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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)

**RENEWAL OF EXISTING CONTINUING
CONNECTED TRANSACTIONS**

Financial adviser to the Company



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



A letter from the Board is set out on pages 6 to 20 of this circular. A letter from the Independent Board Committee is set out on page 21 of this circular. A letter from Hooray Capital, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 39 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, 6 January 2017 at 9:30 a.m. is set out on pages 45 and 46 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the 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 adjourned meeting should you so wish.

15 December 2016

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise.

“2014–2016 Master Agreement”	the agreement dated 21 November 2013 entered into between Wuling Industrial and Guangxi Automobile in relation to the Continuing Connected Transactions, among other things, for a term of three years from 1 January 2014 to 31 December 2016
“2017–2019 Master Agreement”	the agreement dated 16 November 2016 entered into between Wuling Industrial and Guangxi Automobile in relation to the Sale Transactions and the Purchase Transactions, among other things, for a term of three years from the Effective Date to 31 December 2019
“Annual Cap(s)”	the proposed annual caps of the Sale Transactions and the Purchase Transactions set out in the 2017–2019 Master Agreement for each of the three years ending 31 December 2019
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Baomali”	柳州五菱寶馬利汽車空調有限公司 (Liuzhou Wuling Baomali Automotive Air-Conditioner Co., Limited*), a company established in the PRC of which Guangxi Automobile is beneficially interested in approximately 42% of its total registered capital as at the Latest Practicable Date
“Baomali Purchase Transactions”	purchase of certain automotive air-conditioners-related parts and accessories by Wuling Industrial Group from Baomali
“Board”	the board of Directors
“Company”	Wuling Motor Holdings Limited, a company incorporated under the laws of Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 305)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	means (i) GL Trading Transactions, GB Trading Transactions and Baomali Purchase Transactions under the 2017–2019 Master Agreement and; (ii) GL Trading Transactions, GB Trading Transactions, GH Trading Transactions, Baomali Purchase Transactions, KE Purchase Transactions and GL Water and Power Supply Services under the 2014–2016 Master Agreement

DEFINITIONS

“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Date”	the date of the Independent Shareholders’ approval of the 2017–2019 Master Agreement or 1 January 2017, whichever is later
“GB Purchase Transactions”	purchase of passenger mini-buses, primarily passenger coaches and mini-buses, and other related products by Wuling Industrial Group from Guilin Bus
“GB Sale Transactions”	sale of automotive parts, raw materials, consumables and materials by Wuling Industrial Group to Guilin Bus
“GB Trading Transactions”	the GB Purchase Transactions and GB Sale Transactions
“GH Purchase Transactions”	purchase of automotive parts and related accessories by Wuling Industrial Group from Guihua
“GH Sale Transactions”	sale of raw materials by Wuling Industrial Group to Guihua
“GH Trading Transactions”	the GH Purchase Transactions and GH Sale Transactions
“GL Purchase Transactions”	purchase of automotive components, mould parts and other related products by Wuling Industrial Group from Guangling
“GL Sale Transactions”	sale of parts and raw materials by Wuling Industrial Group to Guangling
“GL Trading Transactions”	the GL Purchase Transactions and GL Sale Transactions
“GL Water and Power Supply Services”	provision of water and power supply services by Wuling Industrial Group to Guangling under the 2014–2016 Master Agreement
“Group”	the Company and its subsidiaries
“Guangling”	柳州廣菱汽車技術有限公司 (Liuzhou Guangling Motors Technology Limited*), a company established in the PRC of which Guangxi Automobile is beneficially interested in approximately 50.1% of its total registered capital as at the Latest Practicable Date

DEFINITIONS

“Guangxi Automobile”	廣西汽車集團有限公司 (Guangxi Automobile Group Co., Limited*) (formerly named as 柳州五菱汽車有限責任公司 (Liuzhou Wuling Motors Company Limited*)), a state-controlled enterprise established in the PRC, being the ultimate beneficial controlling Shareholder which is indirectly interested in approximately 56.04% of the total number of Shares in issue of the Company as at the Latest Practicable Date
“Guangxi Automobile Group”	Guangxi Automobile, its subsidiaries and associates (excluding the Group and including but not limited to Baomali, Guangling, Guihua, Guilin Bus and KE Digital)
“Guihua”	南寧五菱桂花車輛有限公司 (Nanning Wuling-Guihua Vehicle Co., Ltd*), a company established in the PRC of which Guangxi Automobile is beneficially interested in approximately 62.2% of its total registered capital as at the Latest Practicable Date
“Guilin Bus”	桂林客車發展有限責任公司 (Guilin Bus Development Co., Limited*), a company established in the PRC of which Guangxi Automobile is beneficially interested in approximately 70% of its total registered capital as at the Latest Practicable Date
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company (which comprises all independent non-executive Directors) formed to consider the terms of the Continuing Connected Transactions under the 2017–2019 Master Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Hooray Capital”	Hooray Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Continuing Connected Transactions under the 2017–2019 Master Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than Guangxi Automobile and its associates
“Independent Third Party(ies)”	person(s) or entity(ies) who/which is(are) not a connected person(s) of the Company

