listing Rules following the SGM.

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 Level 22, Hopewell Centre, 183 Queen's Road East, 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 desire.

RECOMMENDATION

The Independent Board Committee comprising Mr. Zuo Duofu, Mr. Ye Xiang and Mr. Wang Yuben, being all independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and the reasonableness of the terms of the Capital Increase Agreement, the Subscription Agreement and the transactions contemplated thereunder and as to how to vote at the SGM. Gram Capital has been appointed to give its advice and recommendations to the Independent Board Committee and the Independent Shareholders in this regard. The letters from the Independent Board Committee and Gram Capital are set out on pages 42 to 43 and pages 44 to 60 of this circular respectively. You are advised to read the letters carefully before making your voting decision.

LETTER FROM THE BOARD

The Independent Board Committee, after taking into account the advice and recommendations of Gram Capital, considers that the Capital increase Agreement, Subscription Agreement and the transactions contemplated thereunder were entered into in the usual and ordinary course of business, the terms of the Capital Increase Agreement, the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the SGM to approve the Capital Increase Agreement, the Subscription Agreement and the transactions contemplated thereunder.

As the Capital increase Agreement, the Subscription Agreement and the Placing Agreement were entered into in the usual and ordinary course of business, the Directors (including the independent non-executive Directors) are of the opinion that the terms of the Capital Increase Agreement, the Subscription Agreement, the Placing Agreement have been negotiated on normal commercial terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolutions number (1), (2) and (3) in respect of the Capital Increase Agreement, the Subscription Agreement and the Placing Agreement to be proposed at the SGM.

The Directors also consider that the re-election of the retiring Directors are in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions number (4)(i) and (4)(ii) in relation to the re-election of the retiring Directors to be proposed at the SGM.

ADDITIONAL INFORMATION

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

Shareholders and potential investors should note that completion of each of the Capital Increase, the Subscription and the Placing is subject to satisfaction of certain conditions precedent and the Capital Increase, the Subscription and the Placing may or may not complete. Shareholders and potential investors are therefore reminded to exercise caution when dealings in the Shares and any other securities of the Company.

On behalf of the Board
Wuling Motors Holdings Limited
Yuan Zhijun
Chairman



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

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

28 November 2016

To the Independent Shareholders

Dear Sirs,

**(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO
CAPITAL INCREASE IN WULING INDUSTRIAL
(2) CONNECTED TRANSACTION IN RELATION TO ISSUE OF
CONVERTIBLE NOTES UNDER SPECIFIC MANDATE**

We have been appointed as members of the Independent Board Committee to advise you in respect of the Capital Increase Agreement and the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes A and the allotment and issue of the Conversion Shares A under the Specific Mandate), details of which are set out in the letter from the Board in the circular (the “**Circular**”) of the Company dated 28 November 2016, of which this letter forms part. Capitalised 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 from Gram Capital as set out on pages 44 to 60 of the Circular, which contains its advice and recommendations to us as to whether or not the Capital Increase Agreement and the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes A and the allotment and issue of the Conversion Shares A under the Specific Mandate) are 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 recommendations.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other matters, the factors and reasons considered by, and the opinion of, Gram Capital as stated in its aforementioned letter, we are of the opinion that the Capital Increase Agreement, the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes A and the allotment and issue of the Conversion Shares A under the Specific Mandate) and the transactions contemplated thereunder were entered into in the usual and ordinary course of business, the terms have been negotiated on normal commercial terms are 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 resolutions to be proposed at the SGM to approve the Capital Increase Agreement and the Subscription Agreement (together with the transactions contemplated therein, including the issue of the Convertible Notes A and the allotment and issue of the Conversion Shares A under the Specific Mandate).

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

Zuo Duofu
*Independent non-executive
Director*

Ye Xiang
*Independent non-executive
Director*

Wang Yuben
*Independent non-executive
Director*

LETTER FROM GRAM CAPITAL

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



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

28 November 2016

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

Dear Sirs,

I. MAJOR AND CONNECTED TRANSACTION IN RELATION TO CAPITAL INCREASE IN WULING INDUSTRIAL AND II. CONNECTED TRANSACTION IN RELATION TO ISSUE OF CONVERTIBLE NOTES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders (the “**Independent Shareholders**”) in respect of the Capital Increase and the Subscription, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 28 November 2016 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.

The Capital Increase

On 13 October 2016 (after trading hours), the Company entered into the Capital Increase Agreement with Guangxi Automobile and Wuling Industrial pursuant to which the Company conditionally agreed to contribute an additional sum of RMB590,000,000 in cash for the Capital Increase in two instalments, of which RMB279,601,173 will be contributed to the registered capital of Wuling Industrial and RMB310,398,827 will be contributed to the capital reserves of Wuling Industrial. Upon completion of the Capital Increase, the registered capital of Wuling Industrial will be increased by approximately 26.82% and the Company’s equity interest in Wuling Industrial on an enlarged basis will be increased by approximately 9.55% to approximately 64.41% and the remaining 35.59% will be owned by Guangxi Automobile.

The Subscription

For the purpose of funding the First Instalment, on 13 October 2016 (after trading hours), the Company and Wuling HK entered into the Subscription Agreement pursuant to which the Company conditionally agreed to issue, and Wuling HK conditionally agreed to subscribe for, the Convertible Notes A in the aggregate principal amount of HK\$400,000,000. Pursuant to the terms of the Subscription Agreement, upon completion thereof, the consideration in the amount of HK\$400,000,000 for the Subscription shall be satisfied in cash.

Listing Rules implications

With reference to the Board Letter, the Capital Increase constitutes a major transaction of the Company under Rule 14.06 of the Listing Rules. Moreover, the Capital Increase and the Subscription constitute connected transactions for the Company.

The Capital Increase, as a major and connected transaction of the Company, is subject to the requirements of reporting, announcement and approval of the Independent Shareholders at the SGM by way of poll pursuant to Chapter 14 and Chapter 14A of the Listing Rules. The Subscription, as a connected transaction of the Company, is subject to the requirements of reporting, announcement and approval of the Independent Shareholders at the SGM by way of poll pursuant to Chapter 14A of the Listing Rules.

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

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Mr. Graham Lam was the person signing off (i) the opinion letter from the independent financial adviser contained in the circular dated 24 December 2015 in respect of the discloseable and connected transaction for the Company; and (ii) the opinion letter from the independent financial adviser dated 29 July 2015 in respect of the adjustments to share options of the Company. Notwithstanding the aforesaid past engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital, the Company or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

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. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Capital Increase and/or the Subscription. 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.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group or Wuling Industrial, and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report of Wuling Industrial as of 30 June 2016 (the “**Valuation Report**”) as set out in Appendix V to the Circular, which is issued by BMI Appraisals Limited, being an independent valuer (the “**Valuer**”). Since we are not experts in the valuation of business, we have relied solely upon the Valuation Report for the market value of Wuling Industrial as of 30 June 2016.

The Circular, for which the Directors collectively and individually accept full responsibility, include 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 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 herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Wuling Industrial, Guangxi Automobile, Wuling HK or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Capital Increase and/or the Subscription. 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

LETTER FROM GRAM CAPITAL

Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

I. THE CAPITAL INCREASE

Background of and reasons for the Capital Increase

Business overview of the Group

With reference to the Board Letter, the Group, including Wuling Industrial and its subsidiaries, is principally engaged in the manufacturing and trading of engines and parts, automotive components and accessories, specialized vehicles and the trading of raw materials, water and power supply services in the PRC.

Set out below are the consolidated financial information of the Group for the six months ended 30 June 2016 and the two years ended 31 December 2015 as extracted from the Company's interim report for the six months ended 30 June 2016 (the “**2016 Interim Report**”) and annual report for the year ended 31 December 2015 (the “**2015 Annual Report**”):

	For the six months ended 30 June 2016 RMB'000 (unaudited)	For the year ended 31 December 2015 RMB'000 (audited)	For the year ended 31 December 2014 RMB'000 (audited)	Change from 2014 to 2015 %
Revenue	8,502,171	13,451,243	12,138,662	10.81
Gross Profit	866,002	1,521,033	1,373,721	10.72
Profit for the year/period	134,670	170,052	108,417	56.85
Profit for the year/period attributable to owners of the Company	66,217	82,212	49,443	66.28

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As depicted by the above table, the Group recorded an increase in revenue of approximately 10.81% for the year ended 31 December 2015 (“**FY2015**”) as compared to that for the year ended 31 December 2014 (“**FY2014**”). With reference to the 2015 Annual Report, the aforesaid increase in revenue was mainly attributable to the impressive growth of businesses in the passenger vehicles’ businesses from the new products of the engines and parts and automotive components and other industrial services divisions which benefited the business performance of the Group for FY2015. Overall, strong market presence and increasing demands to the products of the Group’s key customers ensured a steady growth of the Group in the automobile industry in the PRC. The gross profit and profit attributable to owners of the Company for FY2015 also grew significantly as compared to those for FY2014.

With reference to the 2016 Interim Report, the Group envisages business environment in the PRC to be highly competitive and challenging in 2016 and the years ahead. Keen competitive business environment will continue to pressurize the automobile related enterprises in formulating appropriate business and market strategies responding to the dynamic market situation. Through conscientious plans and efforts of the Group, the management is confident that the Group’s long term business potential in the PRC automobile industry will continue to be strengthened.

Information on Wuling Industrial

With reference to the Board Letter, Wuling Industrial was established on 30 October 2006 as a state-owned company in the PRC. It has been converted into a sino-foreign joint venture since 17 August 2007. In February 2016, the Company completed the contribution, on a non pro-rata basis, a sum of RMB160,000,000 in cash to Wuling Industrial, of which RMB82,580,646 was contributed to the registered capital of Wuling Industrial and RMB77,419,354 was contributed to the capital reserves of Wuling Industrial pursuant to a capital increase agreement entered into among the Company, Guangxi Automobile and Wuling Industrial on 3 December 2015. For further details, please refer to the announcement of the Company dated 3 December 2015 and the circular of the Company dated 24 December 2015. Accordingly, Wuling Industrial is currently owned as to approximately 54.86% by the Company and as to approximately 45.14% by the Guangxi Automobile. Wuling Industrial Group is principally engaged in the manufacturing and trading of engines and parts, automotive components and accessories, specialized vehicles and the trading of raw materials, water and power supply services in the PRC.

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Set out below is the the net profit before and after taxation and extraordinary items of the Wuling Industrial Group for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016:

	For the six months ended 30 June 2016	For the year ended 31 December 2015	For the year ended 31 December 2014
Profit before tax	Approximately RMB178,375,000	Approximately RMB268,155,000	Approximately RMB162,239,000
Profit after tax	Approximately RMB146,746,000	Approximately RMB200,123,000	Approximately RMB131,667,000

The consolidated net assets of the Wuling Industrial Group attributable to the shareholders of Wuling Industrial as at 31 December 2015 and 30 June 2016 were approximately RMB1,770,961,000 and RMB2,044,088,000 respectively.

Information on Guangxi Automobile

Guangxi Automobile is the ultimate controlling Shareholder as at the Latest Practicable Date. Guangxi Automobile is currently a state controlled company established in the PRC with the State-owned Assets Supervision and Administration Commission of the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府國有資產監督管理委員會) being the registered shareholder empowered by the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府). Guangxi Automobile, together with its subsidiaries, including the Group, is mainly engaged in the trading, manufacturing and design of (i) various types of vehicles, primarily passenger coaches and mini-buses, automotive components and accessories; (ii) various types of machinery, molds and tools for production of automobiles, engines, and other relevant parts; (iii) the provision of related services, including the technical advisory, information, production, after sales services and the supply of power and water services, etc, in relation to the aforementioned products and equipment; and (iv) rental of property and other related services.

Reasons for the Capital Increase

With reference to the Board Letter, Wuling Industrial and its subsidiaries are the only operating subsidiaries of the Company that are engaged in the principal activities of the Group. For the six months ended 30 June 2016 and FY2015, Wuling Industrial's turnover accounted for the entire turnover of the Group, except for the property rental income of RMB125,000 recorded for FY2015. As disclosed in the chairman's statement of the 2015 Annual Report, as the controlling shareholder of Wuling Industrial, the Group will implement appropriate financing strategies in a timely manner to provide funding for the development of Wuling Industrial, including utilizing the fund raising platform of the Company as a listed company. To keep pace with the customer demands and shift the Group's focus to high value-added products, the Group, via Wuling Industrial, is

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proceeding with various projects in terms of equity, capital and research and development of new products. The Group will also commit to major technology enhancement projects and equity investment projects.

The Capital Increase will increase the Company's shareholding interest in Wuling Industrial, strengthen the financial position of Wuling Industrial and provide funding for the Wuling Industrial Group's various expansion and enhancement projects including technical re-engineering projects, business expansion programs, capacity expansion programs, technical capacity strengthening programs and upgrading and integration programs. Details of the various programs undertaken by the Group, via Wuling Industrial, are set out in the 2015 Annual Report, the 2016 Interim Report and the announcement published by the Company on 23 May 2016.

Detailed reasons for the Capital Increase are set out under the section headed "1.2 Reasons for the Capital Increase" of the Board Letter.

Upon completion of the First Instalment, the Company currently intends to apply, via Wuling Industrial, the increased capital of RMB340,000,000 as to:

- (i) approximately RMB86,000,000 for financing the scheduled capital expenditures of the Indonesian Production Base, which will primarily be incurred during the period from November 2016 to July 2017, comprising the construction cost for the establishment of a mechanical pressing production line, the costs of construction and establishment of seven different welding and assembly production lines of an aggregate amount of approximately RMB50,000,000 and the purchase costs of other various types of tools, machinery and equipment of an aggregate amount of approximately RMB36,000,000;
- (ii) approximately RMB28,000,000 for financing the related costs of transport, installation and initial setup of the operation facilities of the Indonesian Production Base to be incurred during the period from November 2016 to July 2017;
- (iii) approximately RMB52,000,000 as the general working capital (for acquiring inventory for operation, settlement of production costs and general and administrative expenses) for the operation of the Indonesian Production Base, being a separate operating entity outside the core operating location of Wuling Industrial Group in the PRC, and is planned to commence operation in the second half of 2017;
- (iv) approximately RMB58,000,000 for financing the remaining balances of the purchase consideration of the acquisition of a new industrial site (together with the related cost of foundation and infrastructure) adjacent to the Liudong Production Facilities which is planned to be used for constructing the third phase development of the Liudong Production Facilities from November 2016 to April 2017;

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- (v) RMB80,000,000 for financing the costs of construction of the production plant of specialized vehicles in Chongqing to be incurred from December 2016 to July 2017; and
- (vi) approximately RMB36,000,000 as general working capital of Wuling Industrial (for settlement of general and administrative expenses).

Upon completion of the Second Instalment, the Company currently intends to apply, via Wuling Industrial, the increased capital of RMB250,000,000 as to:

- (i) approximately RMB120,000,000 for financing the cost of construction of the third phase development of the Liudong Production Facilities which is scheduled to commence in the second half of 2017; and
- (ii) out of the remaining balances of approximately RMB130,000,000, 75% of which will be used for financing the technology enhancement and capacity expansion projects of the production facilities in Qingdao which are currently under planning and 25% of which as general working capital of Wuling Industrial (for settlement of general and administrative expenses).

Given that (i) the Capital Increase is in line with the Group's development strategies as mentioned above; (ii) the capital contribution will contribute to the development of Wuling Industrial and Indonesian Production Base; and (iii) there was significant improvement in the profitability of Wuling Industrial Group, we concur with the Directors that the Capital Increase is in the interests of the Group and the Shareholders as a whole.

Principal terms of the Capital Increase Agreement

Date:

13 October 2016 (after trading hours)

Parties to the Capital Increase Agreement:

- (i) the Company;
- (ii) Guangxi Automobile; and
- (iii) Wuling Industrial

The Capital Increase and payment terms

The existing registered capital of Wuling Industrial, a limited company established in the PRC, is currently owned as to approximately 54.86% by the Company and as to approximately 45.14% by Guangxi Automobile.

Pursuant to the Capital Increase Agreement, the Company conditionally agreed to contribute an additional sum of RMB590,000,000 in cash for the Capital Increase, of which RMB279,601,173 will be contributed to the registered capital of Wuling Industrial

LETTER FROM GRAM CAPITAL

(the “**Contributed Registered Capital**”) and the remaining balance of RMB310,398,827 will be contributed to the capital reserves of Wuling Industrial. The Capital Increase will be contributed by the Company in two instalments, namely, the First Instalment and the Second Instalment.

Subject to fulfilment of the conditions precedent to the Capital Increase, the First Instalment in the sum of RMB340,000,000 in cash will be paid by the Company to Wuling Industrial within 10 Business Days upon completion of the Subscription or such later date as the parties to the Capital Increase Agreement may otherwise agree and the Second Instalment in the sum of RMB250,000,000 in cash will be paid by the Company to Wuling Industrial within 30 days upon completion of Placing and in any event no later than 31 December 2017, being the latest date of injecting capital to Wuling Industrial.

With reference to the Board Letter, to strengthen the financial position and to enhance the liquidity of Wuling Industrial (which had audited net current liabilities of approximately RMB752,073,000 as at 30 June 2016) and to enable Wuling Industrial to pursue its capacity expansion and technology enhancement projects, the Company intends to complete the Second Instalment after the completion of the First Instalment as soon as practicable. The Second Instalment is intended to be financed entirely or partly from the Placing to be carried out on a best efforts basis and has a long stop date falling on 15 January 2017.

In addition, the early completion of the Second Instalment will also be in the interest of the Company and its Shareholders as the increase in the Company’s equity interests in Wuling Industrial will directly increase the proportion of entitlement in the profit generated from Wuling Industrial, which is calculated based on the actual paid up registered capital in Wuling Industrial by its shareholders.

As Guangxi Automobile will not make additional contribution to Wuling Industrial, the capital injection by the Company is on a non pro-rata basis. As a result of the Capital Increase, the registered capital of Wuling Industrial will be increased by RMB279,601,173 from RMB1,042,580,646 (the “**Existing Registered Capital**”) to RMB1,322,181,819. The Contributed Registered Capital represents approximately 26.82% of the Existing Registered Capital. Upon completion of the Capital Increase, the Company’s equity interest in Wuling Industrial on an enlarged basis will be increased to approximately 64.41% and the remaining 35.59% will be owned by Guangxi Automobile.

Basis for determining of the Capital Increase

With reference to the Board Letter, the basis of the determination of the increase in the registered capital of Wuling Industrial from the Capital Increase was arrived at after arm’s length negotiation between the Company and Guangxi Automobile with reference to an agreed valuation of RMB2,200,000,000 of Wuling Industrial (the “**Agreed Valuation**”), which was determined in accordance with the market value of Wuling Industrial as of 30 June 2016 (i.e. RMB2,200,000,000) (the “**Market Value**”) as assessed by the Valuer.

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For our due diligence purpose, we have reviewed the Valuation Report and enquired into the Valuer on the methodology, basis and assumptions adopted in arriving at the Market Value in order for us to understand the Valuation Report. The Valuer has adopted the market approach in preparing the Valuation Report. As confirmed by the Valuer, the market approach is a commonly adopted approach for valuation of companies and is also consistent with normal market practice.

With reference to the Valuation Report and as confirmed by the Valuer,

- (i) the selection of a valuation approach is based on, among other criteria, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the valuation and professional judgment and technical expertise;
- (ii) the market approach was considered to be the most appropriate valuation approach in the valuation, as it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be;
- (iii) the income approach was considered to be less appropriate as such approach involves complicated and subjective assumptions for the forecast of the future income of the subject; and
- (iv) the cost approach was considered to be inappropriate as it only reflects the value of the subject assets at cost.

Having considered the aforementioned reasons for selection of appropriate approach for the Valuation Report, we have not considered other approaches to assess the fairness and reasonableness of the amount of the Capital Increase.

We have also discussed with the Valuer regarding the comparable companies used in the Valuation Report and their selection criteria (details of which are set out under the section headed “Comparable Companies” in the Valuation Report.

Moreover, we have interviewed the Valuer as to its qualifications, expertise and independence to the Company, Wuling Industrial Group, Guangxi Automobile and their respective connected persons and we have reviewed their terms of engagement and scope of works as set out under the section headed “7. SCOPE OF WORKS” in the Valuation Report.

During our discussion with the Valuer, we have not identified any major factors which caused us to doubt (a) the scope of works of the Valuer; (b) the fairness and reasonableness of the principal bases, assumptions and comparable companies adopted for the Valuation Report; and (c) the Valuer’s qualifications, expertise and independence.

According to the Valuation Report, the Market Value was approximately RMB2,200,000,000 as of 30 June 2016, which equals to the Agreed Valuation.

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Given that (i) the Contributed Registered Capital represents approximately 26.82% of the Existing Registered Capital; and (ii) the Capital Increase of RMB590,000,000 represents approximately 26.82% of the Agreed Valuation, we are of the view that the amount of Capital Increase is fair and reasonable so far as the Independent Shareholders are concerned.

Other terms of the Capital Increase Agreement are set out in the section headed “Capital Increase Agreement” in the Board Letter.

Having considered the principal terms of the Capital Increase Agreement, we are of the opinion that the terms of the Capital Increase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Possible financial effects of the Capital Increase

Effect on net asset value

Based on the 2016 Interim Report, the unaudited consolidated net asset value (“NAV”) of the Group was approximately RMB2.01 billion as at 30 June 2016. The Directors expect that the Capital Increase would not have material impact on the NAV of the Group.

Effect on earnings

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

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

RECOMMENDATION ON THE CAPITAL INCREASE

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

II. THE SUBSCRIPTION

Background of and reasons for the Subscription

Information on Wuling HK

Wuling HK is a company incorporated in Hong Kong with limited liability and is a controlling Shareholder holding 1,028,846,806 Shares, representing approximately 56.04% of the number of Shares in issue of the Company as at the Latest Practicable Date. It is an indirect wholly-owned subsidiary of Guangxi Automobile.

Financing alternatives available to the Group

The Company issued a total number of 14,230,270 new Shares to certain directors and employees of the Group upon exercises of Share Options held by them on 29 February 2016, 25 May 2016 and 3 June 2016 respectively and raised an aggregate net proceeds of approximately HK\$6,774,000 for the use as working capital by the Company. Save as disclosed in this paragraph, the Company had not conducted any other fund raising activities in the past twelve months immediately before the Latest Practicable Date.

With reference to the Board Letter, in determining the fund raising alternatives of the Group for the Capital Increase, the Board has taken into consideration of the financial position of the Group as presented in the Group's financial statements. In view of the unaudited consolidated financial position, in particular, the situation of having consolidated net current liabilities, of the Group as at 30 June 2016, the Board is of the opinion that it is appropriate for the Group to raise mid-term and/or long-term funds in the near future to finance the Capital Increase and to further strengthen the liquidity position of the Group and Wuling Industrial.

In addition, after taking into account,

- (i) the prevailing market prices and trading volume of the Shares (with reference to the Board Letter, (1) the initial Conversion Price represented premium over (a) the average closing price of the Shares for the Last 12 Months; (b) the closing price of the Shares on the Last Trading Day; and (c) the lowest closing price of the Shares during the Last 12 Months, and discount of approximately 10% to the highest closing price of the Shares during the Last 12 Months; (2) the Shares were generally traded below the initial Conversion Price during the Last 12 Months; and (3) the liquidity of the Shares during the Last 12 Months was generally thin) which are not favourable to a fund raising exercise for a substantial amount by way of issue of new Shares to independent third party(ies) or to existing Shareholders on a pro rata basis where considerable discount to the market prices of the Shares would be required (we noted that 7 out of 10 rights issue/open offer transactions which were announced from 13 July 2016 up to the date of the Subscription Agreement by companies listed on

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the Stock Exchange involved 20% or deeper discounts of the subscription price to the closing price of relevant shares as at the last trading day prior to the publication of relevant announcement); and

- (ii) the indicative preference of the banks of the Company to provide the Company with short-term instead of mid-term to long-term loans, as well as the indicative interest rates of mid-term/long-term finance (without any pledges and securities) preliminarily quoted to the Company by banks upon general enquiries that would be higher than the 4.0% interest charged for the Convertible Notes,

the Directors are of the view that the issue of the Convertible Notes, which will not lead to immediate dilution effect on the Shareholders' shareholding interest in the Company, is an appropriate means of raising substantial amount of mid-term funds to finance the Capital Increase and to further strengthen the liquidity position of the Group and Wuling Industrial. Having taken into account of the above reasons, we are of the opinion that the Subscription Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Reasons for the Subscription and the use of proceeds

With reference to the Board Letter, assuming that the Convertible Notes (including the Convertible Notes A) are issued in full, the gross proceeds and net proceeds from the issue of the Convertible Notes (including the Convertible Notes A) will be HK\$700,000,000 and estimated to be approximately HK\$690,000,000 respectively. The Company intends to use the net proceeds from the issue of the Convertible Notes (including the Convertible Notes A) to the Capital Increase. The reasons behind the Capital Increase are described in the section headed "Reasons for the Capital Increase" of the Board Letter.

As concluded under the above section headed "I. CAPITAL INCREASE" in this letter, the Capital Increase is in the interests of the Company and the Shareholders as a whole. Having considered (i) that the net proceeds from the issue of the Convertible Notes (including the Convertible Notes A) are intended to finance the Capital Increase; and (ii) the financing alternatives available to the Group as set out above, we are of the view that the Subscription is in the interest of the Company and the Shareholders as a whole.

Principal terms of the Subscription Agreement

On 13 October 2016 (after trading hours), the Company and Wuling HK entered into the Subscription Agreement pursuant to which the Company conditionally agreed to issue, and Wuling HK conditionally agreed to subscribe for, the Convertible Notes A in the aggregate principal amount of HK\$400,000,000. Pursuant to the terms of the Subscription Agreement, the consideration in the amount of HK\$400,000,000 for the Subscription shall be satisfied in cash.

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Analysis on the Conversion Price

With reference to the Board Letter, the Conversion Price was arrived at after arm's length negotiations between the Company and the Subscribers with reference to the prevailing market prices of the Shares.

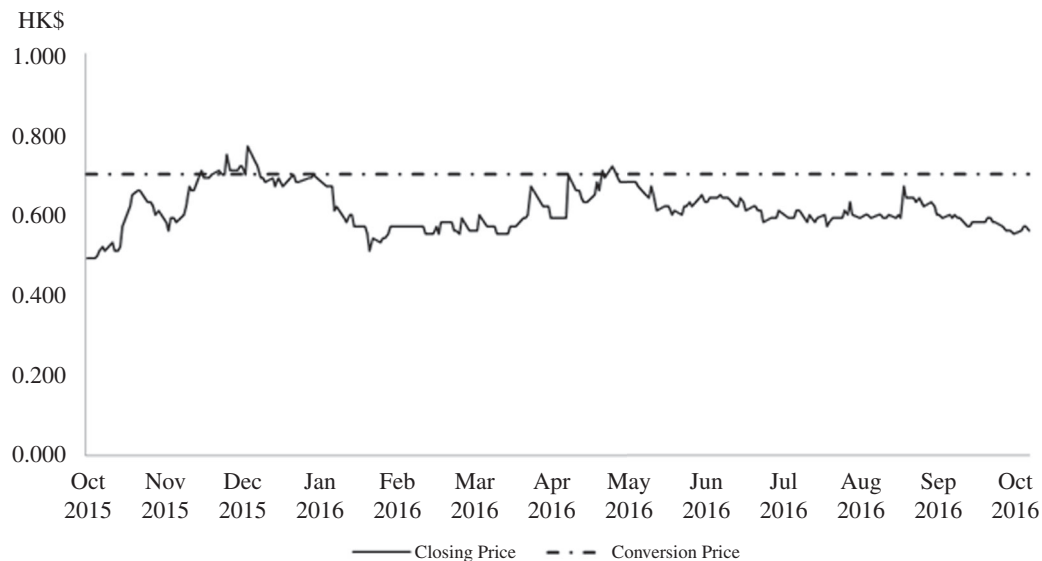
The initial Conversion Price of HK\$0.70 per Share, represents:

- (a) a premium of approximately 16.7% over the closing price of the Shares of HK\$0.600 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 22.8% over the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on 12 October 2016, being the last trading day before the date of the Subscription Agreement (the “**Last Trading Day**”);
- (c) a premium of approximately 24.1% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including 12 October 2016, being approximately HK\$0.564 per Share;
- (d) a premium of approximately 24.6% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including 12 October 2016, being approximately HK\$0.562 per Share;
- (e) a premium of approximately 21.1% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the thirty consecutive trading days up to and including 12 October 2016, being approximately HK\$0.578 per Share;
- (f) a premium of approximately 14.2% over the average of the closing prices of the Shares as quoted on the Stock Exchange for last six months up to and including 12 October 2016, being approximately HK\$0.613 per Share;
- (g) a premium of approximately 13.8% over the average of the closing prices of the Shares as quoted on the Stock Exchange for last twelve months up to and including 12 October 2016, being approximately HK\$0.615 per Share; and
- (h) a premium of approximately 3.6% to the equity attributable to owners of the Company of approximately HK\$0.676 per Share as at 30 June 2016.

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In order to assess the fairness and reasonableness of the initial Conversion Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 2 October 2015 up to and including the Last Trading Day (the “**Review Period**”), being a period of approximately one year prior to the Subscription Agreement and up to the Last Trading Day which is a generally adopted review period. We consider the Review Period to be sufficient for our analysis and it is market practice to review the performance of stock price for a period of one year prior to the Last Trading Day. The comparison of daily closing prices of the Shares and the initial Conversion Price is illustrated as follows:

Historical daily closing price per share and the Conversion Price



Source: the Stock Exchange's website

During the Review Period, the lowest and highest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.490 recorded on 2 October 2015 and 5 October 2015 and HK\$0.770 per Share recorded on 4 December 2015 respectively. The Conversion Price of HK\$0.700 is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period.

As part of our analysis, we have further identified those issue and subscription of convertible bonds/notes exercises under specific mandate which were announced by companies listed on the Stock Exchange from 13 July 2016 up to the Last Trading Day (the “**Selection Period**”) (the “**Comparables**”). The Selection Period was chosen for the demonstration of the most recent market practices prior to the execution of the Subscription Agreement. To the best of our knowledge and as far as we are aware of, we found 11 issue and subscription of convertible bonds/notes exercises under specific mandate which were announced by companies listed on the Stock Exchange during the Selection Period, which are exhaustive as far as we are aware of. Shareholders should

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note that the businesses, operations and prospects of the Company are not the same as the Comparables. Nevertheless, the Comparables can still demonstrate the market practices of companies listed on the Stock Exchange.

Company name	Stock code	Date of announcement	Maturity (Years)	Interest rate per annum (%)	Premium/ (discount) of the initial conversion price over/to closing price per share on the last trading day prior to/ the date of announcement/ agreement in relation to the respective subscription/issue of convertible bonds/notes (%)	Principal amount (in HK\$)	Connected transaction (Y/N)
Sino Golf Holdings Ltd.	361	13 July 2016	5	Nil	(63.23)	74,100,000	N
Value Convergence Holdings Ltd.	821	24 July 2016	2	2	(49.61)	850,000,000	N
Ground International Development Ltd.	989	5 August 2016	2	8	(18.03)	200,000,000	N
SMI Culture & Travel Group Holdings Ltd.	2366	8 August 2016	1	5	8.87	100,000,000	N
China Agri-Products Exchange Ltd.	149	23 August 2016	5	7.5	9.59	140,000,000	N
Sino Energy International Holdings Group Ltd.	1096	31 August 2016	2	7.5	11.44	120,000,000	Y
Fullshare Holdings Ltd.	607	7 September 2016	1	Nil	(32.13)	350,000,000	N
Lee & Man Handbags Holding Ltd.	1488	18 September 2016	5	3	(5.60)	1,500,000,000	Y
Sun Century Group Ltd.	1383	20 September 2016	2	Nil	4.00	570,000,000	Y
China Fortune Financial Group Ltd.	290	21 September 2016	3	2	(63.00)	390,000,000	N
TC Orient Lighting Holdings Ltd.	515	26 September 2016	3	7	(67.21)	285,000,000	N
Maximum				8.00	11.44	1,500,000,000	
Minimum				Nil	(67.21)	74,100,000	
Average				5.25	(24.08)	416,281,818	
The Company	305	13 October 2016	3	4	22.80	400,000,000	Y

We noted from the above table that the conversion prices of the Comparables ranged from a discount of approximately 67.21% to a premium of approximately 11.44% to/over the respective closing prices of their shares on the last trading day prior to the release of announcement/date of agreement in relation to the respective issue/subscription of convertible notes/bonds exercises (the “**Market Range**”). As such, the premium of approximately 22.80% as represented by the initial Conversion Price over the closing price of the Shares on the Last Trading Day is higher than the Market Range.