DEFINITIONS

“KE Digital”	柳州科爾數字化製造技術有限公司 (Liuzhou Keer Digital Manufacturing Co., Limited*), a company established in the PRC and a wholly owned subsidiary of Guangxi Automobile as at the Latest Practicable Date
“KE Purchase Transactions”	purchase of certain electronic devices and components by Wuling Industrial Group from KE Digital
“Latest Practicable Date”	13 December 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contain herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchase Transactions”	the GL Purchase Transactions, GB Purchase Transactions and the Baomali Purchase Transactions pursuant to the 2017–2019 Master Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Transactions”	the GL Sale Transactions and GB Sale Transactions pursuant to the 2017–2019 Master Agreement
“SGM”	the special general meeting of the Company to be convened and held on 6 January 2017 to approve the 2017–2019 Master Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.004 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Wuling Industrial”	柳州五菱汽車工業有限公司 (Liuzhou Wuling Motors Industrial Company Limited*), a company established in the PRC and a non-wholly owned subsidiary of the Company
“Wuling Industrial Group”	Wuling Industrial and its subsidiaries
“%”	per cent

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 purposes 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

*Principal place of business
in Hong Kong:*

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

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

15 December 2016

To the Shareholders

Dear Sir or Madam,

**RENEWAL OF EXISTING CONTINUING
CONNECTED TRANSACTIONS**

INTRODUCTION

Reference is made to the announcement of the Company dated 16 November 2016 in relation to, among other things, the 2017–2019 Master Agreement and the Continuing Connected Transactions.

The purpose of this circular is to provide you with, among other things, (i) details of the 2017–2019 Master Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders giving its recommendations in respect of the Continuing Connected Transactions under the 2017–2019 Master Agreement; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders containing its advice in relation to the Continuing Connected Transactions under the 2017–2019 Master Agreement; and (iv) the notice of SGM.

BACKGROUND

Reference is made to the announcement and circular of the Company dated 21 October 2013 and 31 December 2013, respectively, in relation to the 2014–2016 Master Agreement and the Continuing Connected Transactions.

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As the Continuing Connected Transactions are expected to continue after the expiration of the 2014–2016 Master Agreement, on 16 November 2016 (after trading hours), Wuling Industrial, a non-wholly owned subsidiary of the Company, entered into the 2017–2019 Master Agreement with Guangxi Automobile to renew the Continuing Connected Transactions for a term of three years from the Effective Date to 31 December 2019 to govern the Continuing Connected Transactions between the Wuling Industrial Group and Guangxi Automobile Group.

CONTINUING CONNECTED TRANSACTIONS

The principal terms of the Continuing Connected Transactions under the 2017–2019 Master Agreement are summarized as follows:

- | | |
|--|--|
| Date: | 16 November 2016 |
| Parties: | (a) Wuling Industrial, a non-wholly owned subsidiary of the Company; and
(b) Guangxi Automobile, being the ultimate controlling Shareholder, indirectly interested in approximately 56.04% of the total number of Shares in issue of the Company as at Latest Practicable Date and a connected person of the Company under the Listing Rules. |
| Scope of products and services to be provided:
(Note) | Wuling Industrial Group agreed to supply certain 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) to Guangxi Automobile Group, collectively the “Sale Transactions” of the Group, which currently consist of:
(i) GL Sale Transactions — sale of parts and raw materials, mainly steel, to Guangling for manufacturing of automotive parts and other related products including the products under the scope of GL Purchase Transactions as below mentioned; and
(ii) GB Sale Transactions — sale of automotive parts (comprising an extensive range of parts and components including but not limited to those applied for the manufacturing and assembly of chassis, engines, brakes, wheels, seat sets, various metal stamping and welding parts and various plastic injection parts and various other accessories), raw materials, consumables and materials to Guilin Bus for production of vehicles, primarily passenger coaches and mini-buses under the scope of GB Purchase Transactions as below mentioned. |

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Guangxi Automobile Group agreed to supply consumables and materials, finished products and semi-finished product (including but not limited to passenger mini-buses, automotive components, mould parts and accessories, and automotive air-conditioners-related parts and accessories) to Wuling Industrial Group, collectively the “Purchase Transactions” of the Group, which consist of:

- (i) GL Purchase Transactions — purchase of automotive components (comprising several types of metal stamping parts), mould parts and other related products from Guangling for resale, assembly into component units, as well as for manufacturing of vehicles;
- (ii) GB Purchase Transactions — purchase of passenger mini-buses, primarily passenger coaches and mini-buses, and other related products from Guilin Bus for resale; and
- (iii) Baomali Purchase Transactions — purchase of automotive air-conditioners-related parts and accessories from Baomali for production of automotive parts and accessories, some of which are resold to Guilin Bus for manufacturing of the passenger mini-buses.