As a result of the fact that (i) the initial Conversion Price of HK\$0.700 is within the range of the daily closing prices of the Share during the Review Period; and (ii) the premium of approximately 22.80% as represented by the initial Conversion Price over the

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closing price of the Shares on the Last Trading Day is higher than the Market Range, we are of the view that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

Analysis on the interest rate of the Convertible Notes A

As presented by the table under the above sub-section of this letter, the Comparables carried an annual interest rate of Nil to 8.00%. Since the Convertible Notes A bears an interest rate of 4% per annum which is within the range and below the average of the Comparables, we consider that the interest rate of the Convertible Notes A is in the interest of the Company and the Independent Shareholders as a whole.

Taking into account the principal terms of the Convertible Notes A as highlighted above, we consider that the terms of the Convertible Notes A are fair and reasonable. As such, we are of the view that the terms of Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Possible dilution effect on the shareholding interests of the public Shareholders

With reference to the shareholding table in the section headed “8. EFFECT ON SHAREHOLDING STRUCTURE” of the Board Letter, the shareholding interests of the public Shareholders would be diluted by (i) approximately 6.69 percent point as a result of the full conversion of the Convertible Notes A; and (ii) approximately 9.94 percent point as a result of the full conversion of the Convertible Notes. Taking into account (i) the reasons for the Subscription; and (ii) that the terms of the Subscription Agreement are fair and reasonable, we are of the view that the said levels of dilution to the shareholding interests of the public Shareholders as a result of the full conversion of the Convertible Notes A and the Convertible Notes respectively are acceptable.

RECOMMENDATION ON THE SUBSCRIPTION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Subscription 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 resolution(s) to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. FINANCIAL INFORMATION INCORPORATED BY REFERENCE

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position in a comparative table and the latest published audited balance sheet together with the notes on the annual report for the last financial year of the Group.

The audited consolidated financial statements of the Group prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants for the three financial years ended 31 December 2015 together with the relevant notes thereto can be found from pages 58 to 144 of the annual report of the Company for the year ended 31 December 2013, pages 64 to 146 of the annual report of the Company for the year ended 31 December 2014 and pages 64 to 140 of the annual report of the Company for the year ended 31 December 2015, respectively.

Each of the said audited consolidated financial statements of the Group for the three financial years ended 31 December 2015 is incorporated by reference to this circular and forms part of this circular. The said annual reports of the Company are available on the Company's website at www.wuling.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

Please also see below the links to the annual reports of the Company:

Annual report 2015:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0426/LTN20160426850.pdf>

Annual report 2014:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0427/LTN20150427789.pdf>

Annual report 2013:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0424/LTN201404241290.pdf>

2. INDEBTEDNESS OF THE GROUP

At the close of business on 30 September 2016, being the latest practicable date for the purpose of this indebtedness statement of the Group prior to the printing of the circular, the Group had the following indebtedness that are unguaranteed:

	<i>Notes</i>	As at 30 September 2016 RMB'000
Secured bank borrowings	1	884
Unsecured bank borrowings		49,000
Advances drawn on bills receivables discounted with recourse	2	1,248,670
Unsecured amounts due to a shareholder	3	<u>22,473</u>
		<u><u>1,321,027</u></u>

Notes:

1. The amounts is secured by investment properties of the Group.
2. The amount represents the Group's other borrowings secured by the bill receivables of the Group discounted to the bank with recourse.
3. The amount represents amount due to Guangxi Automobile Holdings Limited.

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at 30 September 2016, have any outstanding (i) debt securities, whether issued and outstanding, authorized or otherwise created but unissued, and term loans; (ii) other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchases commitments; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

3. WORKING CAPITAL

In determining the efficiency of working capital of the Group, the Directors have made assumption that the secured and unsecured bank borrowings of approximately RMB49,000,000 (equivalent to approximately HK\$56,203,000) are forecasted to be fully repaid on expiry of their existing terms and would not be renewed.

Should the proceeds from the secured and unsecured bank borrowings obtained be excluded from the working capital forecasts, the Group will still have sufficient working capital for the Group's requirement for at least 12 months from the date of publication of this circular.

The Directors are of the opinion that, after taking into account the financial resources available to the Group, including available credit facilities, internally generated funds, and the Capital Increase together with the cash flow impact of subscription of the Convertible Notes A which is one of conditions precedent of the Capital Increase and based on the assumption of regarding the financial arrangement for the bank borrowings, the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no adverse material change in the financial or trading position or outlook of the Group since 31 December 2015, the date to which the latest published audited financial statements of the Company were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As set out in the interim report of the Company for the six months ended 30 June 2016 (“**2016 Interim Report**”), the first half of 2016 was full of opportunities and challenges for automobile industry in China. As China’s economy entered a stage of stable development, the automobile industry experienced stages of moderate growth. Adhering to its operating policies of “Pursuing Growth Amid Stability, Optimizing Business Structure, Promoting Sustainable Development”, the Group managed to enhance quality and efficiency, continued to adjust its enterprise structure and promoted business transformation, successfully identifying new goals for strategic development without compromising the long-standing scale of operation and healthy growth. During the first six months of 2016, the Group recorded a turnover of RMB8,502,171,000, representing an increase of 26.6% as compared to the corresponding period in last year. Gross profit for the period under review was RMB866,002,000, representing an increase of 18.9%. Impressive growth of businesses in the passenger vehicles segment from the new products of the engines and parts and automotive components and other industrial services divisions benefited the business performance of the Group for the period, despite the keen competition business environment. Net profit of the Group for the first half of 2016 was RMB134,670,000, representing a significant increase of approximately 89.9% as compared to the corresponding period in last year. Profits attributable to the owners of the Company was RMB66,217,000, representing an impressive increase of 131.5%.

Please see below the link to the 2016 Interim Report:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0909/LTN20160909739.pdf>

The business performance and evaluation of the Group’s three main business segments, operated under Wuling Industrial Group, namely (1) engines and parts; (2) automotive components and other industrial services; and (3) specialized vehicles for the first half of 2016 are detailed below:

Engines and Parts

Turnover (based on external sales) of the engines and parts division for the six months ended 30 June 2016 was RMB2,437,442,000, representing a significant increase of 62.4% as compared to the corresponding period in last year. Operating profit for the respective period was RMB75,760,000, representing an impressive increase of 68.0% as compared to the corresponding period in last year.

Total number of engines sold by the Group for the first half of 2016 was approximately 280,000 units, representing an increase of approximately 12% as compared to corresponding period in last year. A shift in the product mix with primary focus towards the higher end models drove the satisfactory business performance since last year continued to benefit the business results of the division.

During the period, sales to SGMW, our core customer, increased substantially to approximately RMB1,980,000,000 and continued to account for the majority portion of the division's revenue. The increase was mainly attributable to the contribution from the mass production of NP18, the Group's first self-propriety engine for commercial passenger vehicles. NP18 was primarily installed in the Baojun 730 and 560 model of SGMW which had a higher selling price as compared to the traditional models produced for commercial mini-vehicles. Meanwhile, for further expansion and diversification of the Group's engines and parts businesses, the Group has been actively pursuing projects for other automobile manufacturers over the years. Sales, primarily engine sets, to other customers amounted to approximately RMB460,000,000 for the first half of 2016, representing approximately 18.9% of the total revenue of this division.

Operating margin slightly improved to 3.1% as compared to the corresponding period in last year. During this period, continuous improvement of the operations of the foundry facilities and the mass production of the abovementioned N18 new model with higher selling price and better profit margin provided an important driving force for the improvement in profitability of the division. However, increase in warranty expenses incurred for the launch of new products limited the growth in net margin

In the past, engines produced by the Group were mainly for the commercial mini-vehicles which had been recognized as a trademark product in this particular market segment. However, to further expand the product range and to achieve higher technical capability, the Group has actively undertaken development projects, either in house or in co-operation with other business partners, for the production of the upgraded engine products in serving the different needs of the customers, especially targeting at the passenger vehicles segment. As mentioned above, the Group has successfully launched NP18, its first engine product for the passenger vehicles, in which mass production orders from the main customer has gradually taken off since 2015. This product marked a significant breakthrough of the Group from which, in term of revenue, the contribution from the passenger vehicles products had surpassed the contribution from the traditional commercial mini-vehicles products.

Meanwhile, the Group is also making significant progress in our owned proprietary V6 cylinder engine products which is undertaken by a joint venture company formed with a technical partner, namely Liuzhou Lingte Motor Technology Company Limited (“**Liuzhou Lingte**”). Following the successful completion of the research and development of the 3.0L Advanced Model and entering into the planning stage of the production facilities by Liuzhou Lingte, Liuzhou Lingte has recently commenced the construction of the infrastructure and the main assembly line which is expected to be completed and started operational in early 2017. The successful development of the V6 products by Liuzhou Lingte will significantly enhance our products range and capability in the industry.

Automotive Components and Other Industrial Services

Turnover (based on external sales) of the automotive components and other industrial services division for the six months ended 30 June 2016 was RMB4,871,678,000, representing an increase of 15.6% as compared to the corresponding period in last year. Benefited from the positive effects from the launches of new models, operating profits for the respective period increased to RMB143,509,000, representing an impressive increase of 38.2% as compared to the corresponding period in last year.

The automotive components and other industrial services division continued to be the key supplier for supplying a majority portion of the key automotive components to SGMW. During the period, total sales to SGMW, comprised the range of products including the brake and the chassis assembly components, seat sets, various plastic and welding parts and other automotive accessories, continued to increase. Strong demands for and the increasing market share achieved by the key products of SGMW benefited the business performance of this division during this period. The satisfactory market performance of the passenger vehicles model such as Wuling Hongguang (五菱宏光) and the Baojun series (寶駿) of SGMW essentially contributed to the business performance and provide promising business potential to this division.

During the period, operating margin continued to improve resulting from scale operations and the positive effects from the cost control and integration exercises, despite higher administrative costs incurred for the launches and new models and the various capacity expansion and upgrading projects.

With its long and established industry experiences, the automotive components and other industrial services division of the Group is particularly strong in product design and development. Its capability in supplying a wide range of products provides a one-stop shop services to the customers, whereas, the scalability of its production facilities ensures the particular needs of our key customer can be properly taken care of. Apart from its traditional well and established commercial mini-vehicles production capability, strategically, the automotive components and other industrial services division has progressed gradually to other higher value-added passenger vehicles, such as the sedan, MPV and SUV segments to further the profitability performance for the Group. This

strategic move has triggered a significant breakthrough in 2015. In term of revenue contribution, the division has since successfully achieved a higher revenue share from the passenger vehicles segment as compared to the commercial mini-vehicles segment.

In view of the anticipated growth of business of SGMW from the existing models and the launch of new models, the Group has been actively undertaken capacity expansion and upgrading programmes. With respect to the Liuzhou region, following the completion of the self-owned primary production base in Hexi Industrial Park, Liuzhou, with a site area of over 400,000 sqm., which is primarily for the mini-vehicles' components businesses in 2014, in response to the business strategy and the increasing orders of SGMW for the passenger vehicles, in particular for the sedans and MPVs, the division has established another production facility in the eastern district of Liuzhou ("**Liudong Facilities**"), which is mainly targeted at the types of sedan and MPV passenger vehicles' components businesses. Liudong Facilities, which is strategically located in adjacent to the passenger vehicles production base of SGMW, has started operation in late 2014. In view of the future demands from SGMW and other potential customers, the Group has commenced construction of the second phase development of Liudong Facilities last year to ensure adequate production capacity can be ready on a timely basis.

Apart from the Liuzhou and Qingdao regions, the Group also further expanded its production capacity in the western region of the PRC by establishing the Group's third key production facilities located in Chongqing, for serving the needs of SGMW and other new customers in this particular region. Construction of the first phase which commenced in early 2015 has been progressed satisfactorily where part of the production facilities has already started operational during the period. The Group is currently reviewing the second phase development in line with the expansion plan of SGMW and will initiate appropriate plans for further expansion of this production facility in due course.

Over the past few years, the Group has taken strategic steps in China to transform from a single production point operation in Liuzhou into an inter-provincial production group with facilities in Guangxi, Shandong and Chongqing, accomplishing a synchronized expansion and improvement in terms of corporate size and core competitiveness, meanwhile establishing a sound foundation for the Group's business growth and sustainable development in the future. These strategic steps, accompanied with the satisfactory growth in the business volume of the SGMW and other customers over the past few years, have benefited the business performance of the Group. Apart from the improvement in business performance, these strategic steps over the past few years have also strengthened the commercial collaboration between the Group and SGMW in pursuing current businesses as well as other future business opportunities. As SGMW has been actively promoting its overseas business activities by establishing its production plant in Indonesia, the Group has kept pace with such development of SGMW and decided to develop its overseas businesses concurrently by establishing our first overseas production base located in Indonesia, which is expected to commence operation in the second half of 2017. Being the fourth largest population country in the world and in consideration of its recent economic development, the Group is of the view that there is

great business potential for the automobile industry in Indonesia and consider that the geographical expansion of the Group's automotive components businesses in Indonesia is an appropriate expansion strategy for the Group.

Specialized Vehicles

Turnover (based on external sales) of the specialized vehicles division for the six months ended 30 June 2016 was RMB1,193,051,000, representing an increase of 19.2% as compared to the corresponding period in last year. Operating profit for the respective period was RMB15,734,000, representing an increase of 41.0%.

During this period, the Group sold approximately 28,000 specialized vehicles, representing an increase of 16.7% as compared to the corresponding period in last year. The increase was mainly attributable to an increase in the sale volume of redecorated vans, which have a lower profit margin, whereas sale volume of other products such as mini-school buses, mini-buses and multi-purpose mini-vans, etc, were remained stable. The specialized vehicles division has been actively promote new models to expand its product range and business volume, as well as to enhancing its profitability.

Operating margin maintained at 1.3% for the period. High portion of low margin products, market competition and increasing production costs continued to be the primary concerns for the division to tackle. Meanwhile, increasing costs of research and development and warranty incurred for the launches of new products also limited the profitability performance of this division. To enhance the profitability of this division, strategically, the Group has planned to reduce the production of the lower margin redecorated vans and mini-container wagons products so as to reserve more capacity to other more profitable models, such as the mini-school buses, sight-seeing cars and electrical vehicles. Being the primary focus of development of the Group, electrical vehicle product has recently reached a stage of breakthrough. Two products, including an electrical passenger mini-bus and an electrical logistic vehicle have obtained notifications of government approval in recent month. The Group plans to adopt the technical knowhow as developed from these two electrical vehicles as the platform to explore and develop a series of electrical specialized vehicles suitable for these particular business segments. The Group expects the business development of these new models will benefit the profitability performance of the division.

As set out in the 2016 Interim Report, as at 30 June 2016, the Group's unaudited net assets amounted to RMB2,012,575,000 which was increased by approximately 6.5% as compared to the audited net assets of RMB1,889,660,000 as recorded at 31 December 2015. Unaudited net assets attributable to the owners of the Company amounted to RMB1,101,593,000 as at 30 June 2016, representing an increase of approximately 5.8% as compared to the comparative audited figure of RMB1,041,513,000 as recorded at 31 December 2015. Meanwhile, as at 30 June 2016, the Group's unaudited net current liabilities amounted to RMB776,120,000 which was decreased by approximately 7.1% as compared to the audited net current liabilities of RMB835,503,000 as recorded at 31 December 2015.

Increase in the Group's net assets and the net assets attributable to the owners of the Company was primarily attributable to the profits generated during the six months ended 30 June 2016, which had also slightly improved the liquidity position of the Group as reflected by the decreases in the Group's unaudited net current liabilities.

In February 2016, the Company completed the capital injection of an additional sum of RMB160,000,000 in cash to Wuling Industrial, our non-wholly owned subsidiary, pursuant to the capital increase agreement entered into between the Company and Guangxi Automobile, our ultimate controlling shareholder on 3 December 2015. Accordingly, the Company's equity interest in Wuling Industrial had been increased from approximately 50.98% to approximately 54.86%.

As stated in the "Messages from the Board of Directors" of the 2016 Interim Report, the Group envisaged the economic environment in China continued to undergo certain structural adjustments during the first half of 2016. As China's economy entered the stage of stable development, it was inevitable that enterprises would face intensifying competition and new challenges in their respective industries. Supported by the continuous growth in the local economy and increasing demands from the consumers, the automobile industry in China maintained its momentum of growth for the first half of 2016. Total number of motor vehicles sold in China increased moderately by 8.1% on a year-on-year basis and reached 12.8 million vehicles. Such increase was mainly attributable to the growth in the segment of passenger vehicles, which comprised primarily sedans, MPVs and SUVs, etc. Amongst which, the MPVs and SUVs continued to be the most impressive growth segments, which are also the strategic focus of the Group and our key customer.

During the period, in co-operation with customers and business partners, new products were unrelentingly developed and launched in response to the dynamic market environment. We confidently expect some of which would become the next growth drivers of revenue of the Group in the years ahead. In addition, commencement of operations of the new production plants and other ancillary facilities, such as the completed Liuzhou Hexi Industrial Facilities, the extended Qingdao Facilities, the newly established Liudong Facilities and the Chongqing Facilities had also provided fundamental supports for our business development. The establishment of these enhanced facilities would also ensure our competitive strength in terms of scalability and geographical locations for future business development and transformation projects. Meanwhile, the Group has been actively implementing the expansion programme of our first overseas production base located in Indonesia to develop our overseas businesses concurrently our key customer, which is expected to commence operation in the second half of 2017.

In response to the specific business environment and the strategy of our key customer, the Group had also initiated certain strategic changes in our business operations. In particular for our engines and parts and automotive components and other industrial services divisions, our business focus had been gradually shifted from a high reliance on the mini-vehicles segment to a balanced mix of contribution from the mini-vehicles and the passenger vehicles segments. The remarkable segmental performances of the engines and parts and the automotive components and other industrial services

divisions since last year, in terms of the growth in revenue and operations, had continuously demonstrated the importance and effectiveness of this business strategy in fostering the business potential of the Group.

The Group considers business environment in China to be highly competitive and challenging in this year and the years ahead. Keen competitive business environment will continue to pressurize the automobile related enterprises in formulating appropriate business and market strategies responding to the dynamic market situation. Meanwhile, cyclical fluctuations in the local economy will continue to cause market sentiments to be more conservative and selective. However, being the world largest automobile market, the Group is full of confidence and considers the existing challenges can be overcome by effective strategies and will be beneficial to the industry in the long run.

In the ensuing year, the Group will aim at expanding and securing its market through market oriented operating mechanism supported by an effective management system. The Group will continue to further strengthen its research and development capabilities of new products to optimize its core products and enhance its core competitive strengths. In collaboration with other enterprises, both at home and abroad, the Group will procure quality enhancement and innovative development for our automotive component business, meanwhile actively cultivate talents for emerging businesses to pursue new projects with potential. The Group will also commit to undertake major technology enhancement programs and equity investment projects that may contribute to the goal of sustainable development.

Looking ahead, the Group expects appropriate business strategies and the continuous economic growth in China will continue to bring business opportunities to the three main business segments namely (i) engines and related parts; (ii) automotive components and other industrial services; and (iii) specialized vehicles. In response to the dynamic and challenging market situation, the Group will continue to implement various ongoing capacity expansion programs on a timely basis so as to cope with the growing demands from the customers. In addition, the Group will also continue to undertake technical re-engineering, upgrading and integration programs to further the product quality standard and technical capability so as to stay competitive in the industry.

The following is the text of accountants' report on Wuling Industrial Group, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

28 November 2016

The Directors
Wuling Motors Holdings Limited

Dear Sirs/Madams,

We set out below our report on the financial information (the “**Financial Information**”) relating to 柳州五菱汽車工業有限公司 Liuzhou Wuling Motors Industrial Company Limited (“**Wuling Industrial**”) and its subsidiaries (hereinafter collectively referred to as the “**Wuling Industrial Group**”) for each of the three years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016 (the “**Relevant Periods**”), for inclusion in the circular of Wuling Motor Holdings Limited (“**the Company**”) dated 28 November 2016 (the “**Circular**”) in connection with the proposed capital increase in Wuling Industrial.

Wuling Industrial was a sino-foreign joint-venture enterprise established in the People's Republic of China (the “**PRC**”) on 30 October 2006 as a limited liability company. The registered address of Wuling Industrial is No. 18, Hexi Road, Liuzhou, Guangxi, China. Wuling Industrial Group is principally engaged in manufacturing and trading of engines and parts, automotive components and accessories and specialized vehicles, trading of raw materials, and provision of water and power supply in the PRC.

Particulars of the Wuling Industrial's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to Wuling Industrial Group at				Date of this report	Principal activities
			31 December 2013	31 December 2014	30 June 2015	30 June 2016		
<i>Directly owned</i>								
柳州五菱柳機動力有限公司 Liuzhou Wuling Liuji Motors Company Limited (“ Liuji Motors ”)	The PRC 16 June 1993	Registered capital RMB100,125,389	100%	100%	100%	100%	100%	Manufacture and sale of petrol engines and motor cycles engines
無錫五菱動力機械有限責任公司 Wuxi Wuling Power Machinery Co. Limited (“ Wuxi Wuling ”)	The PRC 15 July 2005	Registered capital RMB6,000,000	51%	51%	70%	70%	70%	Manufacturing and sale of accessories of motor vehicle

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to Wuling Industrial Group at				Date of this report	Principal activities
			31 December 2013	2014	2015	30 June 2016		
柳州卓通汽車零件有限公司	The PRC 21 November 2013	Registered capital RMB10,000,000	100%	100%	100%	100%	100%	Manufacture and sale of accessories of motor vehicles
重慶卓通汽車零件有限公司 Chongqing Zhuotong Automotive Parts and Components Company Limited ("Chongqing Zhuotong")	The PRC 19 May 2014	Registered capital RMB30,000,000	N/A	100%	100%	100%	100%	Manufacture and sale of accessories of motor vehicles
柳州卓達汽車零件有限公司 Liuzhou Zhuo Da Auto Parts Co. Limited ("Linzhou Zhuo Da") (Formerly known as "柳州長鵬汽車零件有限公司")	The PRC 27 June 2012	Registered capital RMB25,000,000	51%	51%	100%	100%	100%	Manufacturing and sale of accessories of motor vehicle
香港卓遠投資有限公司 Hong Kong Zhuo Yuan Investment Limited ("Zhuo Yuan")	Hong Kong 11 March 2016	Issued and fully paid share capital HK\$10,000	N/A	N/A	N/A	100%	100%	Inactive
香港卓強投資有限公司 Hong Kong Zhuo Qiang Investment Limited ("Zhuo Qiang")	Hong Kong 11 March 2016	Issued and fully paid share capital HK\$10,000	N/A	N/A	N/A	100%	100%	Inactive
青島五菱專用汽車有限公司	The PRC 12 October 2012	Registered capital RMB50,000,000	100%	100%	100%	100%	100%	Manufacture and sale of specialized vehicle
<i>Indirectly owned</i>								
柳州五菱柳機鑄造有限公司	The PRC 29 December 2008	Registered capital RMB10,000,000	100%	100%	100%	100%	100%	Manufacture and sale of engine
泰興市菱迪機械有限公司	The PRC 28 March 2004	Registered capital RMB3,000,000	100%	100%	N/A	N/A	N/A	Manufacture and sale of combustion engines
吉林綽豐柳機內燃機有限公司 Jilin Chuofeng Liuji Motors Company Limited ("Jilin Chuofeng")	The PRC 31 March 2012	Registered capital RMB38,000,000	75%	75%	75%	75%	75%	Inactive
Pt. LZWL Motors Limited	Indonesia 17 March 2016	Registered capital USD31,280,000	N/A	N/A	N/A	100%	100%	Inactive

All companies now comprising Wuling Industrial Group have adopted 31 December as their financial year end date.

No audited statutory financial statements have been prepared for Zhuo Yuan, Zhuo Qiang and Pt. LZWL Motors Limited as they have not reached their first financial year end since date of incorporation.

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

The statutory financial statements of Wuling Industrial and the following subsidiaries were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by the following certified public accountants registered in the PRC:

Name of company	Financial year	Name of auditor
Wuling Industrial	Year ended 31 December 2013 Years ended 31 December 2014 and 2015	廣西瑞和會計師事務所 廣西新時代會計師事務所 有限公司
Liuji Motors	Year ended 31 December 2013 Years ended 31 December 2014 and 2015	廣西天華會計師事務所 有限責任公司 廣西新時代會計師事務所 有限公司
Wuxi Wuling	Year ended 31 December 2013 Years ended 31 December 2014 and 2015	廣西天華會計師事務所 有限責任公司 廣西新時代會計師事務所 有限公司
柳州卓通汽車零部件 有限公司	Period from 21 November 2013 to 31 December 2013 Years ended 31 December 2014 and 2015	廣西天華會計師事務所 有限責任公司 廣西新時代會計師事務所 有限公司
Chongqing Zhuotong	Period from 19 May 2014 to 31 December 2014 and year ended 31 December 2015	廣西新時代會計師事務所 有限公司
柳州五菱柳機鑄造 有限公司	Year ended 31 December 2013 Years ended 31 December 2014 and 2015	廣西天華會計師事務所 有限責任公司 廣西新時代會計師事務所 有限公司
Liuzhou Zhuo Da	Year ended 31 December 2013 Years ended 31 December 2014 and 2015	廣西天華會計師事務所 有限責任公司 廣西新時代會計師事務所 有限公司
泰興市菱迪機械 有限公司	Year ended 31 December 2013 Years ended 31 December 2014	廣西天華會計師事務所 有限責任公司 廣西新時代會計師事務所 有限公司

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP
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Name of company	Financial year	Name of auditor
Jilin Chuofeng	Year ended 31 December 2013	廣西天華會計師事務所 有限責任公司
	Years ended 31 December 2014 and 2015	廣西新時代會計師事務所 有限公司
青島五菱專用汽車 有限公司	Year ended 31 December 2013	廣西天華會計師事務所 有限責任公司
	Years ended 31 December 2014 and 2015	廣西新時代會計師事務所 有限公司

For the purpose of this report, the directors of Wuling Industrial has prepared the consolidated financial statements of Wuling Industrial Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) (thereinafter referred to as the “**Underlying Financial Statements**”). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

We also examined the Underlying Financial Statements in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of Wuling Industrial Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments have been made to the Underlying Financial Statements in preparation of this report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Wuling Industrial. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of Wuling Industrial Group as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, and of the financial performance and cash flows of Wuling Industrial Group for the Relevant Periods.

The comparative consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Wuling Industrial Group for the six months ended 30 June 2015 together with the notes thereon have been extracted from the Wuling Industrial Group’s unaudited financial information for the same period (the “**30 June 2015 Financial Information**”) which was prepared by the directors of Wuling Industrial solely for the purpose of this report. We have reviewed the 30 June 2015 Financial Information in accordance with the Hong Kong Standard

of Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the HKICPA. Our review of the 30 June 2015 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 June 2015 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2015 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information in accordance with HKFRSs.

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

A. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December			Six months ended 30 June	
		2013	2014	2015	2015	2016
	NOTES	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	7(a)	12,037,209	12,138,544	13,451,118	6,716,275	8,502,171
Cost of sales		<u>(10,777,875)</u>	<u>(10,764,941)</u>	<u>(11,930,210)</u>	<u>(5,987,806)</u>	<u>(7,636,169)</u>
Gross profit		1,259,334	1,373,603	1,520,908	728,469	866,002
Other income	7(b)	43,638	48,043	64,802	30,466	37,085
Other gains and losses	7(c)	(10,478)	(45,750)	(16,289)	(7,958)	2,318
Selling and distribution costs		(320,135)	(323,756)	(299,720)	(156,420)	(167,358)
General and administrative expenses		(634,579)	(616,191)	(649,162)	(285,526)	(318,717)
Research and development expenses		(112,598)	(197,609)	(268,432)	(163,462)	(189,115)
Share of results of joint ventures	17	418	(1,591)	(12,752)	(3,463)	(3,741)
Finance costs	8	<u>(74,533)</u>	<u>(74,510)</u>	<u>(71,200)</u>	<u>(34,203)</u>	<u>(48,099)</u>
Profit before taxation		151,067	162,239	268,155	107,903	178,375
Income tax expense	9	<u>(37,184)</u>	<u>(30,572)</u>	<u>(68,032)</u>	<u>(19,951)</u>	<u>(31,629)</u>
Profit and total comprehensive income for the year/period	10	<u>113,883</u>	<u>131,667</u>	<u>200,123</u>	<u>87,952</u>	<u>146,746</u>
Profit and total comprehensive income for the year/period attributable to:						
Owners of Wuling Industrial		112,644	135,681	211,817	87,971	143,816
Non-controlling interests		<u>1,239</u>	<u>(4,014)</u>	<u>(11,694)</u>	<u>(19)</u>	<u>2,930</u>
		<u>113,883</u>	<u>131,667</u>	<u>200,123</u>	<u>87,952</u>	<u>146,746</u>

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

Consolidated Statements of Financial Position

		At 31 December			At
		2013	2014	2015	30 June
	NOTES	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	1,569,832	1,848,581	2,150,024	2,289,562
Prepaid lease payments	15	211,692	220,512	250,961	247,928
Goodwill	16	5,252	—	—	—
Interests in joint ventures	17	68,103	80,138	80,341	76,600
Deposits paid for land use rights	18	—	7,010	—	—
Deposits paid for acquisition of property, plant and equipment	19	209,756	291,647	433,437	355,799
Available-for-sale investment	28	—	22,000	22,000	22,000
Deposit paid for acquisition of an equity instrument	28	<u>22,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>2,086,635</u>	<u>2,469,888</u>	<u>2,936,763</u>	<u>2,991,889</u>
CURRENT ASSETS					
Inventories	20	1,189,408	1,449,146	1,778,552	1,329,645
Trade and other receivables	21	5,856,071	5,007,274	4,992,662	7,237,690
Prepaid lease payments	15	4,731	4,956	6,088	6,088
Tax recoverable		1,166	—	—	—
Pledged bank deposits	23	710,499	634,340	705,502	1,472,586
Bank balances and cash	23	<u>306,279</u>	<u>200,582</u>	<u>1,062,508</u>	<u>1,178,353</u>
		<u>8,068,154</u>	<u>7,296,298</u>	<u>8,545,312</u>	<u>11,224,362</u>
CURRENT LIABILITIES					
Trade and other payables	24	7,005,247	7,204,289	8,359,054	8,421,849
Amount due to the Company	25	—	—	26,287	32,130
Amount due to a shareholder	25	169,298	—	28,608	24,846
Provision for warranty	26	158,698	164,179	151,353	194,137
Tax payable		28,165	26,669	57,644	81,445
Bank borrowings	27	247,526	250,000	—	—
Advances drawn on bills receivables discounted with recourse	27	<u>530,119</u>	<u>238,234</u>	<u>881,876</u>	<u>3,222,028</u>
		<u>8,139,053</u>	<u>7,883,371</u>	<u>9,504,822</u>	<u>11,976,435</u>

APPENDIX II	FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP
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		At 31 December			At
		2013	2014	2015	30 June
		RMB'000	RMB'000	RMB'000	2016
NOTES					RMB'000
NET CURRENT LIABILITIES		<u>(70,899)</u>	<u>(587,073)</u>	<u>(959,510)</u>	<u>(752,073)</u>
TOTAL ASSETS LESS					
CURRENT LIABILITIES		<u>2,015,736</u>	<u>1,882,815</u>	<u>1,977,253</u>	<u>2,239,816</u>
NON-CURRENT					
LIABILITIES					
Amount due to a shareholder	25	446,384	191,314	191,314	178,697
Deferred income	28	21,206	19,739	18,272	17,539
Deferred tax liabilities	29	<u>7,000</u>	<u>3,849</u>	<u>3,561</u>	<u>3,417</u>
		<u>474,590</u>	<u>214,902</u>	<u>213,147</u>	<u>199,653</u>
		<u>1,541,146</u>	<u>1,667,913</u>	<u>1,764,106</u>	<u>2,040,163</u>
CAPITAL AND RESERVES					
Share capital	30	960,000	960,000	960,000	1,042,581
Reserves		<u>559,235</u>	<u>694,916</u>	<u>810,961</u>	<u>1,001,507</u>
Equity attributable to owners					
of Wuling Industrial		1,519,235	1,654,916	1,770,961	2,044,088
Non-controlling interests		<u>21,911</u>	<u>12,997</u>	<u>(6,855)</u>	<u>(3,925)</u>
		<u>1,541,146</u>	<u>1,667,913</u>	<u>1,764,106</u>	<u>2,040,163</u>