Note: Below are the general description of the nature of the products to be transacted under the 2017–2019 Master Agreement:

- (a) raw materials — representing raw materials, including but not limited to, steel, plastic and pulp, which has comparable specifications and prices in active markets;
- (b) consumables and materials — representing those processed and/or unprocessed materials and consumables which are applied in the production of automotive components, its related products and vehicles other than the raw materials as above; and
- (c) semi-finished products and finished products — representing automotive components and its related products that are differentiated by whether the product itself requires any further processing works before it could be sold to the customers. In this regard, semi-finished products refer to those further processing works are required, whereas, finished products refer to those further processing works are not required.

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Term: Three years from the Effective Date to 31 December 2019 (both dates inclusive).

Pricing principles: The pricing for the products purchased from or sold to Guangxi Automobile Group will be determined on terms which are no less favourable than those available from/to Independent Third Parties to/from the Group and after arm's length negotiation between Wuling Industrial Group and Guangxi Automobile Group on the following principles in order of priority:

- (i) the market prices which are offered to or by Independent Third Parties in the ordinary and usual course of business; and
- (ii) the agreed prices based on the actual cost incurred thereof plus a reasonable profit margin.

Details of the mechanism in obtaining market prices data are set out in the section headed "Internal control procedures in relation to the Continuing Connected Transactions" below.

Cost plus a reasonable profit margin approach would generally be adopted in the event that the market prices are not available and/or could not be obtained in a cost-efficient way in consideration of the value of the transactions involved or when the particular products have already reached a later stage of its product life cycle. The reasonable profit margin was determined with reference to the historical/target gross profit margin of Wuling Industrial Group, and at the same time, taking into account of the nature, complexity, initial cost of development of the products, and the stage of product life cycle and the general market situation relevant to the products, which would normally within the range of 10% to 20%.

Payment terms: Payments for the products supplied by and/or to Guangxi Automobile Group will be settled by way of cash or such other manner as agreed by the parties and in accordance with the agreed timing and manners as specified in the actual product and service contracts to be entered into between Wuling Industrial Group and Guangxi Automobile Group. The payment terms will be on market terms which are no less favourable than those obtainable by the Group from Independent Third Parties, which would generally be settled within 180 days in cash or bills receivables/payables.

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Condition precedent: The 2017–2019 Master Agreement is conditional upon the approval of the Independent Shareholders at the SGM and the compliance of any other requirements under the Listing Rules.

INTERNAL CONTROL PROCEDURES IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS

Wuling Industrial Group has adopted and implemented standard internal control procedures on all purchases and sales transactions, which cover the Continuing Connected Transactions and ensure the payment terms and pricing basis of the Continuing Connected Transactions will be on market terms or on terms which are no less favourable than those available from/to Independent Third Parties.

Purchase Transactions

Standard control procedures over the purchasing activities of Wuling Industrial Group, which comprise, inter alia, supplier selection processes, price determination processes and product quality evaluation processes, were adopted and implemented on both the purchase transactions with Independent Third Parties and the Purchase Transactions in order to ensure the above payment terms and pricing basis of the Purchase Transactions will be on market terms or on terms which are no less favourable than those available from Independent Third Parties.

The finance department of the Wuling Industrial Group will determine the target purchase price of products with reference to the total purchase cost; the purchase department of the Wuling Industrial Group will then negotiate or conduct bidding exercise with suppliers based on the target purchase price. Normally, the purchase department would invite at least three suppliers, where appropriate, would include the relevant connected party and other Independent Third Parties, to engage in the bidding and selection processes to obtain the market prices of the products and to consider if the target purchase price as determined by the finance department could be achieved or not. In the event that the target purchase price cannot be agreed, the finance department and purchase department of the Wuling Industrial Group will consider to adjust the target purchase price and/or seek for other suppliers.

In the selection processes, the purchase department will also assess, including but not limited to, the specific qualifications required for the production of particular products, record of regulatory compliance, production and technical capability, appropriateness of scale, past performance in terms of product quality and timeliness of delivery, location of the facilities of the respective suppliers.