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

Consolidated Statements of Changes in Equity

	Attributable to owners of Wuling Industrial						Non-	
	Share capital	Contribution reserve	PRC general reserve	Capital reserve	Retained profits	Total	controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note i)	(note ii)	(note iii)				
At 1 January 2013	960,000	4,882	177,251	18,505	281,936	1,442,574	21,350	1,463,924
Profit and total comprehensive income for the year	—	—	—	—	112,644	112,644	1,239	113,883
Acquisition of additional interest in a subsidiary	—	—	—	—	(1,114)	(1,114)	(678)	(1,792)
Dividend recognized as distribution (note 39)	—	—	—	—	(34,869)	(34,869)	—	(34,869)
Transfers	—	—	25,253	—	(25,253)	—	—	—
Subtotal	—	—	25,253	—	(61,236)	(35,983)	(678)	(36,661)
At 31 December 2013	960,000	4,882	202,504	18,505	333,344	1,519,235	21,911	1,541,146
Profit and total comprehensive income (expenses) for the year	—	—	—	—	135,681	135,681	(4,014)	131,667
Dividend recognized as distribution to non-controlling interests	—	—	—	—	—	—	(4,900)	(4,900)
Transfers	—	—	3,028	—	(3,028)	—	—	—
Subtotal	—	—	3,028	—	(3,028)	—	(4,900)	(4,900)
At 31 December 2014	960,000	4,882	205,532	18,505	465,997	1,654,916	12,997	1,667,913
Profit and total comprehensive income (expenses) for the year	—	—	—	—	211,817	211,817	(11,694)	200,123
Acquisition of additional interest in subsidiaries	—	—	—	—	(1,646)	(1,646)	(5,708)	(7,354)
Dividend recognized as distribution (note 39)	—	—	—	—	(94,126)	(94,126)	—	(94,126)
Dividend recognized as distribution to non-controlling interests	—	—	—	—	—	—	(2,450)	(2,450)
Transfers	—	—	45,570	—	(45,570)	—	—	—
Subtotal	—	—	45,570	—	(141,342)	(95,772)	(8,158)	(103,930)
At 31 December 2015	960,000	4,882	251,102	18,505	536,472	1,770,961	(6,855)	1,764,106

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

	Attributable to owners of Wuling Industrial					Non-controlling		
	Share capital	Contribution reserve	PRC general reserve	Capital reserve	Retained profits	Total	interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note i)	(note ii)	(note iii)				
Profit and total comprehensive income for the period	—	—	—	—	143,816	143,816	2,930	146,746
Capital contribution from the Company (note 30)	82,581	77,419	—	—	—	160,000	—	160,000
Dividend recognized as distribution (note 39)	—	—	—	—	(30,689)	(30,689)	—	(30,689)
Transfers	—	—	15,495	—	(15,495)	—	—	—
Subtotal	82,581	77,419	15,495	—	(46,184)	129,311	—	129,311
At 30 June 2016	1,042,581	82,301	266,597	18,505	634,104	2,044,088	(3,925)	2,040,163
Unaudited								
At 1 January 2015	960,000	4,882	205,532	18,505	465,997	1,654,916	12,997	1,667,913
Profit and total comprehensive income (expenses) for the period	—	—	—	—	87,971	87,971	(19)	87,952
Acquisition of additional interest in a subsidiary	—	—	—	—	1,240	1,240	(5,080)	(3,840)
Dividend recognized as distribution (note 39)	—	—	—	—	(94,126)	(94,126)	—	(94,126)
Dividend recognized as distribution to non-controlling interests	—	—	—	—	—	—	(2,450)	(2,450)
Subtotal	—	—	—	—	(92,886)	(92,886)	(7,530)	(100,416)
At 30 June 2015	960,000	4,882	205,532	18,505	461,082	1,650,001	5,448	1,655,449

Notes:

- (i) Wuling Industrial's contribution reserve represents the capital contribution from the Company.
- (ii) According to the relevant requirement in the memorandum of association of Wuling Industrial and its subsidiaries established in the PRC, a portion of their profits after taxation, as determined by the board of directors of Wuling Industrial and those subsidiaries, is transferred to PRC general reserve, with certain PRC subsidiaries may stop such transfer when the reserve balance reaches 50% of their registered capital. The transfer to the reserve must be made before the distribution of a dividend to equity owners. The general reserve fund can be used to offset the losses of the previous years, if any.
- (iii) The capital reserve represents the deemed capital contribution arising on acquisition of Wuling Industrial in 2007, from Guangxi Automobile Holdings Limited, which is the ultimate holding company of the Company by virtue of its 100% equity interest in Wuling (Hong Kong) Holdings Limited.

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

Consolidated Statements of Cash Flows

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
OPERATING ACTIVITIES					
Profit before taxation	151,067	162,239	268,155	107,903	178,375
Adjustments for:					
Amortization of deferred income	(794)	(1,467)	(1,467)	(733)	(733)
Release of prepaid lease payments	4,853	4,705	5,739	3,748	3,033
Allowance (reversal of allowance) for inventories	12,545	(12,276)	11,604	—	—
Bank interest income	(25,782)	(25,790)	(35,476)	(17,513)	(18,620)
Depreciation of property, plant and equipment	159,252	173,539	200,949	80,018	105,978
Finance costs	74,533	74,510	71,200	34,203	48,099
Impairment loss on goodwill	—	5,252	—	—	—
Impairment loss on interest in joint ventures	—	8,224	8,000	—	—
Impairment losses recognized on trade receivables	11,029	10,179	9,133	6,650	7,046
Impairment loss reversed in respect of trade receivables	(2,131)	(71)	(1,472)	—	(4,254)
Impairment loss on prepaid lease payments	—	11,450	—	—	—
Loss (gain) on disposal of property, plant and equipment	1,509	10,694	5,468	1,314	(5,133)
Share of results of joint ventures	(418)	1,591	12,752	3,463	3,741
Operating cash flows before movements in working capital	385,663	422,779	554,585	219,053	317,532
(Increase) decrease in inventories	(491,437)	(247,462)	(341,010)	173,208	448,907
Decrease in trade and other receivables	1,194,160	541,994	655,267	352,600	105,309
Net increase in bills receivables discounted with recourse	(2,331,739)	(1,184,080)	(3,916,042)	(3,286,603)	(5,662,472)
(Decrease) Increase in trade and other payables	(512,661)	199,042	1,154,764	529,552	62,795
Increase (decrease) in provision for warranty	12,197	5,481	(12,826)	8,358	42,784
Increase in deferred income	22,000	—	—	—	—
Cash used in operations	(1,721,817)	(262,246)	(1,905,262)	(2,003,832)	(4,685,145)
Income tax paid	(14,546)	(34,053)	(37,345)	(15,198)	(7,972)
NET CASH USED IN OPERATING ACTIVITIES	(1,736,363)	(296,299)	(1,942,607)	(2,019,030)	(4,693,117)

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

	Year ended 31 December			Six months ended	
	2013	2014	2015	30 June	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
INVESTING ACTIVITIES					
Placement of pledged bank deposits	(1,397,917)	(1,342,123)	(2,687,693)	(2,475,238)	(1,297,547)
Purchase of property, plant and equipment	(209,631)	(178,955)	(79,616)	(25,225)	(55,904)
Deposits paid for acquisition of property, plant and equipment	(209,444)	(381,225)	(616,224)	(259,168)	(141,855)
Acquisition of additional interests in joint ventures	(67,685)	(21,850)	(20,955)	—	—
Addition of prepaid lease payments	(2,032)	(25,200)	(30,310)	(30,311)	—
Withdrawal of pledged bank deposits	1,450,445	1,418,282	2,616,531	1,890,748	530,463
Bank interest income received	25,782	25,790	35,476	17,513	18,620
Proceeds from disposal of property, plant and equipment	11,776	9,902	10,640	10,413	34,516
Proceeds from government grants	8,500	5,405	35,550	17,775	498
Deposits paid for acquisition of land use rights	—	(7,010)	—	—	—
Deposit paid for acquisition of an equity instrument	(22,000)	—	—	—	—
NET CASH USED IN INVESTING ACTIVITIES	(412,206)	(496,984)	(736,601)	(853,493)	(911,209)
FINANCING ACTIVITIES					
Repayment of bank borrowings	(505,590)	(312,818)	(350,000)	(50,000)	—
Interest paid	(36,302)	(17,262)	(10,040)	(12,612)	(8,597)
(Repayment) to advance from the Company	(9,836)	—	26,287	26,287	5,843
(Repayment) to advance from a shareholder	(10,129)	(424,368)	(19,072)	34,451	(41,225)
Acquisition of additional interest in subsidiaries	(1,792)	—	(7,354)	(3,840)	—
Advances drawn on bill receivables	2,290,308	1,131,642	3,850,209	3,250,458	5,609,993
Bank borrowings raised	263,409	315,292	100,000	100,000	—
Dividend paid	(17,776)	(4,900)	(48,896)	(48,896)	(5,843)
Capital injected by the Company	—	—	—	—	160,000
NET CASH FROM FINANCING ACTIVITIES	1,972,292	687,586	3,541,134	3,295,848	5,720,171
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(176,277)	(105,697)	861,926	423,325	115,845
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	482,556	306,279	200,582	200,582	1,062,508
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD represented by bank balances and cash	306,279	200,582	1,062,508	623,907	1,178,353

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

Wuling Industrial Group engaged in the manufacturing and trading of engines and parts, automotive components and accessories and specialized vehicles, trading of raw materials, and provision of water and power supply in the PRC.

The Company is the immediate holding company of Wuling Industrial. The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The ultimate parent of Wuling Industrial is Guangxi Automobile Holdings Limited (“**Guangxi Automobile**”).

The Financial Information are presented in Renminbi (“**RMB**”), which is also the functional currency of Wuling Industrial.

2. BASIS OF PREPARATION

In preparing the Financial Information, the directors of Wuling Industrial have given careful consideration to the future liquidity and going concern of Wuling Industrial Group in light of Wuling Industrial Group’s current liabilities exceed its current assets by approximately RMB71 million, RMB587 million, RMB960 million and RMB752 million as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016 respectively. The directors of Wuling Industrial are satisfied that Wuling Industrial Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, after taking into consideration the available bank borrowing facilities of approximately RMB54 million, estimated future cash flows of the Group and assets available to pledge for obtaining further banking facilities.

In addition, Guangxi Automobile has agreed to provide adequate funds to enable Wuling Industrial Group to meet in full its financial obligations as and when they fall due in the foreseeable future.

Accordingly, the directors of Wuling Industrial believe that it is appropriate to prepare the Financial Information on a going concern basis without including any adjustments that would be required should Wuling Industrial Group fail to continue as a going concern.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, Wuling Industrial Group has consistently applied HKFRSs issued by the HKICPA that are effective for the Wuling Industrial Group’s accounting periods beginning on 1 January 2016 throughout the Relevant Periods.

Wuling Industrial Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
Amendments to Hong Kong Accounting Standard (“HKAS”) 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ¹
Amendments to HKFRS 2	Clarification and Measurements of Share-based Payments Transactions ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2017.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 “Financial Instruments”

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognized financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors anticipate that the adoption of HKFRS 9 in the future may have a material effect on Wuling Industrial Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until Wuling Industrial Group performs a detailed review.

HKFRS 16 “Leases”

HKFRS 16, which upon the effective date will supersede HKAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

As set out in Note 35, total operating lease commitments of the Group in respect of machinery and other properties at 31 December 2013, 2014 and 2015 and 30 June 2016 amounted to RMB59,063,000, RMB33,019,000, RMB109,966,000 and RMB93,061,000, respectively. The directors of Wuling Industrial do not expect the adoption of HKFRS16 as compared with the current accounting policy would result in a significant impact on the Group's result but it is expected that certain portion of these lease commitments will be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of Wuling Industrial will assess the impact of the application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until Wuling Industrial Group performs a detailed review.

Other than the above, the directors of Wuling Industrial anticipate that the application of the other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in future period.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Financial Information have been prepared on the historical cost basis at the end of the reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Wuling Industrial Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporate the financial statements of Wuling Industrial and entities controlled by Wuling Industrial and its subsidiaries. Control is achieved when Wuling Industrial:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Wuling Industrial Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when Wuling Industrial Group obtains control over the subsidiary and ceases when Wuling Industrial Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date Wuling Industrial Group gains control until the date when Wuling Industrial Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of Wuling Industrial and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of Wuling Industrial and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of Wuling Industrial Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from Wuling Industrial Group's equity therein.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statements of financial position.

For the purposes of impairment testing, goodwill is allocated to each of Wuling Industrial Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these Financial Information using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of Wuling Industrial Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize Wuling Industrial Group's share of the profit or loss and other comprehensive income of the joint venture. When Wuling Industrial Group's share of losses of a joint venture exceeds Wuling Industrial Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of Wuling Industrial Group's net investment in the joint venture), Wuling Industrial Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that Wuling Industrial Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over Wuling Industrial Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of Wuling Industrial Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to Wuling Industrial Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of Wuling Industrial Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the joint venture are recognized in Wuling Industrial Group's Financial Information only to the extent of interests in the joint venture that are not related to Wuling Industrial Group.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts, value-added tax and other sales related taxes.

Revenue from the sale of goods is recognized when the goods are delivered and title passed, at which time all the following conditions are satisfied:

- Wuling Industrial Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- Wuling Industrial Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to Wuling Industrial Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognized when services are provided.

Interest income from financial assets is recognized when it is probable that the economic benefits will flow to Wuling Industrial Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with Wuling Industrial Group's accounting policy. Such properties are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Wuling Industrial Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

Wuling Industrial Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the term of the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, Wuling Industrial Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to Wuling Industrial Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statements of financial position and is released over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that Wuling Industrial Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which Wuling Industrial Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that Wuling Industrial Group should purchase, construct or otherwise acquire non-current assets are recognized as a deduction from the carrying amount of the relevant asset in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to Wuling Industrial Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to the state-managed retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognized at the earlier of when Wuling Industrial Group entity can no longer withdraw the offer of the termination benefit and when it recognizes any related restructuring costs.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from “profit before taxation” as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Wuling Industrial Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures except where Wuling Industrial Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profit against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Wuling Industrial Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;

- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted-average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Wuling Industrial Group's financial assets are classified as loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivables discounted with recourse, pledged bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment of financial assets could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Wuling Industrial Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 90 days to 180 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of Wuling Industrial Group after deducting all of its liabilities. Equity instruments issued by Wuling Industrial are recognized at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a shareholder, amount due to the Company, advances drawn on bills receivables discounted with recourse and bank borrowings are subsequently measured at amortized cost, using the effective interest method.

Derecognition

Wuling Industrial Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If Wuling Industrial Group retains substantially all the risks and rewards of ownership of a transferred financial asset, Wuling Industrial Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Wuling Industrial Group derecognizes financial liabilities when, and only when, Wuling Industrial Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Provisions

Provisions are recognized when Wuling Industrial Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that Wuling Industrial Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Impairment loss on tangible assets

At the end of the reporting period, Wuling Industrial Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, Wuling Industrial Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Wuling Industrial Group's accounting policies, which are described in note 4, management of Wuling Industrial is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of property, plant and equipment

Property, plant and equipment (other than construction in progress) are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual value. Wuling Industrial Group assesses the residual value and the useful lives of the property, plant and equipment annually. If the expectation differs from the original estimate, such difference will impact the depreciation charged in the year in which such estimate is changed.

As at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, the carrying amount of property, plant and equipment is RMB1,569,832,000, RMB1,848,581,000, RMB2,150,024,000 and RMB2,289,562,000 respectively.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, Wuling Industrial Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, the carrying amounts of trade and bills receivables were RMB4,677,204,000 (net of allowance for doubtful debts of RMB18,336,000), RMB4,381,720,000 (net of allowance for doubtful debts of RMB28,444,000), RMB3,814,157,000 (net of allowance for doubtful debts of RMB34,742,000) and RMB3,674,005,000 (net of allowance for doubtful debts of RMB37,534,000), respectively.

Provision for warranty

Wuling Industrial Group makes warranty provision based on information available prior to the issuance of the Financial Information indicating that it is probable that Wuling Industrial Group will be required to settle the present obligations. As disclosed in note 26, Wuling Industrial Group estimates the provision based on past experience. The actual settlement of these warranty costs may differ from the estimation made by management. If the costs are settled for an amount greater than management's estimation, a future charge to profit or loss will result. Likewise, if the costs are settled for an amount that is less than the estimation, a future credit to profit or loss will result.

6. SEGMENT INFORMATION

Information reported to the Board of Directors of Wuling Industrial, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which Wuling Industrial Group is organized. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of Wuling Industrial Group.

Wuling Industrial Group's reportable and operating segments under HKFRS 8 are as follows:

- | | | |
|---|----------|--|
| <ul style="list-style-type: none"> ● Engines and related parts | <p>—</p> | <p>Manufacture and sale of engines and related parts</p> |
| <ul style="list-style-type: none"> ● Automotive components and other industrial services | <p>—</p> | <p>Manufacture and sale of automotive components and accessories, trading of raw materials (mainly metals and other consumables), and provision of water and power supply services</p> |
| <ul style="list-style-type: none"> ● Specialized vehicles | <p>—</p> | <p>Manufacture and sale of specialized vehicles</p> |

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

Segment revenues and results

The following is an analysis of Wuling Industrial Group's revenue and results from reportable and operating segments:

For the year ended 31 December 2013

	Engines and related parts <i>RMB'000</i>	Automotive components and other industrial services <i>RMB'000</i>	Specialized vehicles <i>RMB'000</i>	Elimination <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Revenue					
External sales	3,366,625	6,657,943	2,012,641	—	12,037,209
Inter-segment sales	<u>57,260</u>	<u>1,435</u>	<u>—</u>	<u>(58,695)</u>	<u>—</u>
Total	<u><u>3,423,885</u></u>	<u><u>6,659,378</u></u>	<u><u>2,012,641</u></u>	<u><u>(58,695)</u></u>	<u><u>12,037,209</u></u>
Segment profit	<u><u>125,363</u></u>	<u><u>74,353</u></u>	<u><u>40,712</u></u>		240,428
Bank interest income					25,782
Central administrative costs					(41,028)
Share of results of joint ventures					418
Finance costs					<u>(74,533)</u>
Profit before taxation					<u><u>151,067</u></u>

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

For the year ended 31 December 2014

	Engines and related parts <i>RMB'000</i>	Automotive components and other industrial services <i>RMB'000</i>	Specialized vehicles <i>RMB'000</i>	Elimination <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Revenue					
External sales	2,666,249	7,418,056	2,054,239	—	12,138,544
Inter-segment sales	<u>53,455</u>	<u>3,527</u>	<u>—</u>	<u>(56,982)</u>	<u>—</u>
Total	<u>2,719,704</u>	<u>7,421,583</u>	<u>2,054,239</u>	<u>(56,982)</u>	<u>12,138,544</u>
Segment profit	<u>116,912</u>	<u>109,613</u>	<u>49,233</u>		275,758
Bank interest income					25,790
Impairment loss on interest a joint venture					(8,224)
Impairment loss on prepaid lease payments					(11,450)
Central administrative costs					(43,534)
Share of results of joint ventures					(1,591)
Finance costs					<u>(74,510)</u>
Profit before taxation					<u>162,239</u>

For the year ended 31 December 2015

	Engines and related parts <i>RMB'000</i>	Automotive components and other industrial services <i>RMB'000</i>	Specialized vehicles <i>RMB'000</i>	Elimination <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Revenue					
External sales	3,620,766	7,689,088	2,141,264	—	13,451,118
Inter-segment sales	<u>61,042</u>	<u>3,799</u>	<u>—</u>	<u>(64,841)</u>	<u>—</u>
Total	<u>3,681,808</u>	<u>7,692,887</u>	<u>2,141,264</u>	<u>(64,841)</u>	<u>13,451,118</u>
Segment profit	<u>169,916</u>	<u>186,471</u>	<u>18,975</u>		375,362
Bank interest income					35,476
Impairment loss on interest in a joint venture					(8,000)
Central administrative costs					(50,731)
Share of results of joint ventures					(12,752)
Finance costs					<u>(71,200)</u>
Profit before taxation					<u>268,155</u>

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

For the six months ended 30 June 2015 (unaudited)

	Engines and related parts <i>RMB'000</i>	Automotive components and other industrial services <i>RMB'000</i>	Specialized vehicles <i>RMB'000</i>	Elimination <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Revenue					
External sales	1,500,443	4,214,940	1,000,892	—	6,716,275
Inter-segment sales	26,540	5,001	—	(31,541)	—
	<u>1,526,983</u>	<u>4,219,941</u>	<u>1,000,892</u>	<u>(31,541)</u>	<u>6,716,275</u>
Total					
	<u>1,526,983</u>	<u>4,219,941</u>	<u>1,000,892</u>	<u>(31,541)</u>	<u>6,716,275</u>
Segment profit	45,086	96,696	11,223		153,005
Bank interest income					17,513
Central administrative costs					(24,949)
Share of results of joint ventures					(3,463)
Finance costs					<u>(34,203)</u>
Profit before taxation					<u>107,903</u>

For the six months ended 30 June 2016

	Engines and related parts <i>RMB'000</i>	Automotive components and other industrial services <i>RMB'000</i>	Specialized vehicles <i>RMB'000</i>	Elimination <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Revenue					
External sales	2,437,442	4,871,678	1,193,051	—	8,502,171
Inter-segment sales	45,648	7,726	394	(53,768)	—
	<u>2,483,090</u>	<u>4,879,404</u>	<u>1,193,445</u>	<u>(53,768)</u>	<u>8,502,171</u>
Total					
	<u>2,483,090</u>	<u>4,879,404</u>	<u>1,193,445</u>	<u>(53,768)</u>	<u>8,502,171</u>
Segment profit	75,760	143,509	15,734		235,003
Bank interest income					18,620
Central administrative costs					(23,408)
Share of results of joint ventures					(3,741)
Finance costs					<u>(48,099)</u>
Profit before taxation					<u>178,375</u>

The accounting policies of the operating segments are the same as Wuling Industrial Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without the allocation of central administrative costs, bank interest income, impairment loss on interest in a joint venture, impairment loss on prepaid lease payments, share of results of joint ventures and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market prices.

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

Segment assets and liabilities

The following is an analysis of Wuling Industrial Group's assets and liabilities by reportable and operating segments:

At 31 December 2013

	Engines and related parts <i>RMB'000</i>	Automotive components and other industrial services <i>RMB'000</i>	Specialized vehicles <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Assets				
Segment assets	2,974,808	4,981,137	1,090,797	9,046,742
Interests in joint ventures				68,103
Deposit paid for acquisition of an equity investment				22,000
Pledged bank deposits				710,499
Bank balances and cash				306,279
Tax recoverable				<u>1,166</u>
Consolidated assets				<u><u>10,154,789</u></u>
Liabilities				
Segment liabilities	2,603,086	3,944,086	1,168,098	7,715,270
Amounts due to a shareholder				615,682
Bank borrowings				247,526
Others				<u>35,165</u>
Consolidated liabilities				<u><u>8,613,643</u></u>

At 31 December 2014

	Engines and related parts <i>RMB'000</i>	Automotive components and other industrial services <i>RMB'000</i>	Specialized vehicles <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Assets				
Segment assets	2,931,721	4,669,910	1,227,495	8,829,126
Interests in joint ventures				80,138
Available-for-sale investment				22,000
Pledged bank deposits				634,340
Bank balances and cash				<u>200,582</u>
Consolidated assets				<u><u>9,766,186</u></u>
Liabilities				
Segment liabilities	2,702,945	3,716,840	1,206,656	7,626,441
Amount due to a shareholder				191,314
Bank borrowings				250,000
Others				<u>30,518</u>
Consolidated liabilities				<u><u>8,098,273</u></u>

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

At 31 December 2015

	Engines and related parts <i>RMB'000</i>	Automotive components and other industrial services <i>RMB'000</i>	Specialized vehicles <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Assets				
Segment assets	2,961,347	5,077,184	1,573,193	9,611,724
Interests in joint ventures				80,341
Available-for-sale investment				22,000
Pledged bank deposits				705,502
Bank balances and cash				1,062,508
Consolidated assets				<u>11,482,075</u>
Liabilities				
Segment liabilities	2,760,415	5,049,291	1,600,849	9,410,555
Amount due to a shareholder				219,922
Amount due to the Company				26,287
Others				61,205
Consolidated liabilities				<u>9,717,969</u>

At 30 June 2016

	Engines and related parts <i>RMB'000</i>	Automotive components and other industrial services <i>RMB'000</i>	Specialized vehicles <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Assets				
Segment assets	3,175,951	6,487,556	1,803,205	11,466,712
Interests in joint ventures				76,600
Available-for-sale investment				22,000
Pledged bank deposits				1,472,586
Bank balances and cash				1,178,353
Consolidated assets				<u>14,216,251</u>
Liabilities				
Segment liabilities	3,160,532	6,747,309	1,945,581	11,853,422
Amount due to a shareholder				203,543
Amount due to the Company				32,130
Others				86,993
Consolidated liabilities				<u>12,176,088</u>

The assets of Wuling Industrial Group are allocated based on the operations of the segments. However, interests in joint ventures, available-for-sale investment, deposit paid for acquisition of an equity investment, pledged bank deposits, bank balances and cash and tax recoverable are not allocated to the segments.

The liabilities of Wuling Industrial Group are allocated based on the operations of the segments. However, amount due to a shareholder, amount due to the Company, bank borrowings, tax payable and deferred tax liabilities are not allocated to the segments.

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

Other segment information

For the year ended 31 December 2013

	Engines and related parts <i>RMB'000</i>	Automotive components and other industrial services <i>RMB'000</i>	Specialized vehicles <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets	111,290	268,537	41,280	421,107
Depreciation of property, plant and equipment	56,324	97,945	4,983	159,252
Release of prepaid lease payments	1,727	3,126	—	4,853
Loss on disposal of property, plant and equipment	656	853	—	1,509
Allowance for inventories	6,445	6,100	—	12,545
Impairment loss reversed in respect of trade receivables	(2,068)	(63)	—	(2,131)
Impairment losses recognized on trade receivables	10,545	484	—	11,029
Research and development expenses	40,835	66,433	5,330	112,598

For the year ended 31 December 2014

	Engines and related parts <i>RMB'000</i>	Automotive components and other industrial services <i>RMB'000</i>	Specialized vehicles <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets	156,235	350,683	84,790	591,708
Depreciation of property, plant and equipment	63,203	103,591	6,745	173,539
Release of prepaid lease payments	885	3,820	—	4,705
(Gain) loss on disposal of property, plant and equipment	(45)	10,739	—	10,694
Reversal of allowance for inventories	(3,566)	(8,710)	—	(12,276)
Impairment loss reversed in respect of trade receivables	—	(71)	—	(71)
Impairment losses recognized on trade receivables	10,149	30	—	10,179
Impairment loss on goodwill	5,252	—	—	5,252
Impairment loss on interest in a joint venture	—	—	8,224	8,224
Impairment loss on prepaid lease payments	11,450	—	—	11,450
Research and development expenses	23,136	142,041	32,432	197,609

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

For the year ended 31 December 2015

	Engines and related parts <i>RMB'000</i>	Automotive components and other industrial services <i>RMB'000</i>	Specialized vehicles <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets	109,005	526,292	90,853	726,150
Depreciation of property, plant and equipment	70,664	122,641	7,644	200,949
Release of prepaid lease payments	1,126	4,613	—	5,739
Loss on disposal of property, plant and equipment	1,075	3,503	890	5,468
Allowance for inventories	8,500	2,473	631	11,604
Impairment loss reversed in respect of trade receivables	(289)	(943)	(240)	(1,472)
Impairment losses recognized on trade receivables	9,098	35	—	9,133
Impairment loss on interest in a joint venture	—	8,000	—	8,000
Research and development expenses	68,949	142,016	57,467	268,432

For the six months ended 30 June 2015 (unaudited)

	Engines and related parts <i>RMB'000</i>	Automotive components and other industrial services <i>RMB'000</i>	Specialized vehicles <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets	62,956	199,275	52,473	314,704
Depreciation of property, plant and equipment	28,138	48,836	3,044	80,018
Release of prepaid lease payments	735	3,013	—	3,748
Loss on disposal of property, plant and equipment	258	841	215	1,314
Impairment losses recognized on trade receivables	6,625	25	—	6,650
Research and development expenses	41,987	86,480	34,995	163,462

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

For the six months ended 30 June 2016

	Engines and related parts <i>RMB'000</i>	Automotive components and other industrial services <i>RMB'000</i>	Specialized vehicles <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets	105,679	66,739	14,045	186,463
Depreciation of property, plant and equipment	60,066	37,930	7,982	105,978
Release of prepaid lease payments	430	2,603	—	3,033
Gain on disposal of property, plant and equipment	(2,909)	(1,837)	(387)	(5,133)
Impairment loss reversed in respect of trade receivables	(4,254)	—	—	(4,254)
Impairment losses recognized on trade receivables	3,956	2,860	230	7,046
Research and development expenses	<u>21,309</u>	<u>130,887</u>	<u>36,917</u>	<u>189,115</u>

Geographical information

(a) Revenue from external customers

Wuling Industrial Group's operations are located in the PRC (excluding Hong Kong) and Hong Kong. Information about Wuling Industrial Group's revenue from customers is presented based on the location of customers, irrespective of the origin of the goods and services.

	Year ended 31 December			Six months ended 30 June	
	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	2015 <i>RMB'000</i> (unaudited)	2016 <i>RMB'000</i>
The PRC (excluding Hong Kong)	12,037,209	12,138,544	13,447,887	6,716,275	8,502,171
Hong Kong	—	—	96	—	—
Others	—	—	3,135	—	—
Consolidated	<u>12,037,209</u>	<u>12,138,544</u>	<u>13,451,118</u>	<u>6,716,275</u>	<u>8,502,171</u>

(b) Non-current assets

Wuling Industrial Group's non-current assets are all located in the PRC (excluding Hong Kong).

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

Information about a major customer

Revenue derived from sales to a single customer, which contributed over 10% of Wuling Industrial Group's total revenue, in respect of the following operating segments, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2015 RMB'000 (unaudited)	2016 RMB'000
Engines and related parts	2,033,633	1,789,259	2,695,250	1,454,655	1,750,377
Automotive components and other industrial services	5,419,246	6,000,569	6,697,070	4,094,832	4,903,729
Specialized vehicles	21,796	2,189	28,706	21,714	26,724
	<u>7,474,675</u>	<u>7,792,017</u>	<u>9,421,026</u>	<u>5,571,201</u>	<u>6,680,830</u>

7. REVENUE/OTHER INCOME/OTHER GAINS AND LOSSES

(a) An analysis of Wuling Industrial Group's revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2015 RMB'000 (unaudited)	2016 RMB'000
Sales of:					
— Engines	3,250,439	2,588,829	3,512,212	1,452,310	2,376,510
— Engines related parts	116,186	77,420	108,554	48,133	60,932
— Automotive components and accessories	5,743,543	6,456,769	6,830,013	3,822,480	4,686,978
— Specialized vehicles	2,012,641	2,054,239	2,141,264	1,000,892	1,193,051
Trading of raw materials	684,874	734,115	659,690	296,877	106,604
Provision of water and power supply	229,526	227,172	199,385	95,583	78,096
	<u>12,037,209</u>	<u>12,138,544</u>	<u>13,451,118</u>	<u>6,716,275</u>	<u>8,502,171</u>

(b) Details of other income are as follows:

	Year ended 31 December			Six months ended 30 June	
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2015 RMB'000 (unaudited)	2016 RMB'000
Sales of scrap materials and parts	6,316	778	549	79	6,229
Bank interest income	25,782	25,790	35,476	17,513	18,620
Service income on repairs and maintenance	5,326	6,667	12,199	4,919	6,703
Machinery and other property rental income	921	1,690	3,446	137	14
Amortisation of deferred income	794	1,467	1,467	733	733
Government grants	2,894	8,429	7,539	2,463	1,551
Others	1,605	3,222	4,126	4,622	3,235
	<u>43,638</u>	<u>48,043</u>	<u>64,802</u>	<u>30,466</u>	<u>37,085</u>

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

(c) Details of other gains and losses are as follows:

	Year ended 31 December			Six months ended	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Gain on derecognition of trade and other payables	—	—	4,821	—	—
Impairment loss reversed in respect of trade receivables	2,131	71	1,472	—	4,254
Impairment loss on interest in joint venture	—	(8,224)	(8,000)	—	—
Foreign exchange (losses) gains, net	(71)	(22)	19	6	(23)
(Loss) gain on disposal of property, plant and equipment	(1,509)	(10,694)	(5,468)	(1,314)	5,133
Impairment losses recognized on trade receivables	(11,029)	(10,179)	(9,133)	(6,650)	(7,046)
Impairment loss on goodwill (note 16)	—	(5,252)	—	—	—
Impairment loss on prepaid lease payments (note 15)	—	(11,450)	—	—	—
	<u>(10,478)</u>	<u>(45,750)</u>	<u>(16,289)</u>	<u>(7,958)</u>	<u>2,318</u>

8. FINANCE COSTS

	Year ended 31 December			Six months ended	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interests on:					
— amount due to a shareholder	12,518	2,086	141	16	—
— borrowings	23,784	15,176	9,899	6,166	8,597
— advances drawn on bills receivables (note)	<u>38,231</u>	<u>57,248</u>	<u>61,160</u>	<u>28,021</u>	<u>39,502</u>
	<u>74,533</u>	<u>74,510</u>	<u>71,200</u>	<u>34,203</u>	<u>48,099</u>

Note: During the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2015 and 2016, interest of RMB10,347,000, RMB28,681,000, RMB32,378,000, RMB10,236,000 (unaudited) and RMB22,918,000 were paid to a shareholder in respect of bills discounted to that shareholder respectively. Details of provision of facility are set out in note 36(v).

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

9. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Tax charge represents:					
PRC Enterprise Income Tax (“EIT”)					
Current	28,152	29,584	69,851	20,095	31,773
Under (over) provision in prior years	9,321	4,139	(1,531)	—	—
	<u>37,473</u>	<u>33,723</u>	<u>68,320</u>	<u>20,095</u>	<u>31,773</u>
Deferred tax (note 29)					
Current year	(289)	(3,151)	(288)	(144)	(144)
	<u>37,184</u>	<u>30,572</u>	<u>68,032</u>	<u>19,951</u>	<u>31,629</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of Wuling Industrial Group is 25% from 1 January 2008 onwards except that:

- (i) Wuling Industrial is approved as enterprise that satisfied as a High-New Technology Enterprise and entitles the preferential tax rate of 15% for relevant periods which will be expired in 2017; and
- (ii) Pursuant to the tax notice Caishui [2011] No. 58 issued in 2011, companies located in specified provinces of Western China and engaged in a specific state-encouraged industries as defined under the “Catalogue of Encouraged Industries in the Western Region” (the “Catalogue”) were subject to a preferential tax rate of 15% during the period from 2011 to 2020 when the annual revenue from the encouraged business exceeded 70% of its total revenue in a fiscal year. In 2012, confirmation notice from the relevant authority on the 15% EIT rate had been obtained by the enterprises including Liuji Motors. During the year ended 31 December 2013 and 2014, the Catalogue setting out the qualifying industries has been issued which has classified principal activities of Liuji Motors as encouraged industries. As a result, Liuji Motors is entitled the preferential tax rate of 15% in 2013 and 2014. During the year ended 31 December 2015 and six months ended 30 June 2016, Liuji Motors has been approved as enterprise that satisfied as a High-New Technology Enterprise and entitles the preferential tax rate of 15%.

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2015 RMB'000 (unaudited)	2016 RMB'000
Profit before taxation	<u>151,067</u>	<u>162,239</u>	<u>268,155</u>	<u>107,903</u>	<u>178,375</u>
Tax at the domestic income tax rate of 25%	37,767	40,560	67,039	26,976	44,594
Tax effect of share of results of joint ventures	(105)	398	3,188	865	935
Tax effect of expenses not deductible for tax purposes	3,318	4,428	34,652	3,113	3,747
Tax effect of income not taxable for tax purposes	(6,738)	(6,793)	(2,942)	(2,592)	(4,692)
Tax effect of deductible temporary difference not recognized	6,795	902	—	—	—
Tax effect of utilization of tax losses previously not recognized	—	(153)	(78)	(52)	(912)
Tax effect of tax losses not recognized	5,312	3,447	12,952	4,357	8,448
Effect of concession tax rates of subsidiaries	(18,486)	(16,356)	(45,248)	(12,716)	(20,491)
Under (over) provision in prior years	<u>9,321</u>	<u>4,139</u>	<u>(1,531)</u>	<u>—</u>	<u>—</u>
Income tax expense for the year	<u>37,184</u>	<u>30,572</u>	<u>68,032</u>	<u>19,951</u>	<u>31,629</u>

Details of movements in deferred tax liabilities are set out in note 29.

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

10. PROFIT FOR THE YEAR

	Year ended 31 December			Six months ended	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit for the year has been arrived at after charging (crediting) the following items:					
Directors' emoluments (<i>note 12</i>)	1,294	2,327	1,174	234	233
Other staff costs:					
Salaries, bonus and other benefits	723,862	697,980	697,357	278,406	300,530
Retirement benefit scheme contributions, excluding directors	53,122	60,978	58,658	28,475	29,125
Total staff costs	778,278	761,285	757,189	307,115	329,888
Less: staff costs (capitalized in inventories)	513,481	478,881	491,094	201,121	217,997
Total staff costs (included in selling and distribution costs, general and administrative expenses and research and development expenses)	264,797	282,404	266,095	105,994	111,891
Auditor's remuneration	1,596	1,570	1,532	851	1,170
Cost of inventories recognized as an expense (<i>note</i>)	10,777,875	10,764,941	11,930,210	5,987,806	7,636,169
Total depreciation of property, plant and equipment	159,252	173,539	200,949	80,018	105,978
Less: Amounts capitalized in inventories	97,191	110,096	125,462	43,277	66,370
Total depreciation of property, plant and equipment (included in selling and distribution costs, general and administrative expenses and research and development expenses)	62,061	63,443	75,487	36,741	39,608
Release of prepaid lease payments (included in general and administrative expenses)	4,853	4,705	5,739	3,748	3,033
Transportation costs (included in selling and distribution costs)	171,104	191,619	178,101	82,287	75,524

Note: Included in arriving at cost of inventories were amounts of RMB12,545,000, RMB(12,276,000), RMB11,604,000, RMB nil (unaudited) and RMB nil recognized as allowance (reversal of allowance) for inventories for the years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2015 and 2016, respectively.

11. EARNINGS PER SHARE

No earning per share information is presented for the purpose of the Financial Information as its inclusions is not considered meaningful.

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors and the chief executive are as follows:

	Fees <i>RMB'000</i>	Salaries and other benefits <i>RMB'000</i>	Other emoluments Contributions to retirement benefits schemes <i>RMB'000</i>	Total emoluments <i>RMB'000</i>
For the year ended 31 December 2013				
Sun Shaoli (<i>note 1</i>)	—	404	54	458
Wei Hongwen	—	404	54	458
Zhong Xianhua	—	324	54	378
Yuan Zhijun	—	—	—	—
Wen Daizhi	—	—	—	—
Lee Shing	—	—	—	—
Lai Shi Hong Edward	—	—	—	—
	—	1,132	162	1,294
For the year ended 31 December 2014				
Sun Shaoli (<i>note 1</i>)	—	754	72	826
Wei Hongwen (<i>note 2</i>)	—	754	72	826
Zhong Xianhua	—	603	72	675
Yuan Zhijun	—	—	—	—
Wen Daizhi	—	—	—	—
Lee Shing	—	—	—	—
Lai Shi Hong Edward	—	—	—	—
	—	2,111	216	2,327
For the year ended 31 December 2015				
Wei Hongwen (<i>note 2</i>)	—	601	83	684
Zhong Xianhua	—	417	73	490
Yuan Zhijun	—	—	—	—
Wen Daizhi	—	—	—	—
Lee Shing	—	—	—	—
Lai Shi Hong Edward	—	—	—	—
	—	1,018	156	1,174
For the six months ended 30 June 2015 (unaudited)				
Wei Hongwen (<i>note 2</i>)	—	90	36	126
Zhong Xianhua	—	72	36	108
Yuan Zhijun	—	—	—	—
Wen Daizhi	—	—	—	—
Lee Shing	—	—	—	—
Lai Shi Hong Edward	—	—	—	—
	—	162	72	234

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

	Fees RMB'000	Salaries and other benefits RMB'000	Other emoluments Contributions to retirement benefits schemes RMB'000	Total emoluments RMB'000
For the six months ended 30 June 2016				
Wei Hongwen (note 2)	—	90	37	127
Zhong Xianhua	—	69	37	106
Yuan Zhijun	—	—	—	—
Wen Daizhi	—	—	—	—
Lee Shing	—	—	—	—
Lai Shi Hong Edward	—	—	—	—
	<u>—</u>	<u>159</u>	<u>74</u>	<u>233</u>

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. All the emoluments shown above were paid by Guangxi Automobile.

Note 1: Mr. Sun Shaoli (“**Mr. Sun**”) was also Chief Executive Officer of Wuling Industrial until he resigned on 30 October 2014 and his emoluments disclosed above include those for services rendered by him as Chief Executive Officer.

Note 2: Mr. Wei Hongwen was appointed as Chief Executive Officer of Wuling Industrial on 30 October 2014, and his emoluments disclosed above include those for services rendered by him as Chief Executive Officer.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in Wuling Industrial Group, none, three, one, two and two of them were directors and the chief executive officer of Wuling Industrial for the years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2015 and 2016, respectively, whose emolument is included in the disclosure in note 12 above. The remaining five, two, four, three and three employees for the years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2015 and 2016 respectively are as follows:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Salaries and other benefits	2,801	1,168	2,652	352	216
Contribution to retirement benefits scheme	<u>292</u>	<u>145</u>	<u>203</u>	<u>67</u>	<u>107</u>
Total emoluments	<u><u>3,093</u></u>	<u><u>1,313</u></u>	<u><u>2,855</u></u>	<u><u>419</u></u>	<u><u>323</u></u>

The number of the highest paid employees who are not the directors of Wuling Industrial whose remuneration fell within the following bands is as follows:

	Number of employees			Number of employees	
	Year ended 31 December	2013	2014	2015	2016
HK\$1–HK\$500,000	—	—	—	3	3
HK\$500,000–HK\$1,000,000	<u>5</u>	<u>2</u>	<u>4</u>	<u>—</u>	<u>—</u>
	<u><u>5</u></u>	<u><u>2</u></u>	<u><u>4</u></u>	<u><u>3</u></u>	<u><u>3</u></u>

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

No emoluments were paid by Wuling Industrial Group to the directors of Wuling Industrial Group or the above individual as an inducement to join or upon joining Wuling Industrial Group or as compensation for loss of office. None of the directors waived any emoluments during the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Computers RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
AT COST							
At 1 January 2013	277,763	1,011,939	33,757	14,133	23,948	261,064	1,622,604
Additions	33,791	39,655	59,215	15,562	4,075	306,645	458,943
Disposals	(110)	(21,791)	(8,452)	(3,601)	(1,763)	—	(35,717)
Transfer	114,112	128,913	24,997	—	—	(268,022)	—
At 31 December 2013	425,556	1,158,716	109,517	26,094	26,260	299,687	2,045,830
Additions	31,760	128,997	35,945	17,630	8,476	250,076	472,884
Disposals	(16,056)	(28,972)	(24,422)	(4,803)	(2,754)	—	(77,007)
Transfer	119,112	115,934	29,086	—	14	(264,146)	—
At 31 December 2014	560,372	1,374,675	150,126	38,921	31,996	285,617	2,441,707
Additions	1,833	15,727	24,902	181	1,424	474,433	518,500
Disposals	(197)	(39,189)	(1,298)	(4,425)	(1,583)	—	(46,692)
Transfer	146,079	132,025	46,215	47,835	2,363	(374,517)	—
At 31 December 2015	708,087	1,483,238	219,945	82,512	34,200	385,533	2,913,515
Additions	9,454	22,268	4,398	5,478	816	232,485	274,899
Disposals	(8,404)	(58,003)	(11,682)	(153)	(835)	—	(79,077)
Transfer	6,783	59,974	27,308	18,532	932	(113,529)	—
At 30 June 2016	715,920	1,507,477	239,969	106,369	35,113	504,489	3,109,337
ACCUMULATED DEPRECIATION							
At 1 January 2013	32,842	279,938	13,137	4,521*	8,740	—	339,178
Provided for the year	19,927	109,784	18,088	6,681	4,772	—	159,252
Eliminated on disposals	(25)	(10,630)	(7,203)	(3,254)	(1,320)	—	(22,432)
At 31 December 2013	52,744	379,092	24,022	7,948	12,192	—	475,998
Provided for the year	24,099	107,885	30,671	5,771	5,113	—	173,539
Eliminated on disposals	(4,087)	(23,163)	(23,146)	(3,261)	(2,754)	—	(56,411)
At 31 December 2014	72,756	463,814	31,547	10,458	14,551	—	593,126
Provided for the year	39,031	89,728	53,649	12,621	5,920	—	200,949
Eliminated on disposals	(28)	(26,507)	(989)	(1,956)	(1,104)	—	(30,584)
At 31 December 2015	111,759	527,035	84,207	21,123	19,367	—	763,491
Provided for the period	23,109	53,389	22,495	4,254	2,731	—	105,978
Eliminated on disposals	(2,088)	(36,543)	(10,129)	(141)	(793)	—	(49,694)
At 30 June 2016	132,780	543,881	96,573	25,236	21,305	—	819,775

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	Buildings <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Computers <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
CARRYING VALUE							
At 31 December 2013	372,812	779,624	85,495	18,146	14,068	299,687	1,569,832
At 31 December 2014	487,616	910,861	118,579	28,463	17,445	285,617	1,848,581
At 31 December 2015	596,328	956,203	135,738	61,389	14,833	385,533	2,150,024
At 30 June 2016	583,140	963,596	143,396	81,133	13,808	504,489	2,289,562

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Leasehold buildings	Over the shorter of 20 years or the lease terms
Plant and machinery	10%
Furniture, fixtures and equipment	15%–20%
Computers	10%–33%
Motor vehicles	16%–25%

During the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, Wuling Industrial Group received government subsidy of RMB8,500,000, RMB5,405,000, RMB35,550,000 and RMB498,000 respectively as a result of its expansion of production capacity. The subsidy was deducted from the costs of relevant items of property, plant and equipment.

15. PREPAID LEASE PAYMENTS

	2013 <i>RMB'000</i>	At 31 December 2014 <i>RMB'000</i>	2015 <i>RMB'000</i>	At 30 June 2016 <i>RMB'000</i>
At 1 January	194,044	216,423	225,468	257,049
Additions	27,232	25,200	37,320	—
Impairment loss recognized during the year (note)	—	(11,450)	—	—
Released to profit or loss	(4,853)	(4,705)	(5,739)	(3,033)
At 31 December	216,423	225,468	257,049	254,016
Analyzed as:				
Current portion	4,731	4,956	6,088	6,088
Non-current portion	211,692	220,512	250,961	247,928
	216,423	225,468	257,049	254,016

Note: During the year ended 31 December 2014, the directors of Wuling Industrial conducted a review of the recoverable amount of land leases of Jilin Chuofeng and determined that one of the land lease was impaired, due to cease of operation of Jilin Chuofeng. Management determined that the fair value less costs to sell of the land lease is less than its carrying amount. Accordingly, an impairment loss of RMB11,450,000 was recognized in profit or loss for the year ended 31 December 2014. The estimated fair value less costs to sell was determined by reference to the recent market prices for similar assets.

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16. GOODWILL

The entire goodwill as at 31 December 2013 was attributable to the acquisition of 75% equity interest in Jilin Chuofeng in prior years as a cash generating unit (“CGU”).

During the year ended 31 December 2014, management of Wuling Industrial Group determined that the entire goodwill of Wuling Industrial Group to this CGU to be fully impaired as Jilin Chuofeng has ceased its operations in June 2014 and is pending for deregistration.

17. INTERESTS IN JOINT VENTURES

	At 31 December			At
	2013	2014	2015	30 June
	RMB'000	RMB'000	RMB'000	2016
				RMB'000
Cost of unlisted investments in joint ventures	67,685	89,535	110,490	110,490
Share of post-acquisition results	418	(1,173)	(13,925)	(17,666)
Impairment loss (note)	—	(8,224)	(16,224)	(16,224)
	<u>68,103</u>	<u>80,138</u>	<u>80,341</u>	<u>76,600</u>

Note: During the year ended 31 December 2014 and 2015, an impairment loss of RMB8,224,000 and RMB8,000,000 respectively was made in respect of Wuling Industrial Group's interests in certain joint ventures. The impairment loss arose due to the worse than expected operating results of those joint ventures during that year.

Details of Wuling Industrial Group's joint ventures at the end of the reporting period are as follow:

Name of entity	Country of establishment/ operation	Proportion of ownership interest held by Wuling Industrial Group				Proportion of voting rights held by Wuling Industrial Group				Principal activities
		At 31 December		At 30 June		At 31 December		At 30 June		
		2013	2014	2015	2016	2013	2014	2015	2016	
Qingdao Dianshi Motor Accessories Company Limited (“Qingdao Dianshi”)	PRC	51% <i>(note)</i>	51% <i>(note)</i>	51% <i>(note)</i>	51% <i>(note)</i>	51%	51%	51%	51%	Manufacture of automotive accessories
Guangxi Weixiang Machinery Company Limited (“Guangxi Weixiang”)	PRC	50%	50%	50%	50%	50%	50%	50%	50%	Manufacture of automotive accessories
Liuzhou Lingte Power Technology Limited (“Liuzhou Lingte”)	PRC	51% <i>(note)</i>	51% <i>(note)</i>	51% <i>(note)</i>	51% <i>(note)</i>	51%	51%	51%	51%	Manufacture of engines
柳州五達汽車部件有限公司 (“柳州五達”)	PRC	N/A	N/A	51% <i>(note)</i>	51% <i>(note)</i>	N/A	N/A	51%	51%	Manufacture of automotive accessories

Note: The joint ventures are jointly controlled by Wuling Industrial Group and other shareholders by virtue of contractual arrangements among shareholders which requires two-third shareholders' approval for major business decisions. Therefore, they are classified as joint ventures of Wuling Industrial Group.

Summarized financial information of material joint ventures

Summarized financial information in respect of Wuling Industrial Group's material joint ventures is set out below. The summarized financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

The joint ventures is accounted for using the equity method in this Financial Information.

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	For the year ended 31 December 2013				For the year ended 31 December 2014				For the year ended 31 December 2015				For the six months ended 30 June 2016			
	Qingdao	Guangxi	Liuzhou	Total	Qingdao	Guangxi	Liuzhou	Total	Qingdao	Guangxi	Liuzhou	Total	Qingdao	Guangxi	Liuzhou	Total
	RMB'000	WeiXiang	Lingte	RMB'000	RMB'000	WeiXiang	Lingte	RMB'000	RMB'000	WeiXiang	Lingte	RMB'000	RMB'000	WeiXiang	Lingte	RMB'000
Financial information of consolidated statement of profit or loss and other comprehensive income																
Revenue	70,691	—	—	70,691	53,562	338,434	—	391,996	106,004	179,181	—	8	285,193	102,076	—	167,779
Profit (loss) for the year/period	820	—	—	820	192	1,342	(4,628)	(3,094)	1,256	(11,639)	(14,355)	(496)	(25,234)	622	(906)	(7,452)
Total comprehensive income (expense) for the year/period	820	—	—	820	192	1,342	(4,628)	(3,094)	1,256	(11,639)	(14,355)	(496)	(25,234)	622	(906)	(7,452)
Profit (loss) for the year/period, attributable to Wuling Industrial Group	418	—	—	418	98	671	(2,360)	(1,591)	641	(5,820)	(7,321)	(252)	(12,752)	317	(2,957)	(3,741)
Total comprehensive income (expense) for the year/period, attributable to Wuling Industrial Group	418	—	—	418	98	671	(2,360)	(1,591)	641	(5,820)	(7,321)	(252)	(12,752)	317	(2,957)	(3,741)
Dividends received from joint ventures during the year/period	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
The above financial information include the following:																
Depreciation and amortization	(736)	(922)	(295)	(1,953)	(1,557)	(735)	(5,095)	(7,387)	(3,855)	(1,239)	(4,911)	(2)	(5,136)	(2,524)	(1,324)	(3,804)
Interest income	5	—	—	5	4	49	124	177	5	123	319	41	488	2	31	168
Income tax expense	(273)	—	—	(273)	(140)	(178)	—	(318)	(574)	—	—	—	(574)	(369)	—	(369)

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FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

	At 31 December 2013				At 31 December 2014				At 31 December 2015				At 30 June 2016			
	Qingdao	Guangxi	Liuzhou		Qingdao	Guangxi	Liuzhou		Qingdao	Guangxi	Liuzhou		Qingdao	Guangxi	Liuzhou	
	Dianshi	Weixiang	Lingte	Total	Dianshi	Weixiang	Lingte	Total	Dianshi	Weixiang	Lingte	Total	Dianshi	Weixiang	Lingte	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial information of consolidated statement of financial position																
Non-current assets	7,585	222	21,366	19,173	15,592	9,121	74,310	99,023	20,401	8,033	109,803	2,647	140,884	18,612	11,156	153,748
Current assets	35,674	119,558	50,593	205,825	22,431	210,020	42,665	275,116	51,159	92,477	32,018	9,941	185,595	53,794	130,394	210,119
Current liabilities	(35,092)	(71,550)	—	(106,642)	(29,639)	(167,799)	(63)	(197,501)	(61,919)	(60,806)	(1,174)	(1,083)	(124,982)	(62,142)	(107,760)	(171,773)
Net assets of the joint ventures	8,167	48,230	71,959	118,356	8,384	51,342	116,912	176,638	9,641	39,704	140,647	11,505	201,497	10,264	33,790	192,094
The above amounts of assets and liabilities include the following:																
Cash and cash equivalents	1,010	49,138	46,858	97,006	817	9,702	24,788	35,307	1,521	4,208	23,481	8,169	37,379	1,521	4,208	836
Current financial liabilities (excluding trade and other payables and provisions)	(113)	(31)	—	(144)	(182)	(185)	—	(367)	(341)	—	—	—	(341)	—	—	—
Reconciliation to the carrying amounts of interest in the joint ventures:																
Net assets attributable to the equity holders of the joint ventures	8,167	48,230	71,959	118,356	8,384	51,342	116,912	176,638	9,641	39,704	140,647	11,505	201,497	10,264	33,790	192,094
Less: Capital reserve not shared by Wuling Industrial Group	—	—	(10,000)	(10,000)	—	—	(18,500)	(18,500)	—	—	(27,500)	—	(27,500)	—	—	(27,500)
Proportion of Wuling Industrial Group's ownership interests in the joint ventures	51%	50%	51%	N/A	51%	50%	51%	N/A	51%	50%	51%	51%	N/A	51%	50%	51%
Net assets of interest in joint ventures attributable to Wuling Industrial Group	4,165	24,115	31,599	59,879	4,277	25,671	50,190	80,138	4,917	19,852	57,705	5,867	88,341	5,235	16,895	84,600
Goodwill	8,224	—	—	8,224	8,224	—	—	8,224	8,224	—	—	—	8,224	8,224	—	8,224
Impairment losses on interests in joint ventures	—	—	—	—	(8,224)	—	—	(8,224)	(8,224)	(8,000)	—	—	(16,224)	(8,224)	—	(16,224)
Carrying amount of Wuling Industrial Group's interests in the joint ventures	12,389	24,115	31,599	68,103	4,277	25,671	50,190	80,138	4,917	11,852	57,705	5,867	80,341	5,235	8,895	76,600

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18. DEPOSITS PAID FOR LAND USE RIGHTS

The amount represented the deposit paid to Chongqing Zhuotong Municipal Administration Bureau of Land Resources and Housing for the land use rights located in Chongqing. The acquisition was completed in February 2015.

19. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

Details of the related capital commitments are set out in note 31.

20. INVENTORIES

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	292,573	414,886	346,955	161,346
Work in progress	65,195	84,831	95,190	111,923
Finished goods	<u>831,640</u>	<u>949,429</u>	<u>1,336,407</u>	<u>1,056,376</u>
	<u>1,189,408</u>	<u>1,449,146</u>	<u>1,778,552</u>	<u>1,329,645</u>

21. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

(i) Trade and other receivables

		At 31 December			At
		2013	2014	2015	30 June
	Notes	RMB'000	RMB'000	RMB'000	2016
					RMB'000
Trade and bills receivables					
— SAIC-GM-Wuling Automobile Co., Limited (“SGMW”)	(a)	3,162,555	3,266,927	2,666,890	2,604,267
— Guangxi Automobile Group	(b)	5,017	4,281	85,062	79,041
— Guangxi Weixiang		—	8,053	3,915	5,013
— Third parties		<u>1,527,968</u>	<u>1,130,903</u>	<u>1,093,032</u>	<u>1,023,218</u>
		4,695,540	4,410,164	3,848,899	3,711,539
Less: Allowance for doubtful debts		<u>(18,336)</u>	<u>(28,444)</u>	<u>(34,742)</u>	<u>(37,534)</u>
		<u>4,677,204</u>	<u>4,381,720</u>	<u>3,814,157</u>	<u>3,674,005</u>
Other receivables:					
Prepayments for expenses		—	—	—	2,250
Prepayments for purchase of raw materials	(c)	497,604	287,967	206,072	226,022
Value-added tax recoverable		101,860	47,057	8,945	—
Others		<u>43,808</u>	<u>51,630</u>	<u>76,273</u>	<u>95,069</u>
		<u>643,272</u>	<u>386,654</u>	<u>291,290</u>	<u>323,341</u>
Bills receivables discounted with recourse (note 21(ii))		<u>535,595</u>	<u>238,900</u>	<u>887,215</u>	<u>3,240,344</u>
Total trade and other receivables		<u>5,856,071</u>	<u>5,007,274</u>	<u>4,992,662</u>	<u>7,237,690</u>

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

Notes:

- (a) Guangxi Automobile has significant influence over SGMW.
- (b) Being Guangxi Automobile and its subsidiaries and associates other than Wuling Industrial Group and SGMW (collectively referred to as the “**Guangxi Automobile Group**”).
- (c) Included in the balance was an amount of RMB115,233,000, RMB68,853,000, RMB3,507,000 and RMB6,867,000 as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, respectively, paid to SGMW.

Wuling Industrial Group allows an average credit period of 90 days to 180 days for sales of goods to its trade customers.

Included in trade and other receivables are trade and bills receivables of RMB4,677,204,000, RMB4,381,720,000, RMB3,814,157,000 and RMB3,674,005,000 as at 31 December 2013, 2014, 2015 and 30 June 2016, respectively and an aged analysis of trade receivables (net of allowance for doubtful debts) and bills receivables based on the invoice date as follows:

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 90 days	3,098,015	2,908,911	2,503,979	279,561
91 to 180 days	1,254,741	1,295,408	645,850	1,617,887
181–365 days	320,457	159,647	655,348	1,732,463
Over 365 days	<u>3,991</u>	<u>17,754</u>	<u>8,980</u>	<u>44,094</u>
	<u>4,677,204</u>	<u>4,381,720</u>	<u>3,814,157</u>	<u>3,674,005</u>

Before accepting any new customer, Wuling Industrial Group assesses the potential customer's credit quality by investigating its historical credit record and defines its credit limit. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

Included in Wuling Industrial Group's trade receivables balance are debtor with an aggregate carrying amount of RMB34,971,000, RMB79,135,000, RMB149,920,000 and RMB154,100,000 as at 31 December 2013, 2014, 2015 and 30 June 2016, respectively, which were past due at the end of the reporting period but for which Wuling Industrial Group has not provided impairment loss because Wuling Industrial Group believes that the amounts are still recoverable as there has not been a significant deterioration in credit quality of these customers and there are continuing subsequent settlements. Wuling Industrial Group does not hold any collateral over these balances.

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

Ageing of trade receivables which were past due but not impaired

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
91–180 days	13,813	40,978	62,192	62,522
181–365 days	17,167	20,403	78,748	47,484
Over 365 days	<u>3,991</u>	<u>17,754</u>	<u>8,980</u>	<u>44,094</u>
Total	<u>34,971</u>	<u>79,135</u>	<u>149,920</u>	<u>154,100</u>

Movement in the allowance for doubtful debts

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	9,489	18,336	28,444	34,742
Impairment losses recognized on trade receivables	11,029	10,179	9,133	7,046
Amounts written off as uncollectible	(51)	—	(1,363)	—
Amounts recovered during the year/period	<u>(2,131)</u>	<u>(71)</u>	<u>(1,472)</u>	<u>(4,254)</u>
At 31 December/30 June	<u>18,336</u>	<u>28,444</u>	<u>34,742</u>	<u>37,534</u>

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB18,336,000, RMB28,444,000, RMB34,742,000 and RMB37,534,000 as at 31 December 2013, 2014, 2015 and 30 June 2016, respectively, which have either been placed under liquidation or in severe financial difficulties. Wuling Industrial Group does not hold any collateral over these balances.

(ii) Bills receivables discounted with recourse

The amounts represent bills receivables discounted to banks with recourse with a maturity period of less than 180 days during the Relevant Periods. Wuling Industrial Group recognizes the full amount of the discount proceeds as liabilities as set out in note 27(ii).

The aged analysis based on the invoice date is presented as follows:

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
91–180 days	232,305	99,656	310,525	1,555,365
181–365 days	<u>303,290</u>	<u>139,244</u>	<u>576,690</u>	<u>1,684,979</u>
	<u>535,595</u>	<u>238,900</u>	<u>887,215</u>	<u>3,240,344</u>

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

22. TRANSFERS OF FINANCIAL ASSETS

The following were Wuling Industrial Group's financial assets as at 31 December 2013, 2014 and 2015 and 30 June 2016 that were transferred to banks by discounting those receivables on a full recourse basis. As Wuling Industrial Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as a secured borrowing. These financial assets are carried at amortized cost in Wuling Industrial Group's consolidated statements of financial position.

Bills receivables discounted to banks with full recourse:

	Year ended 31 December			Six months ended 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of transferred assets	535,595	238,900	887,215	3,240,344
Carrying amount of associated liabilities	<u>(530,119)</u>	<u>(238,234)</u>	<u>(881,876)</u>	<u>(3,222,028)</u>
Net position	<u>5,476</u>	<u>666</u>	<u>5,339</u>	<u>18,316</u>

23. PLEDGED BANK DEPOSITS/BANK BALANCES

The pledged bank deposits are used to secure the bills payables and short-term bank borrowings which are payable within one year. Accordingly, the pledged bank deposits are classified as current assets. Bank balances and cash comprise cash held by Wuling Industrial Group with the original maturity of three months or less.

The pledged bank deposits and bank balances carried interest rates as follows:

	Fixed/ variable	2013	2014	2015	2016
Pledged deposits	Fixed	2%–3.05%	2%–3%	2%–3.6%	2%–3.08%
Bank balances	Variable	0.3%–1.15%	0.3%–1.15%	0.3%–1.15%	0.3%–1.15%

24. TRADE AND OTHER PAYABLES

		At 31 December			At 30 June
		2013	2014	2015	2016
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables:					
— SGMW		97,140	43,110	528,693	888,253
— Guangxi Automobile Group		28,495	51,729	114,247	129,745
— Qingdao Dianshi		18,631	2,279	12,358	17,764
— Guangxi Weixiang		—	—	—	720
— Third parties		<u>6,283,699</u>	<u>6,226,126</u>	<u>6,648,062</u>	<u>6,266,278</u>
	(i)	6,427,965	6,323,244	7,303,360	7,302,760
Other payables and accruals	(ii)	<u>577,282</u>	<u>881,045</u>	<u>1,055,694</u>	<u>1,119,089</u>
Total trade and other payables		<u>7,005,247</u>	<u>7,204,289</u>	<u>8,359,054</u>	<u>8,421,849</u>

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

Notes:

- (i) Included in trade and other payables are trade and bills payables with average credit period of 180 days of RMB6,427,965,000, RMB6,323,244,000, RMB7,303,360,000 and RMB7,302,760,000 as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, respectively and an aged analysis based on the invoice date is presented as follows:

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
0 to 90 days	4,866,174	4,593,982	5,325,527	5,064,047
91 to 180 days	1,481,024	1,655,607	1,888,502	2,131,782
181 to 365 days	17,831	34,443	37,770	54,074
Over 365 days	<u>62,936</u>	<u>39,212</u>	<u>51,561</u>	<u>52,857</u>
	<u>6,427,965</u>	<u>6,323,244</u>	<u>7,303,360</u>	<u>7,302,760</u>

- (ii) The amount represents receipt in advance from customers, accrued staff costs and accruals for other operating expenses, payables for acquisition of property, plant and equipment and other miscellaneous payables.

25. AMOUNTS DUE TO THE COMPANY/A SHAREHOLDER

		At 31 December			At 30 June
		2013	2014	2015	2016
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Guangxi Automobile		<u>615,682</u>	<u>191,314</u>	<u>219,922</u>	<u>203,543</u>
Carrying amount repayable:					
On demand or within one year	(i)	169,298	—	28,608	24,846
More than one year, but not exceeding two years	(ii)	<u>446,384</u>	<u>191,314</u>	<u>191,314</u>	<u>178,697</u>
		615,682	191,314	219,922	203,543
Less: Amount due within one year shown under current liabilities		<u>(169,298)</u>	<u>—</u>	<u>(28,608)</u>	<u>(24,846)</u>
Amounts shown under non-current liabilities		<u>446,384</u>	<u>191,314</u>	<u>191,314</u>	<u>178,697</u>
		At 31 December			At 30 June
		2013	2014	2015	2016
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Amount due to the Company	(iii)	<u>—</u>	<u>—</u>	<u>26,287</u>	<u>32,130</u>

Notes:

- (i) The amount due to Guangxi Automobile is unsecured and interest-free.
- (ii) The amount due to Guangxi Automobile as at 31 December 2013 was unsecured and bearing fixed interest at 3% per annum. As at 31 December 2014 and 2015 and 30 June 2016, the amount was interest-free and unsecured.
- (iii) The amount due to the Company represents dividend payable which is unsecured, interest-free and repayable on demand.

26. PROVISION FOR WARRANTY

	<i>RMB'000</i>
At 1 January 2013	146,501
Additional provision in the year	60,667
Utilization of provision	<u>(48,470)</u>
At 31 December 2013	158,698
Additional provision in the year	44,031
Utilization of provision	<u>(38,550)</u>
At 31 December 2014	164,179
Additional provision in the year	20,333
Utilization of provision	<u>(33,159)</u>
At 31 December 2015	151,353
Additional provision in the period	59,467
Utilization of provision	<u>(16,683)</u>
At 30 June 2016	<u><u>194,137</u></u>

The warranty provision represents management's best estimate under its 2–3 years' product warranty granted to its specialized vehicles, automobile components and engines customers. However, based on prior experience and industry averages for defective products, it is expected that the majority of this expenditure will be incurred in the next two years.

27. BANK BORROWINGS/ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

		At 31 December		At 30 June	
		2013	2014	2015	2016
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings					
Secured — fixed rate		—	150,000	—	—
Unsecured — fixed rate		<u>247,526</u>	<u>100,000</u>	—	—
(i)		<u><u>247,526</u></u>	<u><u>250,000</u></u>	<u><u>—</u></u>	<u><u>—</u></u>
Advances drawn on bills receivables discounted with recourse	(ii)	<u><u>530,119</u></u>	<u><u>238,234</u></u>	<u><u>881,876</u></u>	<u><u>3,222,028</u></u>

Notes:

- (i) The amounts due are based on scheduled repayment dates set out in the loan agreements and repayable within one year.
- (ii) The amount represents Wuling Industrial Group's other borrowings secured by the bills receivables discounted to banks with recourse (see note 21(ii)).

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- (iii) The ranges of effective interest rates (which are also equal to contracted interest rates) on Wuling Industrial Group's borrowings are as follows:

	2013	2014	2015	2016
Effective interest rate:				
Fixed-rate borrowings	<u>4.5% to 7.22%</u>	<u>3.5% to 6.00%</u>	<u>N/A</u>	<u>N/A</u>

- (iv) The collaterals for Wuling Industrial Group's secured bank borrowings are set out in note 32.
- (v) Wuling Industrial Group's unsecured bank borrowings and bills payables are supported by corporate guarantee to the extent of RMB3,500,000,000, RMB3,000,000,000 and RMB3,500,000,000 and RMB2,390,000,000 given by Guangxi Automobile as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, respectively.

28. DEFERRED INCOME/DEPOSIT PAID FOR ACQUISITION OF AN EQUITY INSTRUMENT/ AVAILABLE-FOR-SALE INVESTMENT

On 18 May 2013, Wuling Industrial Group entered into an agreement with Fujian New Long Ma Automobile Company Limited (福建新龍馬汽車股份有限公司) ("New Long Ma"), an unlisted and independent third party, to grant New Long Ma a right to access certain technology knowhow of Wuling Industrial Group in specific region for 15 years at a consideration of RMB22,000,000. Wuling Industrial Group concurrently agreed to use the fund received from New Long Ma to acquire 1.83% equity interest in New Long Ma from Longyan Shi Long Ma Automobile Industrial Company Limited (龍岩市龍馬汽車工業有限公司), the holding company of New Long Ma at a consideration of RMB22,000,000. As at 31 December 2013, the deposit of RMB22,000,000 paid for the acquisition of the 1.83% equity interest in New Long Ma was recognized as a non-current asset and the consideration received in respect of the access right to the technology knowhow was recognized as a deferred income and amortized over 15 years.

During the year ended 31 December 2014, Wuling Industrial Group has obtained the ownership of 1.83% equity interest in New Long Ma and is classified as available-for-sale investment. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of Wuling Industrial Group are of the opinion that the fair value cannot be measured reliably.

29. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities (assets) recognized and movements thereon during the current and prior years:

	Accelerated tax depreciation <i>RMB'000</i>	Revaluation of properties <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2013	9	7,298	(18)	7,289
(Credit) charge to profit or loss	<u>(7)</u>	<u>(289)</u>	<u>7</u>	<u>(289)</u>
At 31 December 2013	2	7,009	(11)	7,000
(Credit) charge to profit or loss	<u>(2)</u>	<u>(3,151)</u>	<u>2</u>	<u>(3,151)</u>
At 31 December 2014	—	3,858	(9)	3,849
Credit to profit or loss	<u>—</u>	<u>(288)</u>	<u>—</u>	<u>(288)</u>
At 31 December 2015	—	3,570	(9)	3,561
Credit to profit or loss	<u>—</u>	<u>(144)</u>	<u>—</u>	<u>(144)</u>
At 30 June 2016	<u>—</u>	<u>3,426</u>	<u>(9)</u>	<u>3,417</u>

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Notes:

- (i) At the end of each reporting period, Wuling Industrial Group had unused tax losses of RMB63,473,000, RMB76,646,000, RMB128,137,000 and RMB158,287,000 as at 31 December 2013, 31 December 2014 and 31 December 2015 and 30 June 2016, respectively. A deferred tax asset has been recognized in respect of tax losses of RMB122,000, RMB103,000, RMB103,000 and RMB103,000 as at 31 December 2013, 31 December 2014 and 31 December 2015 and 30 June 2016, respectively. No deferred tax assets has been recognized in respect of the remaining tax losses of RMB63,351,000, RMB76,543,000, RMB128,034,000 and RMB158,184,000 respectively due to the unpredictability of future profit streams.
- (ii) At the end of the reporting period, Wuling Industrial Group also had unrecognized deferred tax assets in relation to deductible temporary differences amounting to RMB54,544,000, RMB58,151,000, RMB31,638,000 and RMB31,638,000 as at 31 December 2013, 31 December 2014 and 31 December 2015 and 30 June 2016, respectively.

30. SHARE CAPITAL/PAID IN CAPITAL

	Number of shares	Amount RMB'000
Issued and fully paid:		
At 31 December 2013, 2014 and 2015	960,000,000	960,000
Addition (<i>note</i>)	<u>82,580,646</u>	<u>82,581</u>
At 30 June 2016	<u><u>1,042,580,646</u></u>	<u><u>1,042,581</u></u>

Note: On 29 February 2016, the Company further injected RMB160,000,000 into share capital and contribution reserve of Wuling Industrial of RMB82,581,000 and RMB77,419,000 respectively.

31. CAPITAL AND OTHER COMMITMENTS

	At 31 December 2013 RMB'000	At 31 December 2014 RMB'000	2015 RMB'000	At 30 June 2016 RMB'000
Capital expenditure contracted for but not provided in the Financial Information in respect of acquisition of:				
— construction in progress	207,782	157,700	186,499	264,924
— property, plant and equipment	<u>133,644</u>	<u>273,465</u>	<u>452,046</u>	<u>428,250</u>
	<u><u>341,426</u></u>	<u><u>431,165</u></u>	<u><u>638,545</u></u>	<u><u>693,174</u></u>

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32. PLEDGE OF ASSETS

At the end of the reporting period, Wuling Industrial Group's bank borrowings and credit facilities from financial institutions were secured by the following:

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Bank deposits	<u>710,499</u>	<u>634,340</u>	<u>705,502</u>	<u>1,472,586</u>

As at 31 December 2013, 31 December 2014 and 31 December 2015 and 30 June 2016, bills receivables discounted with full recourse amounting to RMB535,595,000, RMB238,900,000, RMB887,215,000 and RMB3,240,344,000, respectively were used to secure Wuling Industrial Group's advances drawn on bills receivables discounted with resources.

33. RETIREMENT BENEFITS PLANS

The employees of Wuling Industrial Group in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. Wuling Industrial Group is required to contribute fixed percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of Wuling Industrial Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to profit or loss of RMB53,284,000, RMB61,194,000, RMB58,814,000, RMB28,547,000 (unaudited) and RMB29,199,000 during the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, respectively, represents contributions payable to these schemes by Wuling Industrial Group in respect of the relevant accounting period.

34. NON-CASH TRANSACTIONS

Deposits paid for acquisition of property, plant and equipment of RMB257,812,000, RMB272,451,000, RMB474,434,000 and RMB219,493,000 were transferred to property, plant and equipment during the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016, respectively.

During the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, dividend declared to Guangxi Automobile of RMB17,093,000, nil, RMB47,680,000, RMB47,680,000 (unaudited) and RMB24,846,000 were settled by offsetting against the amount due to Guangxi Automobile, respectively.

During the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, bills receivables discounted with recourse of RMB2,221,281,000, RMB1,480,775,000, RMB3,267,727,000, RMB1,827,962,000 (unaudited) and RMB3,309,343,000 respectively have been netted off against advances drawn on bills receivables discounted with recourse when the bills receivables discounted with recourse have been settled.

During the years ended 31 December 2013, 2014 and 2015, and the six months ended 30 June 2015 and 2016, finance costs of RMB38,231,000, RMB57,248,000, RMB61,160,000, RMB28,021,000 (unaudited) and RMB39,502,000, respectively have been netted off against advances drawn on bills receivables discounted when the bills receivables were discounted.

35. OPERATING LEASES

Wuling Industrial Group as lessor

Machinery and other property rental income earned during the Relevant Periods are disclosed in note 7(b). At 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, all machineries held had no significant committed lessee.

At the end of the reporting period, Wuling Industrial Group had contracted with lessees for the following future minimum lease receipts:

	At 31 December		At 30 June	
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	512	47	—	—
In the second to fifth year inclusive	<u>186</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>698</u>	<u>47</u>	<u>—</u>	<u>—</u>

Wuling Industrial Group as lessee

Minimum lease payments made under operating leases during the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016 were RMB41,081,000, RMB35,161,000, RMB40,894,000, RMB20,181,000 and RMB21,873,000 respectively.

At the end of the reporting period, Wuling Industrial Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December		At 30 June	
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	29,565	33,069	36,655	38,070
In the second to fifth year inclusive	<u>29,498</u>	<u>—</u>	<u>73,311</u>	<u>54,991</u>
	<u>59,063</u>	<u>33,069</u>	<u>109,966</u>	<u>93,061</u>

Operating lease payments represent rental payable by Wuling Industrial Group for certain of its office, production facilities and warehouse properties with fixed monthly rentals for an average term of three years.

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

36. RELATED PARTY DISCLOSURES

(i) Related party transactions

Company	Transactions	Year ended 31 December			Six months ended 30 June	
		2013 RMB'000	2014 RMB'000	2015 RMB'000	2015 RMB'000 (unaudited)	2016 RMB'000
SGMW	Sales by Wuling Industrial Group (<i>note 6</i>)	7,474,675	7,792,017	9,421,026	5,571,201	6,680,830
	Purchases of materials by Wuling Industrial Group	1,946,151	1,692,714	3,140,594	999,328	2,901,570
	Warranty costs incurred by Wuling Industrial Group	25,946	3,161	3,239	1,507	693
	Service income for warehouse management and related services	—	1,776	1,199	—	—
Guangxi Automobile	Sales of:					
	Raw materials and automotive components by Wuling Industrial Group	315,198	341,421	181,487	115,347	121,750
	Provision of water and power supply services by Wuling Industrial Group	1,994	2,913	2,688	—	—
		<u>317,192</u>	<u>344,334</u>	<u>184,175</u>	<u>115,347</u>	<u>121,750</u>
	Purchases of:					
	Automotive components and other accessories by Wuling Industrial Group	86,460	174,968	74,712	47,164	38,109
	Mini passenger buses by Wuling Industrial Group	302,295	290,660	267,995	125,807	182,377
	Air-conditioning parts and accessories by Wuling Industrial Group	8,843	6,904	5,334	2,256	1,583
	Electronic devices and components by Wuling Industrial Group	8,223	9,297	6,738	5,086	1,433
		<u>405,821</u>	<u>481,829</u>	<u>354,779</u>	<u>180,313</u>	<u>223,502</u>

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

Company	Transactions	Year ended 31 December			Six months ended 30 June	
		2013	2014	2015	2015	2016
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
	License fee paid by Wuling Industrial Group	1,300	1,300	1,300	650	433
	Rental expenses paid by Wuling Industrial Group (see vi below)	28,198	24,597	27,925	12,177	16,326
	Interest expenses paid by Wuling Industrial Group on					
	— Amount due to a shareholder	12,518	2,086	141	16	—
	— Advances drawn on bills receivables (see v below)	10,347	28,681	32,378	10,236	22,918
Qingdao Dianshi	Purchases of automotive components and other accessories by Wuling Industrial Group	1,792	53,150	118,279	50,213	70,792
	Sales of raw materials and automotive components by Wuling Industrial Group	70,689	—	18,434	—	9,670
Guangxi Weixiang	Sales of raw materials and automotive components by Wuling Industrial Group	—	53,609	37,714	24,384	6,142
	Purchases of automotive components and other accessories by Wuling Industrial Group	—	20,091	33,954	—	896

(ii) Related party balances

Details of Wuling Industrial Group's outstanding balances with related parties are set out in notes 21, 24, 25 and 27.

(iii) Guarantees provided

The guarantees provided to Wuling Industrial Group and by Guangxi Automobile are set out in note 27(v).

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

(iv) Compensation of key management personnel

The remuneration of Wuling Industrial Group's key management during the year/period was as follows:

	Year ended 31 December			Six months ended 30 June	
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2015 RMB'000 (unaudited)	2016 RMB'000
Short-term benefits	1,132	2,111	1,018	162	159
Post-employment benefits	<u>162</u>	<u>216</u>	<u>156</u>	<u>72</u>	<u>74</u>
	<u>1,294</u>	<u>2,327</u>	<u>1,174</u>	<u>234</u>	<u>233</u>

(v) Provision of facility

During the Relevant Periods, Guangxi Automobile agreed to provide a facility to Wuling Industrial Group, whereby Wuling Industrial Group could discount, without recourse, its bills receivables to Guangxi Automobile to the extent of RMB2,000,000,000, RMB1,000,000,000, RMB3,000,000,000 and RMB2,390,000,000 as at 31 December 2013, 31 December 2014 and 31 December 2015 and 30 June 2016, respectively. The discounting rate per annum was the lower of 90% of market discounting rate or a fixed rate of 3.5% during the Relevant Periods. During the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016, Wuling Industrial Group discounted bills receivables of RMB858,600,000, RMB2,576,000,000, RMB1,860,000,000 and RMB1,747,000,000, respectively, to Guangxi Automobile with a maturity period less than 180 days and at an average discount rate of 3.5% per annum.

(vi) Commitments

At the end of the reporting period, Wuling Industrial Group had commitments for future minimum lease payments under non-cancellable operating leases with Guangxi Automobile Group which fall due as follows:

	At 31 December			At 30 June	
	2013 RMB'000	2014 RMB'000	2015 RMB'000	2015 RMB'000	2016 RMB'000
Within one year	29,498	33,069	36,655	37,824	37,824
In the second to fifth year inclusive	<u>29,498</u>	<u>—</u>	<u>61,714</u>	<u>54,983</u>	<u>54,983</u>
	<u>58,996</u>	<u>33,069</u>	<u>98,369</u>	<u>92,807</u>	<u>92,807</u>

37. CAPITAL RISK MANAGEMENT

Wuling Industrial Group manages its capital to ensure the entities in Wuling Industrial Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Wuling Industrial Group's overall strategy remains unchanged from that of prior year.

The capital structure of Wuling Industrial Group consists of debts, which includes the amount due to a shareholder, amount due to the Company, advances drawn on bills receivables discounted with recourse and bank borrowings as disclosed in notes 25 and 27 respectively, and equity attributable to owners of Wuling Industrial, comprising issued capital and various reserves.

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

The directors of Wuling Industrial review the capital structure periodically. As part of this review, the directors consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of Wuling Industrial, Wuling Industrial Group will balance its overall capital structure through the payment of dividends, new share issues as well as issue of new debts.

38. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

	At 31 December			At 30 June
	2013	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	6,273,385	5,507,172	6,545,655	9,662,357
Available-for-sale investment	—	22,000	22,000	22,000
Financial liabilities				
Amortized cost	<u>7,897,537</u>	<u>7,217,668</u>	<u>8,614,148</u>	<u>11,196,959</u>

(ii) Financial risk management objectives and policies

Wuling Industrial Group's major financial instruments include available-for-sale investment, trade and other receivables, bills receivables discounted with recourse, pledged bank deposits, bank balances, trade and other payables, amount due to a shareholder, amount due to the Company, advances drawn on bills receivables discounted with recourse and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of Wuling Industrial manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Interest rate risk

Wuling Industrial Group is exposed to fair value interest rate risk in relation to Wuling Industrial Group's fixed rate pledged deposits, amount due to a shareholder and bank borrowing (see notes 23, 25 and 27 for details).

Wuling Industrial Group is also exposed to cash flow interest rate risk in relation to Wuling Industrial Group's variable rate bank balances (see note 23 for details).

Wuling Industrial Group currently do not have interest rate hedging policy. However, management of Wuling Industrial closely monitors its exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

Sensitivity analysis

No sensitivity analysis is provided on bank balances as the management of Wuling Industrial considers that the interest rate fluctuation on bank balances is minimal and the impact from the exposure to interest rate risk sensitivity is considered insignificant.

(b) Credit risk

As at the end of each of the reporting period, Wuling Industrial Group's maximum exposure to credit risk which will cause a financial loss to Wuling Industrial Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of respective recognized financial assets as stated in the consolidated statements of financial position of Wuling Industrial Group.

In order to minimise the credit risk, the management of Wuling Industrial has delegated a team of staff members responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, Wuling Industrial reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Wuling Industrial consider that Wuling Industrial Group's credit risk is significantly reduced.

Wuling Industrial Group has no significant concentration of credit risk other than in relation to the amount due from SGMW (note 21) which represents 68%, 75%, 70% and 71% of the total trade and bills receivables as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, respectively. During the Relevant Periods, SGMW is a well known private company engaging in the business of manufacturing and sales of automobiles in Guangxi, the PRC, and has good financial position by reference to its respective financial statements, which are regularly reviewed by Guangxi Automobile. SGMW has good repayment history and credit quality with reference to the track records under internal assessment by Wuling Industrial Group. In view of the significant balance due from SGMW, Wuling Industrial Group has kept regular contact with SGMW for updated information. In addition, as Guangxi Automobile has representative in the board of directors of SGMW, Wuling Industrial Group can access the up-to-date information of SGMW. In this regard, Wuling Industrial Group believes that it can take prompt action to recover the trade debt due from SGMW should the need arise.

The credit risk on liquid funds is limited because the counterparties are banks in the PRC with high credit rating.

(c) Liquidity risk

In the management of the liquidity risk, Wuling Industrial Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Wuling Industrial Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Wuling Industrial Group relies on advances from a shareholder and also bank borrowings as significant sources of liquidity.

Wuling Industrial Group is exposed to liquidity risk of being unable to finance its future working capital and financial requirements when they fall due. The net current liabilities of Wuling Industrial Group as at 31 December 2013, 31 December 2014 and 31 December 2015 and 30 June 2016 were RMB70,899,000, RMB587,073,000, RMB959,510,000 and RMB752,073,000, respectively. In view of this, the directors of Wuling Industrial have given careful consideration to the future liquidity of Wuling Industrial Group and details of which are set out in note 2.

The following table details Wuling Industrial Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Wuling Industrial Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
31 December 2013								
Non-derivative financial liabilities								
Trade and other payables	—	5,055,515	1,448,695	—	—	—	6,504,210	6,504,210
Amount due to a shareholder								
— non-interest bearing	—	169,298	—	—	—	—	169,298	169,298
— fixed rate	3.00	—	—	—	459,776	—	459,776	446,384
Bank borrowings								
— fixed rate	5.05	—	52,085	205,013	—	—	257,098	247,526
Other borrowings								
— advances drawn on bills receivables discounted with recourse	5.89	165,221	370,907	—	—	—	536,128	530,119
		<u>5,390,034</u>	<u>1,871,687</u>	<u>205,013</u>	<u>459,776</u>	<u>—</u>	<u>7,926,510</u>	<u>7,897,537</u>
	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
31 December 2014								
Non-derivative financial liabilities								
Trade and other payables	—	4,288,566	645,171	1,604,383	—	—	6,538,120	6,538,120
Amount due to a shareholder	—	—	—	—	191,314	—	191,314	191,314
Bank borrowings	4.50	250,918	—	—	—	—	250,918	250,000
Other borrowings								
— advances drawn on bills receivables discounted with recourse	4.83	—	—	246,813	—	—	246,813	238,234
		<u>4,539,484</u>	<u>645,171</u>	<u>1,851,196</u>	<u>191,314</u>	<u>—</u>	<u>7,227,165</u>	<u>7,217,668</u>

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
31 December 2015								
Non-derivative financial liabilities								
Trade and other payables	—	5,709,038	—	1,777,025	—	—	7,486,063	7,486,063
Amount due to the Company	—	26,287	—	—	—	—	26,287	26,287
Amount due to a shareholder								
— non-interest bearing	—	28,608	—	—	191,314	—	219,922	219,922
Other borrowings								
— advances drawn on bills receivables discounted with recourse	4.83	206,907	397,535	307,241	—	—	911,683	881,876
		<u>5,970,840</u>	<u>397,535</u>	<u>2,084,266</u>	<u>191,314</u>	<u>—</u>	<u>8,643,955</u>	<u>8,614,148</u>
30 June 2016								
Non-derivative financial liabilities								
Trade and other payables	—	4,518,853	890,359	215,667	2,114,379	—	7,739,258	7,739,258
Amount due to the Company	—	32,130	—	—	—	—	32,130	32,130
Amount due to a shareholder								
— non-interest bearing	—	24,846	—	—	178,697	—	203,543	203,543
Other borrowings								
— advances drawn on bills receivables discounted with recourse	4.83	3,234,718	—	—	—	—	3,234,718	3,222,028
		<u>7,810,547</u>	<u>890,359</u>	<u>215,667</u>	<u>2,293,076</u>	<u>—</u>	<u>11,209,649</u>	<u>11,196,959</u>

(iii) Fair value measurements of financial instruments

Fair value of financial instruments that are recorded at amortized cost

The directors of Wuling Industrial consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values at the end of the reporting period, except for the available-for-sale investment measured at cost less impairment, of which the directors of Wuling Industrial are of the opinion that the fair value cannot be measured reliably because the range of reasonable fair value estimates is so significant.

39. DIVIDEND

During the years ended 31 December 2013 and 31 December 2015 and the six months ended 30 June 2015 and 30 June 2016, dividend of RMB34,869,000, RMB94,126,000, RMB94,126,000 (unaudited) and RMB30,689,000 were declared by Wuling Industrial, respectively. Wuling Industrial did not declare any dividend during the year ended 31 December 2014.

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

40. STATEMENT OF FINANCIAL POSITION OF WULING INDUSTRIAL

The financial information of Wuling Industrial as at 31 December 2013, 2014 and 2015 and 30 June 2016 are as follows:

		At 31 December		At 30 June
		2013	2014	2016
	Note	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment		1,147,775	1,403,468	1,454,233
Prepaid lease payment		172,690	168,870	165,051
Unlisted investments in subsidiaries		213,130	213,130	323,245
Interest in joint ventures		36,985	36,985	43,105
Deposits paid for acquisition of property, plant and equipment		196,827	242,579	237,076
		<u>1,767,407</u>	<u>2,065,032</u>	<u>2,222,710</u>
				<u>2,353,754</u>
CURRENT ASSETS				
Inventories		956,739	1,147,774	1,499,131
Trade and other receivables		3,568,004	3,581,384	2,781,387
Amounts due from subsidiaries		509,031	612,491	837,043
Prepaid lease payments		3,818	3,818	3,818
Pledged bank deposits		506,695	449,385	515,237
Bank balances and cash		103,934	141,906	769,801
		<u>5,648,221</u>	<u>5,936,758</u>	<u>6,406,417</u>
				<u>8,643,564</u>
CURRENT LIABILITIES				
Trade and other payables		4,982,633	5,560,361	5,882,716
Amount due to the Company		—	—	26,287
Amount due to a shareholder		169,298	—	28,608
Amounts due to subsidiaries		236,895	333,391	382,879
Provision for warranty		87,776	96,288	78,411
Tax payable		8,011	12,606	31,320
Bank borrowings		247,000	250,000	—
Advances drawn on bills receivables discounted with recourse		40,111	238,234	595,909
		<u>5,771,724</u>	<u>6,490,880</u>	<u>7,026,130</u>
				<u>9,129,330</u>
NET CURRENT LIABILITIES		<u>(123,503)</u>	<u>(554,122)</u>	<u>(619,713)</u>
				<u>(485,766)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,643,904</u>	<u>1,510,910</u>	<u>1,602,997</u>
				<u>1,867,988</u>
NON-CURRENT LIABILITIES				
Amount due to a shareholder		446,384	191,314	191,314
		<u>446,384</u>	<u>191,314</u>	<u>178,697</u>
NET ASSETS		<u>1,197,520</u>	<u>1,319,596</u>	<u>1,411,683</u>
				<u>1,689,291</u>
CAPITAL AND RESERVES				
Share capital		960,000	960,000	960,000
Reserves	(i)	237,520	359,596	451,683
TOTAL EQUITY		<u>1,197,520</u>	<u>1,319,596</u>	<u>1,411,683</u>
				<u>1,689,291</u>

APPENDIX II FINANCIAL INFORMATION OF WULING INDUSTRIAL GROUP

Note:

(i) **Reserves**

	Contribution reserve RMB'000	PRC general reserve RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2013	4,882	119,878	3,483	55,334	183,577
Total comprehensive income for the year	—	—	—	88,812	88,812
Dividend recognized as distribution	—	—	—	(34,869)	(34,869)
Transfer	—	17,317	—	(17,317)	—
Subtotal	—	17,317	—	(52,186)	(34,869)
At 31 December 2013	4,882	137,195	3,483	91,960	237,520
Total comprehensive income for the year	—	—	—	122,076	122,076
Transfer	—	2,310	—	(2,310)	—
Subtotal	—	2,310	—	(2,310)	—
At 31 December 2014	4,882	139,505	3,483	211,726	359,596
Total comprehensive income for the year	—	—	—	186,213	186,213
Dividend recognized as distribution	—	—	—	(94,126)	(94,126)
Transfer	—	55,025	—	(55,025)	—
Subtotal	—	55,025	—	(149,151)	(94,126)
At 31 December 2015	4,882	194,530	3,483	248,788	451,683
Total comprehensive income for the year	—	—	—	148,297	148,297
Capital injection from the Company	77,419	—	—	—	77,419
Dividend recognized as distribution	—	—	—	(30,689)	(30,689)
Transfer	—	8,234	—	(8,234)	—
Subtotal	77,419	8,234	—	(38,923)	46,730
At 30 June 2016	82,301	202,764	3,483	358,162	646,710

B. EVENTS AFTER THE REPORTING PERIOD

There is no subsequent event took place subsequent to 30 June 2016.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Wuling Industrial or any of its subsidiaries in respect of any period subsequent to 30 June 2016.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The information set out in this Appendix does not form part of the Accountants' Reports of Wuling Industrial Group from Deloitte Touche Tohmatsu, the Company's reporting accountants, as set out in "Appendix II — Financial Information of Wuling Industrial Group" and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the Accountants' Reports set out in "Appendix II — Financial Information of Wuling Industrial Group".

(A) BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

In connection with the Capital Increase, the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of the Group has been prepared in accordance with paragraph 4.29 of the Listing Rules and is solely for the purpose to illustrate the impact of the Capital Increase on the Group as if the Capital Increase had been completed on 30 June 2016. Since the Capital Increase is an intra-group transaction which will be eliminated in full on consolidation, it does not have any financial impact to the Group as at 30 June 2016 other than the estimated transaction cost incurred. However, as set out in the section "1.1 The Capital Increase Agreement" under the Letter From The Board, one of the conditions precedent to the Capital Increase is the completion of subscription of Convertible Notes A. Therefore, the Unaudited Pro Forma Financial Information has been prepared assuming both the Capital Increase and subscription of Convertible Notes A had been completed as of 30 June 2016 simultaneously.

The unaudited pro forma consolidated statement of assets and liabilities of the Group is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2016 which has been extracted from the published interim report of the Company for the six months ended 30 June 2016, after making unaudited pro forma adjustments that are (i) directly attributable to the Capital Increase and (ii) factually supportable, as if the Capital Increase had been completed on 30 June 2016.

The Unaudited Pro Forma Financial Information has been prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information for illustrative purpose only and because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the assets and liabilities of the Group upon completion of the Capital Increase as of 30 June 2016 or at any future dates.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

(1) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Group

	The Group as at 30 June 2016 <i>RMB'000</i> (unaudited) <i>Note 1</i>	Pro forma adjustments <i>RMB'000</i> (unaudited) <i>Note 2</i>		The Group after Capital Increase as at 30 June 2016 <i>RMB'000</i> (unaudited)
		<i>RMB'000</i> (unaudited) <i>Note 3</i>		
NON-CURRENT ASSETS				
Property, plant and equipment	2,292,753			2,292,753
Prepaid lease payments	247,928			247,928
Premium on prepaid lease payments	860			860
Investment properties	8,546			8,546
Intangible assets	628			628
Interests in joint ventures	76,600			76,600
Deposits paid for acquisition of property, plant and equipment	355,799			355,799
Available-for-sale investment	<u>22,000</u>			<u>22,000</u>
	<u>3,005,114</u>			<u>3,005,114</u>
CURRENT ASSETS				
Inventories	1,329,645			1,329,645
Trade and other receivables	7,241,771			7,241,771
Prepaid lease payments	6,088			6,088
Pledged bank deposits	1,472,586			1,472,586
Bank balances and cash	<u>1,182,173</u>	343,938	(3,955)	<u>1,522,156</u>
	<u>11,232,263</u>			<u>11,572,246</u>

APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP
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	The Group as at 30 June 2016 <i>RMB'000</i> (unaudited) <i>Note 1</i>	Pro forma adjustments <i>RMB'000</i> (unaudited) <i>Note 2</i> <i>RMB'000</i> (unaudited) <i>Note 3</i>		The Group after Capital Increase as at 30 June 2016 <i>RMB'000</i> (unaudited)
CURRENT LIABILITIES				
Trade and other payables	8,430,431			8,430,431
Amount due to a shareholder	24,846			24,846
Provision for warranty	194,137			194,137
Tax payable	81,445			81,445
Bank borrowings	55,496			55,496
Advances drawn on bills receivable discounted with recourse	<u>3,222,028</u>			<u>3,222,028</u>
	<u>12,008,383</u>			<u>12,008,383</u>
NET CURRENT LIABILITIES	<u>(776,120)</u>			<u>(436,137)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,228,994</u>			<u>2,568,977</u>
NON-CURRENT LIABILITIES				
Convertible loan notes	—	273,233		273,233
Embedded derivative in convertible loan notes	—	70,705		70,705
Amount due to a shareholder	178,697			178,697
Deferred income	17,539			17,539
Deferred tax liabilities	<u>20,183</u>			<u>20,183</u>
	<u>216,419</u>			<u>560,357</u>
NET ASSETS	<u><u>2,012,575</u></u>			<u><u>2,008,620</u></u>

(2) Notes to the Unaudited Pro Forma Financial Information of the Group

Notes:

1. The assets and liabilities of the Group are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2016 as set out in the interim report of the Company for the six months ended 30 June 2016.
2. There is no financial effect on the Capital Increase as it is an intra-group transaction which will be eliminated in full on consolidation.

As one of the conditions precedent of the Capital Increase, subscription of Convertible Notes A in principal amount of HK\$400,000,000 (equivalent to approximately RMB343,938,000), using the exchange rate as at 30 June 2016, which are due in 3 years and shall bear interest at 4% per annum, will have to be completed. Therefore, the adjustment reflects the effect of the subscription of Convertible Notes A of HK\$400,000,000 (equivalent to approximately RMB343,938,000) in full for simplicity. The pro forma fair values of the convertible loan notes and embedded derivative in convertible loan notes of Convertible Notes A as if the Subscription had been completed on 30 June 2016, are assumed to be approximately RMB273,233,000 and RMB70,705,000, which are arrived based on a valuation carried out by BMI Appraisals Limited, an independent valuer, using the present value of contractually determined stream of future cash flows and the Binomial Option Pricing Model, respectively.

The above-mentioned pro forma fair value of the Convertible Notes A is subject to change as the actual valuation inputs, including but not limited to, the market interest rate, may change at the date of completion of the subscription.

3. The adjustment represents the estimated transaction costs of approximately RMB3,955,000, including but not limited to legal and professional fees, directly attributable to the Capital Increase.
4. No adjustment has been made to the unaudited pro forma consolidated statement of assets and liabilities of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2016.

**(C) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.



To the Directors of Wuling Motors Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Wuling Motors Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2016 and related notes as set out on pages III-1 to III-4 of the circular issued by the Company dated 28 November 2016 (the “Circular”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-1 to III-4 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed capital increase Liuzhou Wuling Motors Industrial Company Limited (the “Capital Increase”) on the Group’s assets and liabilities as at 30 June 2016 as if the Capital Increase had taken place at 30 June 2016. As part of this process, information about the Group’s assets and liabilities has been extracted by the Directors from the Group’s unaudited consolidated financial statements for the six months ended 30 June 2016, on which an a review conclusion has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 28 November 2016

SUMMARY OF FINANCIAL INFORMATION ON WULING INDUSTRIAL GROUP

The financial information on Wuling Industrial Group has been set out in Appendix II “Financial Information of Wuling Industrial Group” to this circular.

Set out below is a summary of the audited consolidated financial results of Wuling Industrial Group for each of the three years ended 31 December 2013, 2014 and 2015 and the six months period ended 30 June 2016, together with the corresponding unaudited comparative figures for the six months ended 30 June 2015 as extracted from Appendix II “Financial Information of Wuling Industrial Group” to this circular:

	Year ended 31 December			Six months ended	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue	<u>12,037,209</u>	<u>12,138,544</u>	<u>13,451,118</u>	<u>6,716,275</u>	<u>8,502,171</u>
Gross profit	<u>1,259,334</u>	<u>1,373,603</u>	<u>1,520,908</u>	<u>728,469</u>	<u>866,002</u>
Profit before taxation	<u>151,067</u>	<u>162,239</u>	<u>268,155</u>	<u>107,903</u>	<u>178,375</u>
Profit and total comprehensive income for the year/period	<u>113,883</u>	<u>131,667</u>	<u>200,123</u>	<u>87,952</u>	<u>146,746</u>
Profit and total comprehensive income for the year/period attributable to the owners of Wuling Industrial	<u>112,644</u>	<u>135,681</u>	<u>211,817</u>	<u>87,971</u>	<u>143,816</u>

Set out below is a summary of the audited financial positions of Wuling Industrial Group as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, as extracted from Appendix II “Financial Information of Wuling Industrial Group” to this circular:

	At 31 December		At 30 June	
	2013	2014	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total non-current assets	<u>2,086,635</u>	<u>2,469,888</u>	<u>2,936,763</u>	<u>2,991,889</u>
Total current assets	<u>8,068,154</u>	<u>7,296,298</u>	<u>8,545,312</u>	<u>11,224,362</u>
Total current liabilities	<u>8,139,053</u>	<u>7,883,371</u>	<u>9,504,822</u>	<u>11,976,435</u>
Net current liabilities	<u>(70,899)</u>	<u>(587,073)</u>	<u>(959,510)</u>	<u>(752,073)</u>
Total assets less current liabilities	<u>2,015,736</u>	<u>1,882,815</u>	<u>1,977,253</u>	<u>2,239,816</u>
Total non-current liabilities	<u>474,590</u>	<u>214,902</u>	<u>213,147</u>	<u>199,653</u>
Net assets	<u>1,541,146</u>	<u>1,667,913</u>	<u>1,764,106</u>	<u>2,040,163</u>
Net assets/equity attributable to owners of Wuling Industrial	<u>1,519,235</u>	<u>1,654,916</u>	<u>1,770,961</u>	<u>2,044,088</u>

BUSINESS REVIEW

Wuling Industrial Group's business and operation are divided into three segments, namely (1) engines and related parts; (2) automotive components and other industrial services; and (3) specialized vehicles. The tables below set forth the breakdown of the turnover and operating profits of the respective segments of Wuling Industrial Group for each of the three years ended 31 December 2013, 2014 and 2015 and the six months period ended 30 June 2016, together with the corresponding unaudited comparative figures for the six months ended 30 June 2015 as extracted from Appendix II "Financial Information on Wuling Industrial Group" to this circular:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Turnover (excluding inter-segment sales) of:					
— Engines and related parts	3,366,625	2,666,249	3,620,766	1,500,443	2,437,442
— Automotive components and other industrial services	6,657,943	7,418,056	7,689,088	4,214,940	4,871,678
— Specialized vehicles	<u>2,012,641</u>	<u>2,054,239</u>	<u>2,141,264</u>	<u>1,000,892</u>	<u>1,193,051</u>
Total	<u>12,037,209</u>	<u>12,138,544</u>	<u>13,451,118</u>	<u>6,716,275</u>	<u>8,502,171</u>
Operating profits of:					
— Engines and related parts	125,363	116,912	169,916	45,086	75,760
— Automotive components and other industrial services	74,353	109,613	186,471	96,696	143,509
— Specialized vehicles	<u>40,712</u>	<u>49,233</u>	<u>18,975</u>	<u>11,223</u>	<u>15,734</u>
Total	<u>240,428</u>	<u>275,758</u>	<u>375,362</u>	<u>153,005</u>	<u>235,003</u>

The turnover of Wuling Industrial Group is substantially derived from the PRC.

The turnover of Wuling Industrial Group for the year ended 31 December 2014 was RMB12,138.54 million, maintained at the same level as compared to the year ended 31 December 2013. A substantial decline in the revenue of the engines and related parts division was compensated by an impressive growth of businesses of the automotive components and other industrial services division during the year, whereas, revenue contributed from the specialized vehicles division remained stable. Operating profits of Wuling Industrial Group for the year ended 31 December 2014 was RMB275.76 million, represented an increase of approximately 14.7% due to an improvement in the business performance of the automotive components and other industrial services division and the specialized vehicles division during

the year. After taking into account of the impairment losses on interest in a joint venture and prepaid lease payments of an aggregate amount of RMB19.67 million, bank interest income of RMB25.79 million, finance costs of RMB74.51 million, share of loss on results of joint ventures of RMB1.59 million and other central administrative costs of RMB43.53 million, profit before tax of Wuling Industrial Group for the year ended 31 December 2014 was RMB162.24 million represented an increase of approximately 7.4% as compared to the year ended 31 December 2013. After subtracting the income tax expenses of RMB30.57 million, profit and total comprehensive income of Wuling Industrial Group for the year ended 31 December 2014 was RMB131.67 million, in which RMB135.68 million was attributable to the owners of Wuling Industrial, represented respective increases of approximately 15.6% and 20.4% as compared to the year ended 31 December 2013.

The turnover of Wuling Industrial Group for the year ended 31 December 2015 was RMB13,451.12 million, represented an increase of approximately 10.8% as compared to the year ended 31 December 2014, due to impressive growth of businesses in the passenger vehicles' business from the new products of the engines and related parts and automotive components and other industrial services divisions during the year, whereas revenue contributed from the specialized vehicles division remained stable. Operating profits of Wuling Industrial Group for the year ended 31 December 2015 was RMB375.36 million, represented an increase of approximately 36.1% due to the launches of the passenger vehicles' products of the engines and related parts and automotive components and other industrial services divisions as abovementioned, despite a significant drop in the profit contribution from the specialized vehicles division during the year. After taking into account of the impairment losses on interest in a joint venture of RMB8.00 million, bank interest income of RMB35.48 million, finance costs of RMB71.20 million, share of loss on results of joint ventures of RMB12.75 million and other central administrative costs of RMB50.73 million, profit before tax of Wuling Industrial Group for the year ended 31 December 2015 was RMB268.16 million represented an increase of approximately 65.3% as compared to the year ended 31 December 2014. After subtracting the income tax expenses of RMB68.04 million, profit and total comprehensive income of Wuling Industrial Group for the year ended 31 December 2015 was RMB200.12 million, in which RMB211.82 million was attributable to the owners of Wuling Industrial, represented respective increases of approximately 52.0% and 56.1% as compared to the year ended 31 December 2014.

The turnover of Wuling Industrial Group for the six months ended 30 June 2016 was RMB8,502.17 million, represented an increase of approximately 26.6% as compared to the six months ended 30 June 2015, due to impressive growth of businesses in the passenger vehicles' business from the new products of the engines and related parts and automotive components and other industrial services divisions, and a moderate improvement in revenue contributed from the specialized vehicles division during the period. Operating profits of Wuling Industrial Group for the six months ended 30 June 2016 was RMB235.00 million, represented an increase of approximately 53.6% due to the launches of the passenger vehicles' products of the engines and related parts and automotive components and other industrial services divisions as abovementioned, as well as a moderate improvement in the specialized vehicles division during the period. After taking into account of the bank interest income of RMB18.62 million, finance costs of RMB48.10 million, share of loss on results of joint ventures of RMB3.74 million and

other central administrative costs of RMB23.41 million, profit before tax of Wuling Industrial Group for the six months ended 30 June 2016 was RMB178.38 million represented an increase of approximately 65.3% as compared to the six months ended 30 June 2015. After subtracting the income tax expenses of RMB31.63 million, profit and total comprehensive income of Wuling Industrial Group for the six months ended 30 June 2016 was RMB146.75 million, in which RMB143.82 million was attributable to the owners of Wuling Industrial, represented respective increases of approximately 66.8% and 63.5% as compared to the six months ended 30 June 2015.

Wuling Industrial Group has been the principal operating subsidiaries of the Group engaged in the Group's principal business activities of the manufacturing and trading of engines and parts, automotive components and accessories, specialized vehicles and the trading of raw materials, water and power supply services since September 2007. For the above track record years/periods, it accounted for nearly the entire results of the Group's turnover and contributed the entire operating profits of the Group. Detailed analyses of the above business review and performance of Wuling Industrial Group have also been reported in the respective annual reports of the Group for the year ended 31 December 2013, 2014 and 2015 and the interim report of the Group for the six months ended 30 June 2016.

FINANCIAL POSITION

Capital and reserves

Total equity attributable to the owners of Wuling Industrial were approximately RMB1,519.24 million, RMB1,654.92 million, RMB1,770.96 million and RMB2,044.09 million respectively as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, which comprised mainly share capital, various reserves and retained profits of Wuling Industrial. The increases in equity attributable to the owners of Wuling Industrial during the years ended 31 December 2013, 2014 and 2015 were mainly attributable to the profit and total comprehensive income generated during the respective years and deducted by the declaration of dividends which were approximately RMB34.87 million for the year ended 31 December 2013 and approximately RMB94.13 million for the year ended 31 December 2015. Wuling Industrial did not declare any dividend during the year ended 31 December 2014.

Total equity attributable to the owners of Wuling Industrial was increased by approximately RMB273.13 million during the six months ended 30 June 2016 due to primarily the capital injection of RMB160.00 million by the Company in February 2016, the profit and total comprehensive income generated during the period and deducted by the declaration of dividend of approximately RMB30.69 million during the period.

Current fund and financial resources

As at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, the bank balances and cash of Wuling Industrial Group amounted to approximately RMB306.28 million, RMB200.58 million, RMB1,062.51 million and RMB1,178.35 million respectively which had been gradually increased over the period.

The current ratios (calculated on the basis of total current assets over total current liabilities) of Wuling Industrial Group were approximately 0.99, 0.93, 0.90 and 0.94 respectively as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016. Due to the increasing scale of operation and the net cash used in investing activities by Wuling Industrial Group during the aforementioned track record years/periods for the establishment of new production facilities, construction and installation of plant and machinery as well as other technology enhancement and equity investment projects, and in the absence of corresponding long term financing arrangement, the financial positions of Wuling Industrial Group showed net current liabilities of RMB70.90 million, RMB587.07 million, RMB 959.51 million and RMB752.07 million at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016 respectively. In consideration of profitable operations of Wuling Industrial Group, its available banking facilities and bank and cash balances, the assets available to pledge for obtaining further banking facilities and the financial support from Guangxi Automobile, the net current liabilities situation of Wuling Industrial Group during the aforementioned track record years/periods did not have any material adverse impact on its operation.

Bank borrowings, advances drawn on bills receivables discounted with recourse and gearing ratios

Secured and unsecured bank borrowings (other than advances drawn on bills receivables discounted with recourse) of Wuling Industrial Group were approximately RMB247.53 million and RMB250.00 million respectively as at 31 December 2013 and 31 December 2014, which were all denominated in RMB. Wuling Industrial Group did not have any secured and unsecured bank borrowings (other than advances drawn on bills receivables discounted with recourse) as at 31 December 2015 and 30 June 2016. The effective interest rates of the aforementioned bank borrowings ranged from 4.50% to 7.22% for the respective balances as at 31 December 2013 and ranged from 3.50% to 6.00% for the respective balances as at 31 December 2014.

Advances drawn on bills receivables discounted with recourse of Wuling Industrial Group were approximately RMB530.12 million, RMB238.23 million, RMB881.88 million and RMB3,222.03 million respectively as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, which were all denominated in RMB. Wuling Industrial Group engaged substantially in bill discounting activities as an effective means of raising finance to its operations in recent years in consideration of the lower finance cost as compared to the alternative secured and unsecured bank borrowings.

The gearing ratios (calculated on the basis of total secured and unsecured bank borrowings over total equity attributable to the owners of Wuling Industrial) of Wuling Industrial Group were approximately 16.3% and 15.1% respectively as at 31 December 2013 and 31 December 2014. The gearing ratios as at 31 December 2015 and 30 June 2016 were not provided as there was no secured and unsecured bank borrowings.

Foreign currency risk

Wuling Industrial Group was not exposed to any foreign currency risk as all of its transactions and all of its assets and liabilities were transacted and denominated in RMB. Thus, Wuling Industrial Group does not have a foreign currency hedging policy currently. However, its management would monitor foreign exchange exposure and would consider hedging significant foreign currency exposure should the need arise.

Capital commitments and contingent liabilities

As at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, the capital commitments of Wuling Industrial Group amounted to approximately RMB341.43 million, RMB431.17 million, RMB638.55 million and RMB693.17 million respectively. These capital commitments referred to the capital expenditure contracted for but not provided in the consolidated financial statements of Wuling Industrial Group in respect of the acquisition costs of property, plant and equipment and construction in progress.

Wuling Industrial Group had no contingent liabilities as at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016.

Employees and remuneration policies

As at 31 December 2013, 31 December 2014, 31 December 2015 and 30 June 2016, Wuling Industrial Group had approximately 12,400, 14,300, 14,900 and 12,300 employees respectively, who were substantially located in the PRC. Total staff costs (including directors' remuneration) for the years ended 31 December 2013, 2014 and 2015 and the six months period ended 30 June 2015 and 2016 were approximately RMB778.28 million, RMB761.29 million, RMB757.19 million, RMB307.12 million and RMB329.89 million respectively. The remuneration were determined in accordance with the remuneration policy of Wuling Industrial Group which was periodically reviewed and evaluated in line with the applicable legislation, market conditions as well as the performance of Wuling Industrial Group and the individual.

Material acquisitions and disposals of subsidiaries and associated companies

During the year ended 31 December 2013, Wuling Industrial acquired an additional 2% equity interest in Liuzhou Wuling Specialized Vehicles Manufacturing Company Limited ("Wuling Specialized Vehicles"), then a non-wholly-owned subsidiary of Wuling Industrial at a consideration of approximately RMB1.79 million as being part of a group restructure processes upon which all the business, assets and liabilities of Wuling Specialized Vehicles were absorbed by and merged with Wuling Industrial.

During the year ended 31 December 2014, Wuling Industrial acquired an additional 49% equity interest in 柳州卓達汽車部件有限公司 ("柳州卓達"), then a non-wholly-owned subsidiary of Wuling at a consideration of RMB3.84 million upon which 柳州卓達 was then become a wholly-owned subsidiary of Wuling Industrial. 柳州卓達 is principally engaged in manufacturing and sale accessories of motor vehicles.

During the year ended 31 December 2013, Wuling Industrial acquired 51% equity interest in a joint venture namely Qingdao Dianshi Motor Accessories Company Limited (“Qingdao Dianshi”) from an independent third at a cash consideration of approximately RMB11.99 million. Qingdao Dianshi is principally engaged in the manufacture of automotive accessories and is a supplier of Wuling Industrial.

During the year ended 31 December 2013, Wuling Industrial established a joint venture namely Guangxi Weixiang Machinery Company Limited (“Guangxi Weixiang”) with an independent third party. Wuling Industrial contributed RMB25.00 million in exchange for a 50% equity interest in Guangxi Weixiang. Guangxi Weixiang is principally engaged in the manufacture of automotive accessories.

During the year ended 31 December 2013, Liuzhou Wuling Liuji Motors Company Limited (“Liuji Motors”) a wholly-owned subsidiary of Wuling Industrial, established a joint venture namely Liuzhou Lingte Power Technology Limited (“Liuzhou Lingte”) with an independent third party. Liuji Motors contributed approximately RMB30.70 million in exchange for a 51% equity interest in Liuzhou Lingte. Liuzhou Lingte is principally engaged in the manufacture of engines. During the years ended 31 December 2014 and 2015, Liuji Motors further contributed approximately RMB21.85 million and RMB14.84 million respectively into Liuzhou Lingte and maintained its 51% equity interest in Liuzhou Lingte.

During the year ended 31 December 2015, Wuling Industrial established a joint venture namely 柳州五達汽車部件有限公司 (“柳州五達”), with an independent third party. Wuling Industrial contributed RMB6.12 million in exchange for a 51% equity interest in 柳州五達. 柳州五達 is principally engaged in the manufacture of automotive accessories.

As mentioned above, Wuling Industrial Group has been the principal operating subsidiaries of the Group engaged in the Group’s principal business activities of the manufacturing and trading of engines and parts, automotive components and accessories, specialized vehicles and the trading of raw materials, water and power supply services since September 2007. Accordingly, the above financial information of Wuling Industrial Group have been consolidated and/or included in the respective consolidated financial statements of the Group. Detailed analysis of the above have also been reported in the respective annual reports of the Group for the years ended 31 December 2013, 2014 and 2015 and the interim report of the Group for the six months ended 30 June 2016.

The following is the text of a report prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at 30 June 2016 of the market value of the 100% equity interest in Liuzhou Wuling Motors Industrial Company Limited.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33rd Floor, Shui On Centre, Nos. 6–8 Harbour Road, Wanchai, Hong Kong

香港灣仔港灣道6–8號瑞安中心33樓

Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863

Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

28 November 2016

The Directors

Wuling Motors Holdings Limited

Unit 2403, 24th Floor

Great Eagle Centre

No. 23 Harbour Road

Wanchai, Hong Kong

Dear Sirs,

Re: Valuation of 100% equity interest in Liuzhou Wuling Motors Industrial Company Limited

1. INSTRUCTIONS

We refer to the instructions from Wuling Motors Holdings Limited (referred to as the “**Company**”) for us to provide our independent opinion on the market value of 100% equity interest in Liuzhou Wuling Motors Industrial Company Limited (referred to as “**Wuling Industrial**”).

2. DATE OF VALUATION

The date of valuation is 30 June 2016.

3. BASIS OF VALUATION

Our valuation has been carried out on the basis of market value. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

4. BACKGROUND OF THE COMPANY AND WULING INDUSTRIAL

Background of the Company

The Company is a publicly listed company with limited liability. It was incorporated in Bermuda and has been listed on the Main Board of the Hong Kong Stock Exchange (stock code: 0305) since 1992. The Company, through its subsidiaries, is principally engaged in the manufacturing and trading of engines and parts, automotive components and accessories and specialized vehicles, trading of raw materials as well as provision of water and power supply.

Background of Wuling Industrial

Liuzhou Wuling Motors Industrial Company Limited (i.e. Wuling Industrial) is a manufacturing joint venture officially established by Guangxi Automobile Holdings Limited (formerly known as “Liuzhou Wuling Motors Company Limited”) and the Company. Wuling Industrial and its subsidiaries supply engines and automotive components to commercial-type mini-vehicles and passenger vehicles as well as manufacture of specialized vehicles in the People’s Republic of China (referred to as the “PRC”).

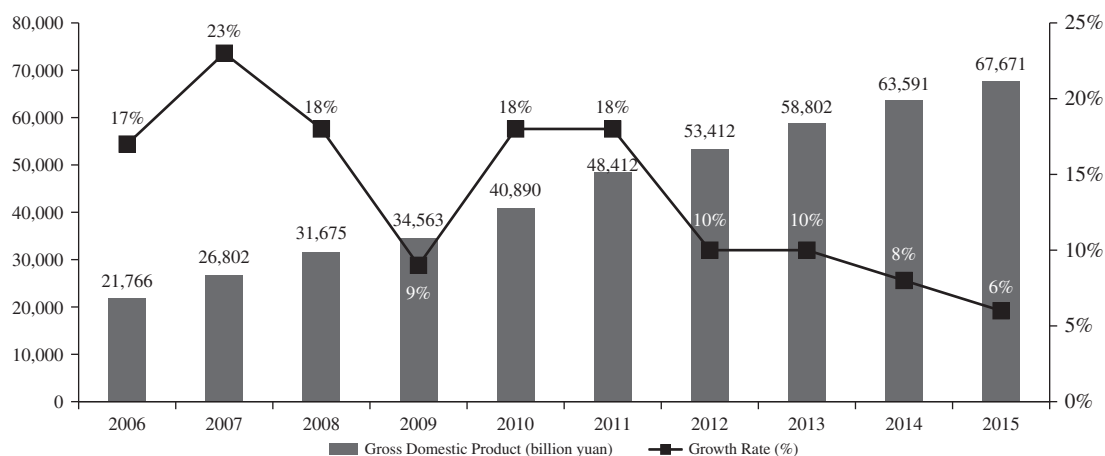
5. INDUSTRY OVERVIEW

The PRC Economy

With the downward pressure of the domestic economic development, the economy of the PRC is growing at a slower pace in response to policy tightening and the global financial turmoil. According to the latest data released by the National Bureau of Statistics of China, the accumulated growth rate of Gross Domestic Product (referred to as “GDP”) in the PRC expanded 6% in 2015 from RMB63.6 trillion in 2014 to approximately RMB67.7 trillion in 2015. Figure 1 illustrates the trend of the PRC’s GDP from 2006 to 2015. For the PRC’s 2015 GDP, the value added of the primary, secondary and tertiary industries were RMB6.1 trillion, RMB27.4 trillion and RMB34.1 trillion respectively, showing the increases by 3.9%, 6.0% and 8.3% respectively over 2014. And the value

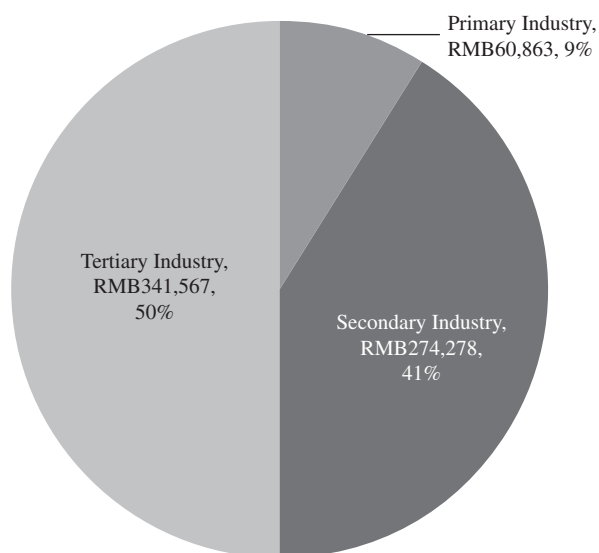
added of the primary, secondary and tertiary industries accounted for 9%, 41% and 50% of the GDP. Figures 2 and 3 illustrate the composition of GDP by industries and sectors in 2015.

Figure 1: Trend of GDP of the PRC, 2006–2015

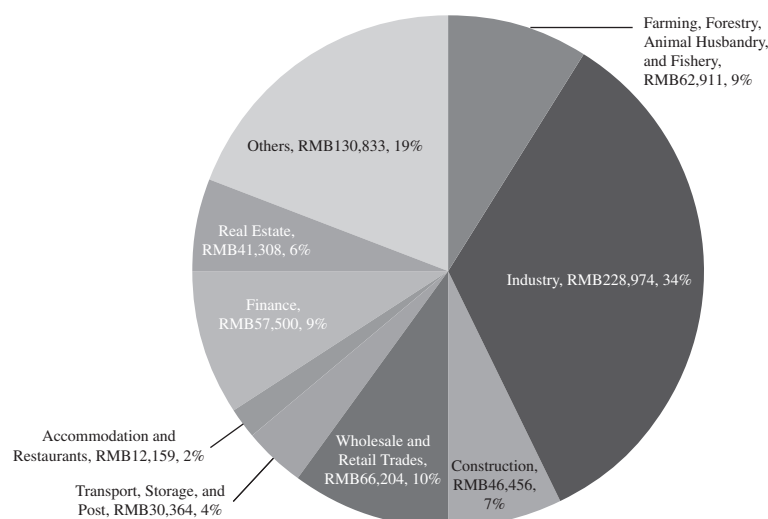


Source: National Bureau of Statistics of the PRC

Figure 2: GDP Composition (in 100 million RMB) of the PRC by Industries in 2015



Source: National Bureau of Statistics of the PRC

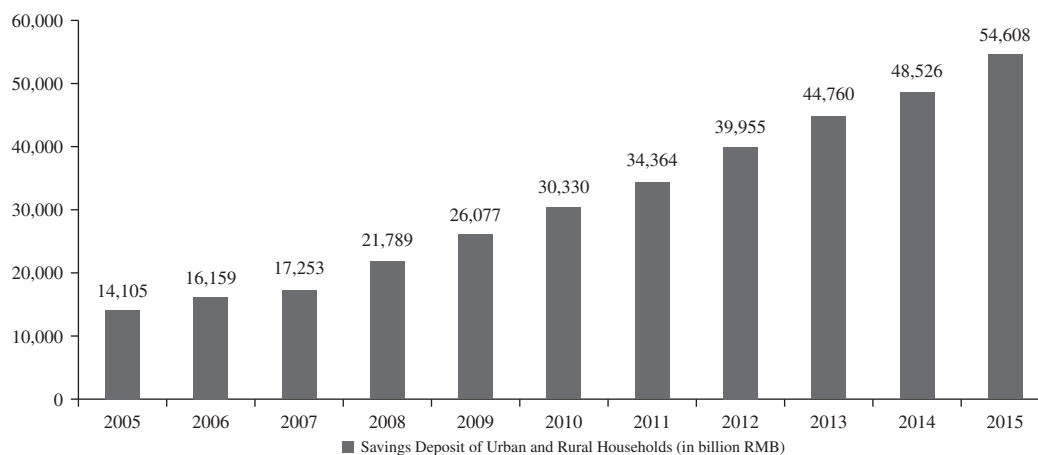
Figure 3: GDP Composition (in 100 million RMB) of the PRC by Sectors in 2015

Source: National Bureau of Statistics of the PRC

According to Statistical Communiqué of the PRC on the 2015 National Economic and Social Development issued by National Bureau of Statistics of the PRC, both the income of urban and rural residents keep increasing over the recent years. In 2015, the national per capita disposable income was RMB21,966 with an increase of 8.9% or a real growth rate of 7.4% after inflation adjustments. In terms of permanent residence, the per capita disposable income of urban households was RMB31,195, increased by 8.2%, or a real increase of 6.6% after deducting the price factors.

Due to the increasing level of annual urban household disposable income and expenditure, the growth of the PRC's GDP is mainly contributed by the rise of the domestic consumption. Moreover, the savings deposit of urban and rural households from 2005 to 2015 had increased, matching with the growth of the GDP. Figure 4 illustrates the trend of the PRC's saving deposit of urban and rural households from 2005 to 2015.

Figure 4: Trend of Savings Deposit of Urban and Rural Households (billion RMB) of the PRC, 2005–2015

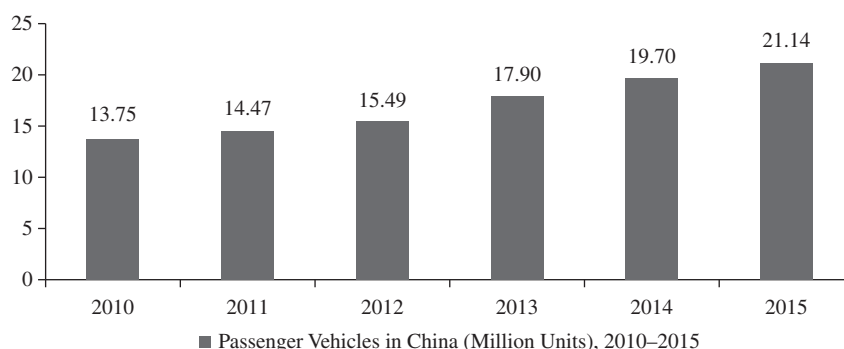


Source: National Bureau of Statistics of the PRC

Automotive Industry

Although the growth of China's economy has slowed down after the financial crisis in 2008, the automotive industry has still been keeping robust in recent years due to the improvements in household income and the constant enlargement of middle class in cities. According to the 2016 China Auto Consumer Report issued by McKinsey & Company, the vehicle sales in China increased by more than 12% per year. As indicated by The Automotive Market in China from the EU SME Centre and the statistics from China Association of Automobile Manufacturers, the total passenger vehicle sales increased from 13.75 million units in 2010 to 21.14 million units in 2015. Figure 5 illustrated the trend of passenger vehicle sales in China from 2010 to 2015.

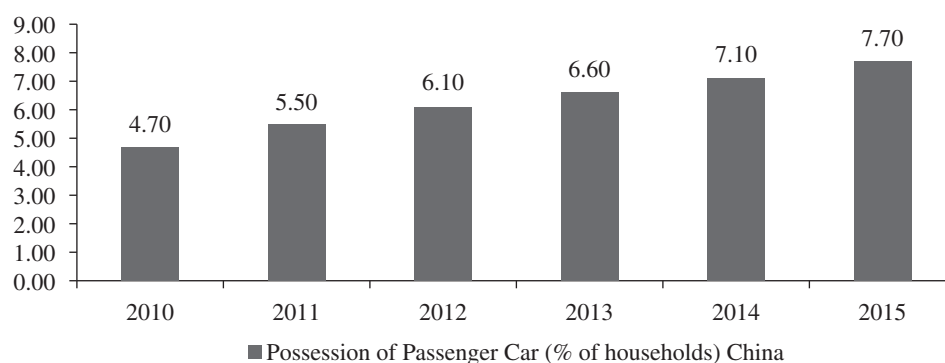
Figure 5: Passenger Vehicles in China (Million Units)



Source: EU SME Centre — The Automotive Market in China and the statistics from China Association of Automobile Manufacturers

Moreover, the households possessing passenger vehicles constitute only a small part of total households in China. According to the statistics from Euromonitor International, the proportion of households possessing passenger vehicles was only 7.7% in 2015, which was increased from 4.7% in 2010. The current low possession level of passenger vehicles reflects the great potential of automotive market in China. Figure 6 illustrated the possession percentages of passenger vehicles in China from 2010 to 2015.

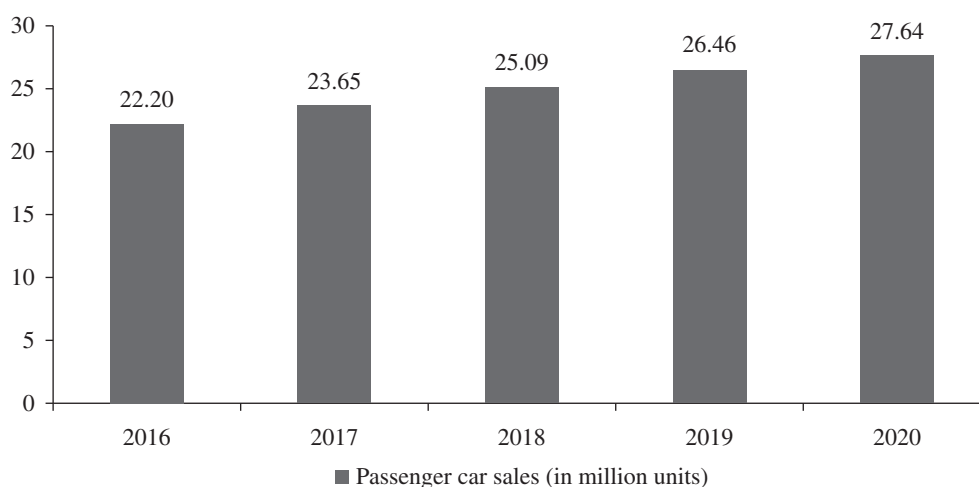
Figure 6: Possession of Passenger Car (% of households), China



Source: Possession of Passenger Car: Euromonitor International from national statistics

However, the automotive markets are expected to grow more slowly because the China's economy slows down further and the coastal cities become saturated. Indicated by China Autos Report Q2 2016 issued by Business Monitor International Ltd., the passenger vehicle sales in China are expected to grow at 5% in 2016 and at an annual average of 5.5% from 2016 to 2020. Figure 7 illustrated the market forecasts of passenger vehicle in China from 2016 to 2020.

Figure 7: Passenger Car Market Forecasts (China 2016–2020)



Source: China Autos Report Q2 2016 Published by: Business Monitor International Ltd.

6. SOURCE OF INFORMATION

For the purpose of our valuation, we have been furnished with the financial and operational information in respect of Wuling Industrial provided by the senior management of the Company.

We have no reason to doubt the truth and accuracy of the information provided to us, and we have been confirmed by the senior management of the Company that no material facts have been omitted from the information provided to us.

Apart from the information provided by the senior management of the Company, we also obtained market data, industrial information and statistical figures from Bloomberg Terminal and other publicly available sources.

7. SCOPE OF WORKS

The following processes have been conducted by us in the course of our valuation:

- Interviewed with the senior management of the Company in respect of the core operation of Wuling Industrial;
- Obtained relevant financial and operational information in respect of Wuling Industrial from the senior management of the Company;
- Examined the basis and assumptions of the financial and operational information in respect of Wuling Industrial provided by the senior management of the Company;
- Conducted appropriate research to obtain sufficient market data, industry information and statistical figures from Bloomberg Terminal and other publicly available sources; and
- Prepared the valuation and this report in accordance with generally accepted valuation procedures and practices.

8. VALUATION ASSUMPTIONS

Due to the changing economic and market conditions, a number of assumptions have to be adopted in our valuation. The major assumptions adopted in our valuation are as follows:

General Market Assumptions

- There will be no material change in the existing political, legal, fiscal, technological, economic and market conditions in the jurisdiction where Wuling Industrial is currently or will be situated;
- There will be no material change in the taxation laws and regulations in the jurisdiction where Wuling Industrial is currently or will be situated, that the tax rates will remain unchanged and that all applicable laws and regulations will be complied with;

- The market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;
- The supply and demand, both domestically and internationally, of the products and/or services of Wuling Industrial or similar products and/or services will not differ materially from those of present or expected;
- The market prices and the relevant costs, both domestically and internationally, of the products and/or services of Wuling Industrial or similar products and/or services will not differ materially from those of present or expected;
- The products and/or services of Wuling Industrial or similar products and/or services are marketable and liquid, that there are active markets for the exchange of the products and/or services of Wuling Industrial or similar products and/or services; and
- The market data, industrial information and statistical figures obtained from Bloomberg Terminal and other publicly available sources are true and accurate.

Company-specific Assumptions

- All licenses, permits, certificates and consents issued by any local, provincial or national government or other authorized entity or organization that will affect the operation of Wuling Industrial have been obtained or can be obtained upon request with an immaterial cost;
- The core operation of Wuling Industrial will not differ materially from those of present or expected;
- The financial and operational information in respect of Wuling Industrial have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Company;
- Wuling Industrial currently has, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of Wuling Industrial, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of Wuling Industrial;
- Wuling Industrial has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;
- The senior management of Wuling Industrial will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of Wuling Industrial;

- The senior management of Wuling Industrial has sufficient knowledge and experience in respect of the operation of Wuling Industrial, and the turnover of any director, management or key person will not affect the operation of Wuling Industrial;
- The senior management of Wuling Industrial has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operation of Wuling Industrial; and
- The senior management of Wuling Industrial has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of Wuling Industrial.

9. VALUATION APPROACH

General Valuation Approaches

The following generally accepted valuation approaches have been considered in the course of our valuation: (1) the income approach; (2) the market approach; and (3) the cost approach.

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The discounted cash flow (DCF) method is the most fundamental and prominent method of the income approach. In applying the DCF method, the free cash flows of the subject asset in future years were determined from the net income after tax plus non-cash expenses, such as depreciation and amortization expenses, and after-tax interest expense; the result was then less non-cash incomes, investment in capital expenditure and investment in net working capital.

Market Approach

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the guideline company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The sales comparison method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Cost Approach

The cost approach provides an indication of value based on the principle that an informed buyer would pay no more than the cost of producing the same or a substitute asset with equal utility as the subject asset.

Under the cost approach, the historical cost method measures the cost incurred throughout the development of the subject asset at the time it was developed. The replication cost method measures the amount of investment that would be required to develop an asset similar to the subject asset. The replacement cost method measures the amount of investment that would be required to develop the subject asset as it currently exists.

Selected Valuation Approach

The selection of a valuation approach is based on, among other criteria, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the valuation and professional judgment and technical expertise.

The market approach was considered to be the most appropriate valuation approach in the valuation, as it is the most direct valuation approach which reflects the value obtained as a result of a consensus of what others in the market place have judged it to be.

10. VALUATION METHODOLOGY

Under the market approach, guideline company method was adopted in the valuation. In applying the guideline company method, price multiples for publicly listed companies that are considered to be comparable to Wuling Industrial were calculated. The price multiples are ratios that relate business value to some measure of the company's financial performance.

11. VALUATION PARAMETERS

Comparable Companies

For the purpose of our valuation, we referred to the information in respect of publicly listed companies that are considered to be comparable to Wuling Industrial (referred to as the “**Comparable Companies**”).

Selection Criteria of the Comparable Companies

The selection of the Comparable Companies was based on the comparability of the overall industry sector and geographical location. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

The selection criteria of the Comparable Companies are as follows:

- The principal activities of the company are located in the PRC;
- The company is principally engaged in the manufacturing of motor vehicles and the related operation;
- Shares of the company are listing in a major stock exchange and are actively trading in a reasonable period of time;
- Detailed financial and operational information in respect of the company are available at Bloomberg Terminal or other publicly available sources; and
- The operating profit for the latest 12 months is positive.

Selected Comparable Companies

Given the abovementioned selection criteria, the Comparable Companies were considered to be fair and representative samples. Details of the Comparable Companies are as follows:

Comparable Company 1

Name of Company	:	Jiangling Motors Corp., Ltd.
Bloomberg Ticker	:	200550 CH
Stock Exchange	:	Shenzhen
Company Description	:	Jiangling Motors Corp., Ltd. manufactures and sells vehicles and related components. Its main products include JMC series trucks and pickups as well as Transit series commercial buses.

Comparable Company 2

Name of Company	:	Dongfeng Motor Group Co., Ltd.
Bloomberg Ticker	:	489 HK
Stock Exchange	:	Hong Kong
Company Description	:	Dongfeng Motor Group Company Limited, through joint ventures, designs, manufactures and markets diesel engines, light trucks, automobiles, castings and related spare parts.

Comparable Company 3

Name of Company	:	Guangzhou Automobile Group Co., Ltd.
Bloomberg Ticker	:	2238 HK
Stock Exchange	:	Hong Kong
Company Description	:	Guangzhou Automobile Group Company, Ltd. manufactures, sells and services automobiles. It is also involved in automobile parts and components as well as auto finance and related services for both overseas and domestic markets.

Comparable Company 4

Name of Company	:	Chongqing Changan Automobile Co., Ltd.
Bloomberg Ticker	:	200625 CH
Stock Exchange	:	Shenzhen
Company Description	:	Chongqing Changan Automobile Co., Ltd. develops, manufactures and markets Changan mini cars, Changan Alto mini sedans, Changan Lingyang sedans and Jiangling engines for mini car series.

Comparable Company 5

Name of Company	:	Great Wall Motor Co., Ltd.
Bloomberg Ticker	:	2333 HK
Stock Exchange	:	Hong Kong
Company Description	:	Great Wall Motor Company Limited, through its subsidiaries, manufactures and sells pick-up trucks and sport-utility vehicles (SUVs) in the PRC under branded names. It also researches and develops, and manufactures principal automotive parts and components for use in the assembly of pick-up trucks and SUVs.

Comparable Company 6

Name of Company	:	SAIC Motor Corp., Ltd.
Bloomberg Ticker	:	600104 CH
Stock Exchange	:	Shanghai
Company Description	:	SAIC Motor Corp., Ltd., through joint ventures, manufactures and markets automobiles and related parts and accessories.

Comparable Company 7

Name of Company	:	Geely Automobile Holdings Ltd.
Bloomberg Ticker	:	175 HK Equity
Stock Exchange	:	Hong Kong
Company Description	:	Geely Automobile Holdings Limited, through its subsidiaries, manufactures and sells automobiles and related components.

Comparable Company 8

Name of Company	:	Wuling Motors Holdings Ltd.
Bloomberg Ticker	:	305 HK
Stock Exchange	:	Hong Kong
Company Description	:	Wuling Motors Holdings Ltd. manufactures motor vehicle engines, parts and special vehicles in China. Its activities also include property investment.

Comparable Company 9

Name of Company	:	Huayu Automotive Systems Co., Ltd.
Bloomberg Ticker	:	600741 CH
Stock Exchange	:	Shanghai
Company Description	:	Huayu Automotive Systems Co., Ltd. manufactures and sells auto parts. Its main products include interior and exterior auto parts, functional assembly auto parts and thermo processed auto parts, etc.

Comparable Company 10

Name of Company	:	Wanxiang Qianchao Co., Ltd.
Bloomberg Ticker	:	000559 CH
Stock Exchange	:	Shenzhen
Company Description	:	Wanxiang Qianchao Co., Ltd. manufactures and markets a variety of autoparts. Its products include universal joints, car vibration absorbers, transmission systems, bearings and other related parts.

Comparable Company 11

Name of Company	:	Fawer Automotive Parts Co., Ltd.
Bloomberg Ticker	:	200030 CH
Stock Exchange	:	Shenzhen
Company Description	:	Fawer Automotive Parts Co., Ltd. is a holding company. It manufactures and sells automotive parts.

Comparable Company 12

Name of Company	:	Zhejiang Vie Science & Technology Co., Ltd.
Bloomberg Ticker	:	002590 CH
Stock Exchange	:	Shenzhen
Company Description	:	Zhejiang Vie Science & Technology Co., Ltd. develops, manufactures and sells automotive brake systems. Its main products are air-brake valves, air-disc brakes, air-pressure ABS, vacuum boosters, hydraulic-brake master cylinders, air-brake proportioning valves, clutch booster, etc.

Comparable Company 13

Name of Company	:	Beijing WKW Automotive Parts Co., Ltd.
Bloomberg Ticker	:	002662 CH
Stock Exchange	:	Shenzhen
Company Description	:	Beijing WKW Automotive Parts Co., Ltd. provides passenger cars with internal and external accessory systems, develops supporting products and provides related services. Its main products include internal and external accessory systems for passenger cars, aluminum and spray powder.

Comparable Company 14

Name of Company	:	Guizhou Guihang Automotive Components Co., Ltd.
Bloomberg Ticker	:	600523 CH
Stock Exchange	:	Shanghai
Company Description	:	Guizhou Guihang Automotive Components Co., Ltd. manufactures a variety of automobile parts. Its products include air filters, radiators, locks, evaporators, rubber sealing strips, transmission belts and flexible tubes.

Comparable Company 15

Name of Company	:	Dongfeng Electronic Technology Co., Ltd.
Bloomberg Ticker	:	600081 CH
Stock Exchange	:	Shanghai
Company Description	:	Dongfeng Electronic Technology Co., Ltd. manufactures and markets motor vehicle parts and instruments including sensors, bearings, valves and other related auto parts. Through its subsidiaries, it also operates in automobiles and parts trading.

Comparable Company 16

Name of Company	:	Xinchen China Power Holdings Ltd.
Bloomberg Ticker	:	1148 HK
Stock Exchange	:	Hong Kong
Company Description	:	Xinchen China Power Holdings Ltd. is an engine manufacturer in the independent branded segment of the PRC passenger vehicle and light commercial vehicle market.

Apart from the Comparable Companies selected, we were not aware of any other listed company that fulfills the selection criteria, and we considered that the selected Comparable Companies are exhaustive.

Price Multiples

The Price-to-Earnings ratio (“P/E”) was adopted as price multiple for the valuation.

In the valuation, the abovementioned price multiples of Comparable Companies are as follows:

Company Name	Ticker	P/E*
1. Jiangling Motors Corp., Ltd.	200550 CH	11.70
2. Dongfeng Motor Group Co., Ltd.	489 HK	5.18
3. Guangzhou Automobile Group Co., Ltd.	2238 HK	7.82
4. Chongqing Changan Automobile Co., Ltd.	200625 CH	4.44
5. Great Wall Motor Co., Ltd.	2333 HK	6.38
6. SAIC Motor Corp., Ltd.	600104 CH	7.59
7. Geely Automobile Holdings Ltd.	175 HK	11.26
8. Wuling Motors Holdings Ltd.	305 HK	7.74
9. Huayu Automotive Systems Co., Ltd.	600741 CH	9.30
10. Wanxiang Qianchao Co., Ltd.	000559 CH	45.30
11. Fawer Automotive Parts Co., Ltd.	200030 CH	11.60
12. Zhejiang Vie Science & Technology Co., Ltd.	002590 CH	161.30
13. Beijing WKW Automotive Parts Co., Ltd.	002662 CH	27.42
14. Guizhou Guihang Automotive Components Co., Ltd.	600523 CH	34.29
15. Dongfeng Electronic Technology Co., Ltd.	600081 CH	55.23
16. Xincheng China Power Holdings Ltd.	1148 HK	5.03

* To calculate the price multiples, the latest 12-month earnings were adopted.

Price Multiples Adjusted for Size

As smaller companies are associated with greater risks than larger companies, they tend to have lower price multiples. To exclude the effect due to size differences on the price multiples, the original price multiples were adjusted as if they had been derived from companies of the same size as Wuling Industrial.

$$\text{Adjusted Multiple} = 1/(1/M + \Theta)$$

Where,

M = Original price multiple

Θ = The difference in the equity discount rates due to size effects

According to “2016 Valuation Handbook — Guide to Cost of Capital” published by Duff & Phelps Corp., the size effects reflect that companies of smaller size are associated with greater risks and, therefore, have greater equity discount rates. The market value of equity was adopted as a measure of size to calculate the size premium.

The size effect applied to adjust the price multiples represents the difference in size premium between Wuling Industrial and each of the Comparable Companies. The value of size premium was determined with reference to “2016 Valuation Handbook — Guide to Cost of Capital” using the following formula:

$$\text{The difference in the equity discount rates due to size effects} = \text{Size Premium}_{\text{Wuling Industrial}} - \text{Size Premium}_{\text{Comparable Company } i}$$

The adjusted P/E ratios of the Comparable Companies are as follows:

Company Name	Ticker	Adjusted P/E
1. Jiangling Motors Corp., Ltd.	200550 CH	8.99
2. Dongfeng Motor Group Co., Ltd.	489 HK	4.57
3. Guangzhou Automobile Group Co., Ltd.	2238 HK	6.51
4. Chongqing Changan Automobile Co., Ltd.	200625 CH	3.99
5. Great Wall Motor Co., Ltd.	2333 HK	5.48
6. SAIC Motor Corp., Ltd.	600104 CH	6.35
7. Geely Automobile Holdings Ltd.	175 HK	8.73
8. Wuling Motors Holdings Ltd.	305 HK	7.74
9. Huayu Automotive Systems Co., Ltd.	600741 CH	7.50
10. Wanxiang Qianchao Co., Ltd.	000559 CH	20.89*
11. Fawer Automotive Parts Co., Ltd.	200030 CH	9.52
12. Zhejiang Vie Science & Technology Co., Ltd.	002590 CH	31.25*
13. Beijing WKW Automotive Parts Co., Ltd.	002662 CH	18.09
14. Guizhou Guihang Automotive Components Co., Ltd.	600523 CH	20.85*
15. Dongfeng Electronic Technology Co., Ltd.	600081 CH	27.10*
16. Xincheng China Power Holdings Ltd.	1148 HK	5.03
Mean		12.00
Standard Deviation		8.70

* An outlier is an observation point that is distant from other observations. In the valuation, we defined the figures located outside 1 standard deviation from the mean as outliers.

After excluding the outliers, the average P/E ratio was adopted in the valuation. The P/E ratio adopted is as follows:

P/E	7.67
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Discount for Lack of Marketability

The discount for lack of marketability (referred to as “DLOM”) is a downward adjustment to the value of an investment to reflect its reduced level of marketability. The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell.

DLOM reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

As Wuling Industrial is unlikely to undergo public offering and shares of Wuling Industrial are unlikely to be listed in any major stock exchange or be marketable in any over-the-counter market in the near future, the ownership interest in Wuling Industrial is not readily marketable. However, the P/E ratio adopted in the valuation was calculated from public listed companies, which represents marketable ownership interest; market value calculated using such P/E ratio, therefore, represents the marketable interest. Thus, DLOM was adopted to adjust such marketable interest market value to non-marketable interest market value.

According to the “Determining Discounts for Lack of Marketability — A Companion Guide to The FMV Restricted Stock Study” (referred to as the “FMV Restricted Stock Study”), published by Business Valuation Resources, LLC in 2016, DLOM is estimated as the percentage difference between the private placement price per share and the market trading price per share. 736 relevant private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 through September 2015 have been examined in the FMV Restricted Stock Study. Premium in the market for restricted stock, which is considered as the result of an investment opportunity not available to other investors or an unidentifiable relationship with the seller has been excluded.

The FMV Restricted Stock Study is a comprehensive and updated research on DLOM with empirical support done by FMV Opinions, Inc., which is an independent firm providing financial advisory service. We are not aware of any other DLOM study with similar database size, acceptance and timeliness. Therefore, we adopted the FMV Restricted Stock Study to determine the DLOM.

The FMV Restricted Stock Study analyzes the transaction database and provides mean and median discount rates. Since the median rate is not affected by abnormal extreme high and low values, we adopted the median discount rate of 16.11% calculated from the 736 transactions in the FMV Restricted Stock Study as DLOM for the valuation.

According to The FMV Restricted Stock Study, DLOM was calculated by dividing the difference between the private placement price and the market reference price by the market reference price, which can be expressed in the following formula:

$$DLOM = (\text{Market Value of Marketable Interest} - \text{Market Value of Non-Marketable Interest}) / \text{Market Value of Marketable Interest}$$

The value of non-marketable interest can be calculated from marketable interest using the following formula:

$$\text{Market Value of Non-Marketable Interest} = \text{Market Value of Marketable Interest} \times (1 - \text{DLOM})$$

In this valuation, the market value calculated applying P/E ratio of publicly listed companies represents marketable interest. However, the share of Wuling Industrial is not readily marketable and thus represents non-marketable interest. Therefore, to calculate the non-marketable 100% equity interest of Wuling Industrial, the abovementioned DLOM formula was applied to adjust the marketable interest value to non-marketable interest value.

Control Premium

Control premium is the amount that a buyer is willing to pay over the minority equity value of the company in order to acquire a controlling interest in that company. The P/E ratio adopted in the valuation was calculated from public listed companies, which represents minority ownership interest; market value calculated using such P/E ratio, therefore, represents the minority interest. Thus, control premium was adopted to adjust such minority interest market value to controlling interest market value.

According to the “Control Premium Study — 2nd Quarter 2016” (referred to as the “Mergerstat Control Premium Study”) published by FactSet Mergerstat, LLC., control premium is expressed as a percentage of the unaffected marketable minority price per share. Completed transactions whereby 50.01% or more of a company was acquired and where target companies were publicly traded have been examined in the Mergerstat Control Premium Study.

The Mergerstat Control Premium Study is a comprehensive and updated research on control premium with empirical support done by FactSet Mergerstat, LLC., which is an independent information provider of merger and acquisition information. We are not aware of any other widely accepted control premium study with equivalent quality in terms of size of database and timeliness. Therefore, we adopted the Mergerstat Control Premium Study as the reference for control premium.

According to the Mergerstat Control Premium Study, the 12-month mean and median premiums were gathered from 509 merger and acquisition transactions occurring within a trailing 12-month period up to the second quarter of 2016, which includes the most updated market data. Since the median rate is not affected by abnormal extreme high and low values, the control premium in the valuation was determined with reference to the median premium of 31.6%.

According to the Mergerstat Control Premium Study, control premium represents the additional consideration that an investor would pay over a minority equity value in order to own a controlling interest expressed as a percentage of minority equity value. The calculation of control premium can be expressed in the following formula:

$$\text{Control Premium} = (\text{Market Value of Controlling Interest} - \text{Market Value of Minority Interest}) / \text{Market Value of Minority Interest}$$

The value of controlling interest can be calculated from minority interest using the following formula:

$$\text{Market Value of Controlling Interest} = \text{Market Value of Minority Interest} \times (1 + \text{Control Premium})$$

In this valuation, the market value calculated applying P/E ratio of publicly listed companies represents minority interest. However, the 100% equity interest in Wuling Industrial represents controlling interest. Therefore, to calculate the controlling 100% equity interest of Wuling Industrial, the abovementioned control premium formula was applied to adjust the minority interest value to controlling interest value.

Adopted Valuation Parameters

Wuling Industrial (RMB'000)

Earnings* 263,201

* The earnings adopted were the normalized earnings for the latest 12 months, which is equal to the sum of normalized earnings of the second half of 2015 and the first half of 2016.

The profit and total comprehensive income for the latest 12 months has been adjusted for abnormal gains and losses to get the normalized earnings. Details of the calculations are as follows:

	2nd Half 2015 (RMB'000)	1st Half 2016 (RMB'000)
Profit and total comprehensive income for the period	112,171	146,746
- Abnormal gains/(losses)	(12,154)	5,133
+ Tax Effect on abnormal gains/(losses)	(3,647)	910
= Normalized Earnings	120,678	142,523
Normalized Earnings for the latest 12 months		263,201

The abnormal gains or losses included the one-off impairment losses on interest in joint venture as well as gains or losses on disposal of property, plant and equipment. The tax effect on abnormal gains or losses was calculated by multiplying abnormal gains or losses by the effective tax rate for the corresponding period.

Valuation Conclusion

(RMB'000,000)

Market Value of 100% equity interest before adjustments	2,018
Adjusted Market Value of 100% equity interest*	2,200

* As mentioned above, the calculated market value was based on the P/E ratio of publicly listed companies, which represents minority marketable interest. However, the 100% equity interest of Wuling Industrial in the valuation represents controlling non-marketable interest. To adjust the difference, the Adjusted Market Value of 100% equity interest was calculated using the following formula:

$$\text{Adjusted Market Value} = \text{Market Value before adjustments} \times (1 - \text{Discount for Lack of Marketability}) \times (1 + \text{control premium})$$

Sensitivity Analysis

To assess how the valuation result would be impacted by changes of input variables, sensitivity analysis was carried out on three key valuation parameters, namely P/E ratio, marketability discount and control premium. The results of sensitivity analysis were summarized in the table below:

Absolute change in P/E ratio	Applied P/E ratio	Market Value of 100% equity interest (RMB'000,000)
+2	9.67	2,800
+1	8.67	2,500
0	7.67	2,200
-1	6.67	1,900
-2	5.67	1,600

Absolute change in marketability discount	Applied marketability discount	Market Value of 100% equity interest (RMB'000,000)
+10%	26.11%	2,000
+5%	21.11%	2,100
0%	16.11%	2,200
-5%	11.11%	2,400
-10%	6.11%	2,500

Absolute change in control premium	Applied control premium	Market Value of 100% equity interest (RMB'000,000)
+10%	41.60%	2,400
+5%	36.60%	2,300
0%	31.60%	2,200
-5%	26.60%	2,100
-10%	21.60%	2,100

12. REMARK

For the purpose of our valuation, we have been furnished with information provided by the senior management of the Company. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made or liability assumed for the accuracy of any data, opinions or estimates identified as being furnished by others, which have been used in formulating our analysis.

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB).

13. CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to uncertainties and contingencies that are beyond the control of the Company, Wuling Industrial or us.

Based on our analysis outlined in this report, it is our independent opinion that the market value of 100% equity interest in Liuzhou Wuling Motors Industrial Company Limited (i.e. Wuling Industrial) as at 30 June 2016 was **RMB2,200,000,000 (RENMINBI TWO THOUSAND AND TWO HUNDRED MILLION ONLY).**

We hereby certify that we have neither present nor prospective interest in the Company, Wuling Industrial or the result reported.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C. H. Cheng

*BSc(Bldg), MUD, MBA(Finance), MSc. (Eng), PhD(Econ),
FSOE, FIPlantE, CEnv, ACPA, FIPA, SIFM,
MCI Arb, MASCE, MHKIE, MIEEE, MASME, MIIE
Managing Director*

Note:

Dr. Tony C. H. Cheng has various engineering and accounting & finance qualifications. He is a Fellow member of the Society of Operations Engineers, and the Institution of Plant Engineers, and a member of the Hong Kong Institution of Engineers and the American Society of Mechanical Engineers.

Besides, Dr. Cheng is a Fellow member of the Institute of Public Accountants, and the Institute of Financial Accountants. He is also a Fellow member and Committee member of the Certified Management Accountants Australia. He has extensive experience in valuing similar assets in different industries in Hong Kong and the PRC.

Stated below are the details of the Directors who will retire and be eligible for re-election at the SGM according to the bye-laws of the Company:

MR. YUAN ZHIJUN, AGED 50, AN EXECUTIVE DIRECTOR (“MR. YUAN”)

(a) Positions held with the Company and other members of the Group

Mr. Yuan was appointed an executive Director, the chairman of the Board and the chairman of the Nomination Committee on 4 November 2016. Mr. Yuan currently holds director position in certain subsidiaries and members of the Group. He is currently a director and the chief executive of Wuling Industrial, a principal subsidiary of the Company and is established under the sino-foreign equity joint venture agreements entered into between the Company and Guangxi Automobile. Mr. Yuan is also currently the vice chairman of the board of directors and chief executive of Guangxi Automobile and the chairman of the board of directors of Guangxi Yuan Heng Investment Co. Limited* (廣西元恆投資有限公司) (“**Guangxi YH Investment**”), a subsidiary of Guangxi Automobile. He is also a director of Wuling HK and Wuling Motors (Hong Kong) Company Limited, the controlling Shareholder and the intermediate controlling Shareholder of the Company respectively.

(b) Experience including (i) other directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas, and (ii) other major appointments and professional qualifications

Mr. Yuan graduated from the Huazhong University of Science and Technology in China with a master degree in business administration in 2003 and is a professor level senior engineer. Mr. Yuan joined the group of Guangxi Automobile in 1987, has held various roles within the group of Guangxi Automobile and has over 29 years’ of extensive experience in the production, product design and development, human resources and corporate management of the automobile industry. Mr. Yuan has also served in a number of senior positions of SGMW since February 2003 and he is currently a director of SGMW, which is a joint venture formed among Shanghai Automobile Industry (Group) Company Limited, GM (China) Investment Company Limited and Guangxi Automobile. Save as disclosed above, Mr. Yuan does not hold or did not hold any directorship in other public listed companies in the last three years and any other major appointments and qualifications.

(c) Length or proposed length of service with the Company

Mr. Yuan has been an executive Director since 4 November 2016. There is no service contract entered into between Mr. Yuan and the Company for a specific term but he holds office till the conclusion of in the next general meeting of the Company and be eligible appointed as a Director by the shareholders of the Company in the same meeting in accordance with the provision of the bye-laws of the Company and the Listing Rules. The re-election of Mr. Yuan as executive Director has been approved by the Nomination Committee and the Board.

(d) Relationships with any directors, senior management or substantial or controlling shareholders of the Company

Save as disclosed above, Mr. Yuan does not have any relationships with any Directors, senior management or substantial or controlling Shareholders of the Company.

(e) Interest in Shares within the meaning of Part XV of the SFO

As at the Latest Practicable Date, Mr. Yuan does not have any interest in the Shares within the meaning of Part XV of the SFO.

(f) Amount of the Director's emoluments and the basis of determining the Director's emoluments (including any bonus payments, whether fixed or discretionary in nature, irrespective of whether the Director has or does not have a service contract) and how much of these emoluments are covered by a service contract

Under the terms of appointment as Director, Mr. Yuan, as an executive Director, the chairman of the Board and the chairman of the Nomination Committee, will not receive any directors' fees and other remuneration from the Company and/or its subsidiaries. As Mr. Yuan holds positions as director and/or senior executive of Guangxi Automobile, the remuneration packages of Mr. Yuan is paid by Guangxi Automobile in accordance with the remuneration policy of Guangxi Automobile, the ultimate controlling Shareholder of the Company.

(g) Disclosure requirements under rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules

There is no information which is discloseable nor is/was Mr. Yuan involved in any of the matters required to be disclosed pursuant to any of the requirements under rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

(h) Other matters that need to be brought to the attention of the Shareholders

Save as disclosed above, there are no other matters in relation to the re-election of Mr. Yuan as Director that need to be brought to the attention of the Shareholders and there is no other information to be disclosed pursuant to any of the requirements of rule 13.51(2) of the Listing Rules.

MR. YANG JIANYONG, AGED 48, AN EXECUTIVE DIRECTOR (“MR. YANG”)**(a) Positions held with the Company and other members of the Group**

Mr. Yang was appointed an executive Director on 4 November 2016. Mr. Yang currently holds director position in certain subsidiaries and members of the Group, Mr. Yang is currently the vice general manager and a director of Wuling Industrial. Mr. Yang is also the vice president, chief financial officer, chief legal counsel of Guangxi Automobile in charge of the finance, legal departments and supervisory board. Besides, Mr. Yang is also a director and the vice general manager of Guangxi YH Investment in charge of the finance department.

(b) Experience including (i) other directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas, and (ii) other major appointments and professional qualifications

Mr. Yang graduated with an accounting degree from the Faculty of Accounting in the Central South University in China and also holds a master degree in Accountancy from The Chinese University of Hong Kong. Mr. Yang joined the group of Guangxi Automobile in 1989 and has about 27 years’ of extensive experience in the finance, accounting, legal and corporate financial system institutionalization aspects of the automobile industry. Mr. Yang also served in the senior position of the finance department of SGMW from December 2003 to April 2009, and has been the supervisor of SGMW since July 2016. Save as disclosed above, Mr. Yang does not hold or did not hold any directorship in other public listed companies in the last three years and any other major appointments and qualifications.

(c) Length or proposed length of service with the Company

Mr. Yang has been an executive Director since 4 November 2016. There is no service contract entered into between Mr. Yang and the Company for a specific term but he holds office till the conclusion of in the next general meeting of the Company and be eligible appointed as a Director by the shareholders of the Company in the same meeting in accordance with the provision of the bye-laws of the Company and the Listing Rules. The re-election of Mr. Yang as executive Director has been approved by the Nomination Committee and the Board.

(d) Relationships with any directors, senior management or substantial or controlling shareholders of the Company

Save as disclosed above, Mr. Yang does not have any relationships with any Directors, senior management or substantial or controlling Shareholders of the Company.

(e) Interest in Shares within the meaning of Part XV of the SFO

As at the Latest Practicable Date, Mr. Yang does not have any interest in the Shares within the meaning of Part XV of the SFO.

(f) Amount of the Director's emoluments and the basis of determining the Director's emoluments (including any bonus payments, whether fixed or discretionary in nature, irrespective of whether the Director has or does not have a service contract) and how much of these emoluments are covered by a service contract

Under the terms of appointment as Director, Mr. Yang, as an executive Director, will not receive any Directors' fees and other remuneration from the Company and/or its subsidiaries. As Mr. Yang holds positions as director and/or senior executive of Guangxi Automobile, the remuneration packages of Mr. Yang is paid by Guangxi Automobile in accordance with the remuneration policy of Guangxi Automobile, the ultimate controlling Shareholder of the Company.

(g) Disclosure requirements under rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules

There is no information which is discloseable nor is/was Mr. Yang involved in any of the matters required to be disclosed pursuant to any of the requirements under rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules.

(h) Other matters that need to be brought to the attention of the Shareholders

Save as disclosed above, there are no other matters in relation to the re-election of Mr. Yang as Director that need to be brought to the attention of the Shareholders and there is no other information to be disclosed pursuant to any of the requirements of rule 13.51(2) of the Listing Rules.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, include 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 document misleading.

2. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE SECURITIES**Share capital of the Company***(a) Share capital as at the Latest Practicable Date*

Authorised:		<i>HK\$</i>
<u>25,000,000,000</u>	Shares	<u>100,000,000</u>
<u>1,521,400,000</u>	convertible preference shares of HK\$0.001 each	<u>1,521,400</u>

Issued and fully paid:

<u>1,835,821,841</u>	Shares at the Latest Practicable Date	<u>7,343,288</u>
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(b) Share capital upon completion of the Subscription (Note 1)

Authorised:		<i>HK\$</i>
<u>25,000,000,000</u>	Shares	<u>100,000,000</u>
<u>1,521,400,000</u>	convertible preference shares of HK\$0.001 each	<u>1,521,400</u>

Issued and fully paid:

<u>1,835,821,841</u>	Shares at the Latest Practicable Date	<u>7,343,288</u>
<u>571,438,571</u>	Issue of Conversion Shares A	<u>2,285,714</u>
<u>2,407,250,412</u>	Shares upon completion of the Subscription	<u>9,629,002</u>

(c) *Share capital upon completion of the Subscription and the Placing (Note 2)*

<i>Authorised:</i>		HK\$
<u>25,000,000,000</u>	Shares	<u>100,000,000</u>
<u>1,521,400,000</u>	convertible preference shares of HK\$0.001 each	<u>1,521,400</u>
<i>Issued and fully paid:</i>		
1,835,821,841	Shares at the Latest Practicable Date	7,343,288
571,428,571	Issue of Conversion Shares A	2,285,714
<u>428,571,429</u>	Issue of Conversion Shares B	<u>1,714,286</u>
<u>2,835,821,841</u>	Shares upon completion of the Subscription and the Placing	<u>11,343,288</u>

Notes:

- (1) Assuming the Subscription becomes unconditional and completed and the Conversion Rights A are exercised in full and no further Shares are issued by the Company.
 - (2) Assuming each of the Subscription and the Placing becomes unconditional and the Convertible Notes are fully issued and the Conversion Rights are exercised in full and no further Shares are issued by the Company.
- (c) The Conversion Shares presently in issue rank *pari passu* in all respects as regards voting, dividends, distributions and return of capital.
- (d) The Conversion Shares to be allotted and issued will, when issued and fully paid, rank *pari passu* in all respects with all of the then issued shares as regards voting, dividends, distributions and return of capital.
- (e) No part of the share capital or any other securities of the Company is listed or dealt in on any other stock exchange nor is listing of or permission to deal in the share capital or any other securities of the Company being or proposed to be sought on any other stock exchange. There is no arrangement under which future dividends are/will be waived or agreed to be waived.
- (f) As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue or other similar rights which would confer any right to subscribe for, convert or exchange into the Shares.
- (g) The Company issued a total number of 14,230,270 Shares to certain Directors and employees of The Group upon exercises of the share options held by them on 29 February 2016, 25 May 2016 and 3 June 2016 respectively. Save as disclosed above,

there have been no other alterations in the share capital of the Group since 31 December 2015 (being the date to which the latest published audited consolidated accounts of the Group were made up).

- (h) There is also no member of the Group which capital is under option, or agreed conditionally or unconditionally put under option.

3. DISCLOSURES OF INTERESTS

(a) Directors and the chief executive of the Company

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

(i) Long positions in respect of the Shares

Name of Directors	Capacity	Number of Shares held	Approximate % of the total number of Shares in issue
Mr. Lee	Interest in controlled corporation	281,622,914	15.34%
	<i>(Note)</i>		
	Beneficial owner	3,090,900	0.17%
	Interest held by spouse	<u>1,648,480</u>	<u>0.09%</u>
	Sub-total	<u>286,362,294</u>	<u>15.60%</u>
Ms. Liu Yaling	Beneficial owner	<u>2,060,600</u>	<u>0.11%</u>
Mr. Ye Xiang	Beneficial owner	<u>1,030,300</u>	<u>0.05%</u>

Note: This represents the Shares held by Dragon Hill, a company wholly-owned by Mr. Lee.

* The percentage has been adjusted (if any) based on the total number of Shares in issue as at the Latest Practicable Date.

(b) Substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, so far as it was known to the Directors and chief executive of the Company, no other persons had an interest or a short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO, or who (other than a member of the Group was) was, directly or indirectly, 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:

Long position

Name of Directors	Capacity	Nature of interest	Number of Shares held	Approximate % of the total number of Shares in issue
Dragon Hill (Note 1)	Beneficial owner	Corporate	<u>281,622,914</u>	<u>15.34%</u>
Wuling HK (Notes 2 and 3)	Beneficial owner	Corporate	1,028,846,806	56.04%
		Unlisted derivatives	<u>571,428,571</u>	<u>31.13%</u>
			<u>1,600,275,377</u>	<u>87.17%</u>
Wuling Motors (Hong Kong) Company Limited (Notes 2 and 3)	Interest in controlled corporation	Corporate	1,028,846,806	56.04%
		Unlisted derivatives	<u>571,428,571</u>	<u>31.13%</u>
			<u>1,600,275,377</u>	<u>87.17%</u>
Guangxi Automobile (Notes 2 and 3)	Interest in controlled corporation	Corporate	1,028,846,806	56.04%
		Unlisted derivatives	<u>571,428,571</u>	<u>31.13%</u>
			<u>1,600,275,377</u>	<u>87.17%</u>

Notes:

- (1) The parcel of Shares has also been disclosed as long position of Mr. Lee under the above section.
- (2) The entire issued share capital of Wuling HK is currently held by Wuling Motors (Hong Kong) Company Limited, whereas the entire issued share capital of Wuling Motors (Hong Kong) Company Limited is currently held by Guangxi Automobile. Accordingly, Wuling Motors (Hong Kong) Company Limited and Guangxi Automobile are deemed to be interested in the Shares in which Wuling HK is interested under the SFO.

- (3) The unlisted derivatives referred to the 571,428,571 Shares (i.e. Conversion Shares A) issuable to Wuling HK upon exercise in full of the Conversion Rights A pursuant to the Subscription.

* The percentage has been adjusted (if any) based on the total number of Shares in issue as at the Latest Practicable Date.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group which does not expire or which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

- (i) the Capital Increase Agreement;
- (ii) the Subscription Agreement;
- (iii) the Placing Agreement;
- (iv) a master agreement dated 16 November 2016 entered into between Wuling Industrial and Guangxi Automobile (“**2017–2019 Master Agreement**”) in relation to the renewal of terms and conditions governing certain continuing connected transactions (as defined under the Listing Rules) to be transacted between Wuling Industrial Group and Guangxi Automobile Group for a term of three years commencing from the date of approval of the 2017–2019 Master Agreement by the independent shareholders of the Company (under the context of the 2017–2019 Master Agreement) or 1 January 2017, whichever is later, to 31 December 2019, which covered the sales of raw materials (including but not limited to steel), consumables and materials, finished products and semi-finished products (including but not limited to automotive parts and accessories) by Wuling Industrial Group to Guangxi Automobile Group with proposed annual caps of RMB432,000,000, RMB534,000,000 and RMB644,000,000 for the three years ending 31 December 2017, 2018 and 2019 respectively; and the purchases of consumables and materials, finished products and semi-finished products (including but not limited to passenger mini-buses, automotive parts and accessories, and automotive air-conditioners-related parts and accessories) by Wuling Industrial Group from Guangxi Automobile Group with proposed annual caps of RMB595,700,000, RMB772,200,000 and RMB872,700,000 for the three years ending 31 December 2017, 2018 and 2019 respectively.

- (v) a master tenancy agreement entered into between Wuling Industrial (as tenant) and Guangxi Automobile (as landlord) on 28 December 2015 in relation to the leasing of the Leased Properties (as defined below) for a term of three years from 1 January 2016 to 31 December 2018 (the “**2016–2018 Master Tenancy Agreement**”) to govern various continuing connected transactions between Wuling Industrial Group on the one hand, and Guangxi Automobile, its subsidiaries and associates (excluding the Group) (the “**Guangxi Automobile Group**”) on the other hand. The 2016–2018 Master Tenancy Agreement served to renew the terms of a number of continuing connected transactions entered into between the Wuling Industrial Group and the respective associates of Guangxi Automobile separately, as well as to cover other continuing connected transactions between Wuling Industrial Group and Guangxi Automobile Group of similar nature which could take place during the terms of 2016–2018 Master Tenancy Agreement. The initial subject properties to be leased by the Wuling Industrial Group from the Guangxi Automobile Group under the 2016–2018 Master Tenancy Agreement included: (a) a parcel of land and the buildings constructed thereon, located in south of Songhuajiang Road, west of Jiangshan Road, Huangdao District, Qingdao, the PRC, with a total site area of the land and a total floor area of the buildings of approximately 48,919 square meters and 22,822 square meters respectively (the “**Qingdao Leased Properties**”); and (b) nine parcels of land and 49 buildings, located in Liuzhou, Guangxi Zhuang Autonomous Region, the PRC, with a total site area of land and a total floor area of buildings of approximately 626,139 square meters and 146,878 square meters respectively (the “**Liuzhou Leased Properties**”) (collectively with the Qingdao Leased Properties, the “**Leased Properties**”). The Leased Properties are currently used by Wuling Industrial Group as offices and production plants and the Wuling Industrial Group will continue to use the Leased Properties for such purposes under the 2016–2018 Master Tenancy Agreement. The annual rental payable and the annual cap for the Leased Properties under the 2016–2018 Master Tenancy Agreement for each of the three years ending 31 December 2018 shall be RMB36,655,450 and RMB37,000,000 respectively;
- (vi) the capital increase agreement entered into between the Company and Guangxi Automobile and Wuling Industrial on 3 December 2015 pursuant to which the Company agreed to contribute an additional sum of RMB160,000,000 (equivalent to approximately HK\$194,080,000) in cash for the capital increase of Wuling Industrial;
- (vii) the purchase contract entered into between 重慶卓通汽車零部件有限公司 (Chongqing Zhuotong Automotive Parts and Components Company Limited) (“**Chongqing Zhuotong**”), an indirect non-wholly-owned subsidiary of the Company, as the purchaser, and 濟南二機床集團有限公司 (JIER Machine-Tool Group Co., Limited), as the vendor on 14 July 2015 in relation to the purchase of four sets of large scale CNC mechanical pressing machinery for the establishment of a new mechanical pressing production line in the production facility of the Group located in Chongqing;

- (viii) the underwriting agreement dated 18 June 2015 entered into between the Company and Wuling HK (as the underwriter) in respect of the underwriting of Shares offered under an open offer of not less than 303,598,595 but not more than 311,391,824 Shares by the Company to the Shareholders on the basis of one offer share for every five Shares held on 8 July 2015 at HK\$0.70 per Share;
- (ix) a supplemental agreement dated 28 May 2015, entered into between 柳州五菱柳機動力有限公司 (Liuzhou Wuling Liuji Motors Company Limited) (“**Wuling Liuji**”), a non wholly owned subsidiary of the Company, and 阿爾特汽車技術股份有限公司 (IAT Automobile Technology Co., Ltd.) (“**IAT**”), in relation to the increase in registered capital of 柳州菱特動力科技有限公司 (Liuzhou Lingte Motor Technology Company Limited) (“**Liuzhou Lingte Joint Venture**”), as approved between Wuling Liuji and IAT on 15 April 2015, for an aggregate amount of RMB105.95 million (equivalent to approximately HK\$134.56 million), to be contributed by Wuling Liuji at RMB49.45 million (equivalent to approximately HK\$62.80 million) in cash and by IAT at RMB56.50 million (equivalent to approximately HK\$71.76 million) (of which RMB36.50 million (equivalent to approximately HK\$46.36 million) will be injected in cash and RMB20.0 million (equivalent to approximately HK\$25.40 million) will be satisfied by the transfer of the intellectual property rights in relation to the technology on the 3.0L advanced V-type front and rear-drive 6-cylinder petrol engine model owned by IAT), so that the registered capital of Liuzhou Lingte Joint Venture will increase from RMB103.05 (equivalent to approximately HK\$138.87 million) to RMB200 million (equivalent to approximately HK\$254 million);
- (x) the master construction agreement entered into between 柳州卓通汽車零部件有限公司 (Liuzhou Zhuotong Automotive Components Company Limited) (“**Liuzhou Zhuotong**”), as the originator, an indirect non-wholly-owned subsidiary of the Company, and 機械工業第四設計研究院有限公司 (SCIVIC Engineering Corporation), as the lead manager and 廣西建工集團第四建築工程有限責任公司 (Guangxi Construction Engineering Group No. 4 Construction Engineering Co., Limited, as the main contractor on 11 May 2015 in relation to the construction of the second phase development of the industrial site owned by Liuzhou Zhuotong situated at Hualing, Liudong New District in Liuzhou (柳州市柳東新區花嶺) at a consideration of RMB50,000,000;
- (xi) the land use rights transfer contract entered into between Chongqing Zhuotong, an indirectly non-wholly owned subsidiary of the Company, and Chongqing Municipal Administration Bureau of Land Resources and Housing (重慶市國土資源和房屋管理局) on 11 February 2015 pursuant to which Chongqing Zhuotong acquired the land use rights of the land in Chongqing, the PRC at a consideration of RMB35,040,000; and

- (xii) a tenancy agreement dated 4 December 2014 entered into between Wuling Industrial, as tenant and Qingdao Wuling Automotive Technology Co., Limited* (青島五菱汽車科技有限公司), a company established in the PRC and is an indirect wholly-owned subsidiary of Guangxi Automobile (formerly known as Liuzhou Wuling Motors Company Limited), as landlord, in relation to the lease of a parcel of land and the buildings constructed thereon, which are located in south of Songhua Jiang Road, west of Jiangshan Road, Huangdao District, Qingdao, the PRC* (青島市黃島區江山路西、松花江路南側) with the total site area of the land and the total floor area of the buildings of approximately 48,919.00 square meters and 22,821.91 square meters respectively for a period commencing from 1 January 2015 and expiring on 31 December 2015 at the consideration of RMB405,923.35 (equivalent to approximately HK\$515,523) per month. The total rental payable under the tenancy agreement, on an annual basis, shall be RMB4,871,080.20 (equivalent to approximately HK\$6,186,272).

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

A subsidiary of the Company entered into a lease agreement with an associate of Mr. Lee Shing, an executive Director, the Vice-chairman and Chief Executive Officer of the Company for the leasing of a warehouse for keeping the old records of the Group for two years commencing from 1 August 2015 at a monthly rental of HK\$9,200. 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 2015 (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, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. COMPETING INTEREST

As at the Latest Practicable Date, Mr. Yuan Zhijun, 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. Yuan is taken 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.

9. EXPERTS' QUALIFICATION AND CONSENT

The following are the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountant
BMI Appraisals Limited	independent valuer

As at the Latest Practicable Date, each of Gram Capital, Deloitte Touche Tohmatsu and BMI Appraisals Limited did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscriber for shares in any member of the Group.

As at the Latest Practicable Date, each of Gram Capital, Deloitte Touche Tohmatsu and BMI Appraisals Limited did not have any interest, direct or indirect, in any asset which since 31 December 2015, the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group.

Each of Gram Capital, Deloitte Touche Tohmatsu and BMI Appraisals Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter as set out in this circular and references to its name in the form and context in which they respectively appear in this circular.

10. MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2015, the aggregate sales attributable to the Group's largest customer and five (5) largest customers taken together accounted for respectively 69.9% and 75.7% of the Group's total turnover for the year. The aggregate purchases attributable to the Group's largest supplier and the five (5) largest suppliers taken together accounted for respectively 25.7% and 35.5% of the Group's total purchases for the year. SGMW, in which Guangxi Automobile, the ultimate controlling Shareholder, holds a 5.8% interests, is the Group's largest customer and largest supplier.

Other than as disclosed above, none of the Directors, their close associates or, so far as the Directors are aware, any Shareholder who owns more than 5% of the issued share capital of the Company has any interests in any of the aforesaid top five (5) customers and/or suppliers of the Group for the year ended 31 December 2015.

11. AGENCY FEES OR COMMISSION

Save as disclosed in this Circular, no commissions, discounts, brokerages or other special terms were granted since 31 December 2015, the date to which the latest published audited financial statement of the Group were made up, in connection with the issue or sale of any capital of any member of the Group.

12. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

(a) Name and address

Name	Correspondence Address
<i>Executive Directors:</i>	
Mr. Yuan Zhijun (“ Mr. Yuan ”)	Unit 2403, 24/F, Great Eagle Centre 23 Harbour Road Wanchai Hong Kong
Mr. Lee Shing (“ Mr. Lee ”)	Unit 2403, 24/F, Great Eagle Centre 23 Harbour Road Wanchai Hong Kong
Mr. Zhong Xianhua (“ Mr. Zhong ”)	Unit 2403, 24/F, Great Eagle Centre 23 Harbour Road Wanchai Hong Kong
Ms. Liu Yaling (“ Ms. Liu ”)	Unit 2403, 24/F, Great Eagle Centre 23 Harbour Road Wanchai Hong Kong
Mr. Yang Jianyong (“ Mr. Yang ”)	Unit 2403, 24/F, Great Eagle Centre 23 Harbour Road Wanchai Hong Kong

Independent non-executive Directors:

Mr. Zuo Duofu (“ Mr. Zuo ”)	Unit 2403, 24/F, Great Eagle Centre 23 Harbour Road Wanchai Hong Kong
Mr. Ye Xiang (“ Mr. Ye ”)	Unit 2403, 24/F, Great Eagle Centre 23 Harbour Road Wanchai Hong Kong
Mr. Wang Yuben (“ Mr. Wang ”)	Unit 2403, 24/F, Great Eagle Centre 23 Harbour Road Wanchai Hong Kong

(b) Qualification and position held*Executive Directors:*

Mr. Yuan Zhijun, aged 50, Chairman of the Board and the Nomination Committee, was appointed as executive Director on 4 November 2016. Mr. Yuan graduated from the Huazhong University of Science and Technology in China with a master degree in business administration in 2003 and is a professor level senior engineer. Mr. Yuan currently holds director position in certain subsidiaries and members of the Group. He is currently a director and the chief executive of Wuling Industrial, a principal subsidiary of the Company and is established under the sino-foreign equity joint venture agreements entered into between the Company and Guangxi Automobile. Mr. Yuan is also currently the vice chairman of the board of directors and chief executive of Guangxi Automobile and the chairman of the board of directors of Guangxi Yuan Heng Investment Co. Limited* (廣西元恆投資有限公司) (“**Guangxi YH Investment**”), a subsidiary of Guangxi Automobile. He is also a director of Wuling HK and Wuling Motors (Hong Kong) Company Limited, the controlling Shareholder and the intermediate controlling Shareholder of the Company respectively. Mr. Yuan joined the group of Guangxi Automobile in 1987, has held various roles within the group of Guangxi Automobile and has over 29 years’ of extensive experience in the production, product design and development, human resources and corporate management of the automobile industry. Mr. Yuan has also served in a number of senior positions of SGMW since February 2003 and he is currently a director of SGMW, which is a joint venture formed among Shanghai Automobile Industry (Group) Company Limited, GM (China) Investment Company Limited and Guangxi Automobile.

Mr. Lee Shing, aged 59, Vice-chairman of the Board and the chief executive officer, was appointed as executive Director on 22 June 2006 and is currently a member of the Nomination Committee. Mr. Lee has extensive experience in the

trading and manufacturing business in Hong Kong and the PRC. Mr. Lee currently holds director position in certain subsidiaries of the Group. Mr. Lee is the vice-chairman of Wuling Industrial, as well as a director of Liuzhou Wuling Liuji Motors Company Limited (“**Wuling Liuji**”, a subsidiary of Wuling Industrial). Besides, he is currently a member of the Committee of the Chinese People’s Political Consultative Conference of Liuzhou, Guangxi Province, the PRC. Mr. Lee is the sole shareholder and sole director of Dragon Hill, a substantial Shareholder of the Company. Besides, Mr. Lee is an executive director of Recytec Holding AB, a company listed on Aktie Torget, Sweden.

Mr. Zhong Xianhua, aged 58, was appointed as executive Director on 4 January 2010. Mr. Zhong currently holds director position in certain subsidiaries and members of the Group. Mr. Zhong is currently a director of Wuling Industrial and the vice president of Guangxi Automobile, the ultimate controlling Shareholder of the Company. Mr. Zhong graduated from Hunan University majoring in mesoporphyrin protection. His profession is senior engineer and has over 28 years of extensive experience in the production, marketing and corporate management of the automotive components industry.

Ms. Liu Yaling, aged 40, was appointed as executive Director on 22 June 2006. Ms. Liu currently holds director position in certain subsidiaries of the Group. Ms. Liu has a post graduate education background. She is a qualified accountant in the PRC specializing in financial management. Ms Liu gains her working experience in the automobile manufacturing industry and has approximately 17 years’ of experience in the finance and accounting profession in the PRC. Ms. Liu is a member of the International Association of Registered Financial Planners and an associate member of the Institute of Financial Accountants.

Mr. Yang Jianyong, aged 48, was appointed as executive Director on 4 November 2016. Mr. Yang currently holds director position in certain subsidiaries and members of the Group. Mr. Yang graduated with an accounting degree from the Faculty of Accounting in the Central South University in China and also holds a master degree in Accountancy from The Chinese University of Hong Kong. Mr. Yang is currently the vice general manager and a director of Wuling Industrial. Mr. Yang is also the vice president, chief financial officer, chief legal counsel of Guangxi Automobile in charge of the finance, legal departments and supervisory board. Besides, Mr. Yang is also a director and the vice general manager of Guangxi YH Investment in charge of the finance department. Mr. Yang joined the group of Guangxi Automobile in 1989 and has about 27 years’ of extensive experience in the finance, accounting, legal and corporate financial system institutionalization aspects of the automobile industry. Mr. Yang also served in the senior position of the finance department of SGMW from December 2003 to April 2009, and has been the supervisor of SGMW since July 2016.

Independent non-executive Directors:

Mr. Zuo Duofu, aged 72 was appointed as Independent Nonexecutive Director on 22 June 2006. Mr. Zuo graduated from Department of Journalism of Jinan University. Mr. Zuo has more than 30 years of experience in the media industry in the PRC. He is currently a representative of Congress of Writers' Representatives in the PRC and a member of president group of Guangdong Writer Association. Mr. Zuo is currently the chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee.

Mr. Ye Xiang, aged 52, was appointed as Independent Nonexecutive Director on 10 October 2008. Mr. Ye is the founder and managing director of Vision Gain Capital Limited (“**Vision Gain**”), a company engages in the fund management and investment advisory business. Mr. Ye is a chartered financial analyst and holds a doctorate degree in finance. He has more than 20 years' of experience in the monetary and finance industry and has extensive exposures in the banking and regulatory aspects. Prior to his founding of Vision Gain, Mr. Ye was the director of China Affairs of the Securities and Futures Commission of Hong Kong. Mr. Ye is currently the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee.

Mr. Wang Yuben, aged 61, was appointed as an Independent Nonexecutive Director on 20 March 2015. Mr. Wang obtained a doctorate degree in economic law from the school of law of the Renmin University of China. He is currently an arbitrator of Beijing Arbitration Commission and the executive officer of the research centre of direct marketing of the Peking University. Mr. Wang has more than 30 years of teaching experiences in a number of universities in the PRC. He is also at present a professor in the Capital University of Economics & Business. Besides, Mr. Wang is currently an independent non-executive director of Xinjiang Luntai Grand Oil Tech Co., Ltd. (新疆格瑞迪斯石油技術股份有限公司). Mr. Wang is currently a member of each of the Nomination Committee, the Remuneration Committee and the Audit Committee.

13. GENERAL

- (a) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
- (b) The head office and principal place of business of the Company is Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- (d) The secretary of the Company is Mr. Lai Shi Hong, Edward, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of the Chartered Certified Accountants and a member of the Institute of Chartered Accountants in England and Wales.
- (e) The correspondence and registered address of Wuling HK is Room 2404, 24/F., Worldwide House, 19 Des Voeux Road Central, Hong Kong.
- (f) The principal bankers of the Company are Bank of China (Hong Kong) Limited, situated at 1 Garden Road, Hong Kong and Hang Seng Bank Limited, situated at 83 Des Voeux Road Central, Hong Kong.
- (g) The legal advisers to the Company is Sidley Austin, situated at Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.
- (h) The auditors to the Company is Deloitte Touche Tohmatsu, situated at 35/F, One Pacific Place, 88 Queensway, Hong Kong.
- (i) The authorized representatives of the Company are Mr. Lee Shing and Ms. Liu Yaling, both of them are the executive Directors, with correspondence address at Unit 2403, 24/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (j) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

14. 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 Business Day from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the memorandum and articles of association of Wuling Industrial;
- (c) the annual reports of the Company for the years ended 31 December 2014 and 2015 and the interim report of the Company for the six months ended 30 June 2016;
- (d) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” of this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (f) the letter of advice from Gram Capital, the text of which is set out on pages 44 to 60 in this circular;

- (g) the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of the Group following completion of the Capital Increase, Subscription and Placing, the text of which is set out in Appendix III to this circular;
- (h) the final valuation report of Wuling Industrial Group issued by BMI Appraisals Limited, a summary of which is set out in Appendix V to this circular;
- (i) the written consent of Gram Capital, Deloitte Touche Tohmatsu and BMI Appraisals Limited referred to in the paragraph headed “Experts’ Qualification and Consent” in this appendix;
- (j) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and
- (k) this circular.



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

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

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (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 Friday, 16 December 2016 at 12:00 noon to consider and, if though fit, pass with or without amendments, the following resolutions as ordinary resolutions:

1. “**THAT:**

- (a) the capital increase agreement dated 13 October 2016 entered into between the Company, Guangxi Automobile Holdings Limited (廣西汽車集團有限公司) and 柳州五菱汽車工業有限公司 (Liuzhou Wuling Motors Industrial Company Limited*) (“**Wuling Industrial**”) (the “**Capital Increase Agreement**”) (a copy of which is produced to the SGM marked “A” and signed by the chairman of the SGM for identification purposes) pursuant to which the Company conditionally agreed to contribute an additional sum of RMB590,000,000 in cash for the capital increase of Wuling Industrial in two instalments, be and are hereby approved, confirmed and ratified;
- (b) the subscription agreement dated 13 October 2016 entered into between the Company and Wuling (Hong Kong) Holdings Limited (“**Wuling HK**”) (the “**Subscription Agreement**”) (a copy of which is produced to the SGM marked “B” and signed by the chairman of the SGM for identification purposes) in relation to the subscription of the convertible notes A in an aggregate principal amount of HK\$400,000,000 (the “**Convertible Notes A**”) to be issued by the Company and all transactions contemplated thereunder and in connection therewith, be and are hereby approved, confirmed and ratified;
- (c) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the shares of the Company to be issued pursuant to the conversion of the Convertible Notes A (the “**Conversion Shares A**”), the allotment and the issue of the Conversion Shares A and the issue of the Conversion Shares A pursuant to the terms of the Subscription Agreement be and are hereby confirmed and approved; and
- (d) any one director of the Company be and is hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents (if any) and to take all such steps which in his opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the transactions contemplated under the Capital Increase Agreement and the Subscription Agreement.”

NOTICE OF SGM

2. **“THAT:**

- (a) the placing agreement dated 13 October 2016 entered into by and among the Company, China Industrial Securities International Capital Limited, Essence International Securities (Hong Kong) Limited, GF Securities (Hong Kong) Brokerage Limited and CCB International Capital Limited (the **“Placing Agreement”**) (a copy of which is produced to the SGM marked “C” and signed by the chairman of the SGM for identification purposes) in relation to the placing of the convertible notes B in an aggregate principle amount of up to HK\$300,000,000 (the **“Convertible Notes B”**) to be issued by the Company and all transactions contemplated thereunder and in connection therewith, be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the shares of the Company to be issued pursuant to the conversion of the Convertible Notes B (the **“Conversion Shares B”**), the allotment and the issue of the Conversion Shares B and the issue of the Conversion Shares B pursuant to the terms of the Placing Agreement be and are hereby confirmed and approved; and
- (c) any one director of the Company be and is hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents (if any) and to take all such steps which in his opinion may be necessary, appropriate, desirable or expedient to implement and/or give effects to the transactions contemplated under the Placing Agreement.”

3. **“THAT:**

- (a) the grant of a specific mandate to issue the Conversion Shares A and Conversion Shares B (collectively the **“Conversion Shares”**) at the conversion price of not less than HK\$0.70 per Conversion Share upon completion of each of the Subscription Agreement and the Placing Agreement be and are hereby considered and approved; and
- (b) any director of the Company to implement and take all steps and to do all acts and things which in his/her opinion may be necessary or desirable to give effect and/or to complete or in connection with the Capital Increase Agreement, the Subscription Agreement, the Placing Agreement and transactions contemplated thereunder, including, without limitation, to approve any changes and amendments thereto, to obtain all necessary approvals from, and make all relevant registrations and filings with, the relevant PRC and other authorities, and to sign and execute such further documents, or to do any other matters incidental thereto and/or as contemplated thereunder be and are hereby authorised.”

NOTICE OF SGM

4. “**THAT:**

To re-elect the retiring Directors.”

On behalf of the Board
Wuling Motors Holdings Limited
Yuan Zhijun
Chairman

28 November 2016

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

*Head office and principal place of
business in Hong Kong:*
Unit 2403, 24/F
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the above meeting (or at any adjournment thereof). Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. Shareholders are advised to read the circular to the shareholders of the Company dated 28 November 2016 which contains information concerning the resolutions to be proposed in this notice.
4. All votes on the resolutions in this notice to be proposed at the meeting shall be conducted by way of poll.