Besides, when determining the agreed prices for automotive components and parts purchased which are industrial products, Wuling Industrial Group will periodically, at least once every year or whenever there is a proposed change to the purchase price, request the relevant members of Guangxi Automobile Group to provide their costs and sale records of the related products supplied to Wuling Industrial Group to compare the profit margin therefrom with the estimated profit margin earned by Wuling Industrial Group from the sale of the end

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products of the Wuling Industrial Group, most of which are also industrial products, to ensure that the profit margins of the relevant member of Guangxi Automobile Group are reasonable as compared to the profit margins earned by Wuling Industrial Group.

When determining the market prices of vehicles purchased (currently mainly passenger mini-buses), Wuling Industrial Group will obtain the market prices of similar products from its authorized distributors to assess the prices charged by the relevant members of Guangxi Automobile Group at least once every year or whenever there is a proposed change to the purchase price and/or the selling price. Wuling Industrial Group currently has a distribution network of 41 authorized distributors for passenger mini-buses across different locations in the PRC, which provides essential updated market prices data of the competitors in this particular market segment.

Sale Transactions

Wuling Industrial Group has adopted and implemented its standard pricing policies on both the sale transactions with Independent Third Parties and the Sale Transactions under the 2017–2019 Master Agreement in order to ensure the above payment terms and pricing basis of the Sale Transactions will be on market terms or on terms which are no less favourable than those available to Independent Third Parties, i.e. charging of a reasonable profit margin over the cost of production. The standard pricing policies adopted by Wuling Industrial Group cover the pricing policies and procedures of all the sale transactions of Wuling Industrial Group.

With respect to raw materials, the sale department would make reference to the updated market prices of the raw materials in the open market as well as the latest traded and quoted prices that are available by the leading suppliers of such raw materials. For the sales of steel, the sale department would obtain the reference prices published online or from monthly quotations by two leading suppliers which were state-owned steel company. The market price data will be updated on a monthly basis under normal circumstance and on a more frequent basis if the relevant market is volatile.

In regard to the automotive components and vehicles, the sale department of Wuling Industrial Group will collect and analyse price information from the customers and the sale network including its authorized distributors for the same/similar products offered by competitors in the market in formulating the pricing strategies of the end products and the related automotive components. There is no specific number of same/similar products to be collected in such assessment. However, the standard pricing policies of Wuling Industrial Group would ensure appropriate market prices data and adequate consideration in terms of the technical knowhow, specific qualifications, volume of transactions, market environment, cost structure and development strategy have been properly gone through in the pricing procedures of a product.

The finance department of Wuling Industrial Group, with the supports from the purchase department, technical department and manufacturing department of Wuling Industrial Group, will then evaluate the products' total cost of sale; upon which a price determination committee of Wuling Industrial Group will be established to determine the price of the products to be sold in consideration of the aforesaid market and cost information. Wuling Industrial Group will also conduct periodic reviews, normally semi-annually and at least annually, of the profit margins earned by Wuling Industrial Group from the Sale Transactions as compared to the

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profit margins earned by Wuling Industrial Group from products sold to other Independent Third Parties, as well as the profit margins earned by the related connected parties from the related Purchase Transactions.

Independent non-executive Directors and auditors' review

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

In view of the above, the Directors consider that the internal control procedures are effective to ensure that the Continuing Connected Transactions contemplated under the 2017–2019 Master Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS

Set out below are the historical transaction amounts of the Continuing Connected Transactions for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016, and the Annual Caps proposed by the Directors for each of the three years ending 31 December 2017, 2018 and 2019 in respect of the Sale Transactions and Purchase Transactions.

	Historical transaction amounts			Proposed Annual Caps		
	Year ended 31 December 2014 (audited) RMB'000	2015 (audited) RMB'000	Nine months ended 30 September 2016 (unaudited) RMB'000	Year ending 31 December		
				2017	2018	2019
				RMB'000	RMB'000	RMB'000
Sale Transactions including:						
(i) GL Sale Transactions	111,759	62,690	49,688			
(ii) GB Sale Transactions	223,340	117,725	162,652			
(iii) GH Sale Transactions	6,322	1,072	—			
(iv) GL Water & Power Supply Services	<u>2,913</u>	<u>2,688</u>	<u>1,847</u>			
Historical transaction amounts	<u>344,334</u>	<u>184,175</u>	<u>214,187</u>			
Annual Caps comprising:						
(i) GL Sale Transactions	131,400	168,100	210,200	72,000	74,000	74,000
(ii) GB Sale Transactions	350,400	490,400	637,600	360,000	460,000	570,000
(iii) GH Sale Transactions	7,600	12,700	16,000	—	—	—
(iv) GL Water & Power Supply Services	<u>3,600</u>	<u>4,800</u>	<u>6,200</u>	—	—	—
Aggregate Annual Caps	<u>493,000</u>	<u>676,000</u>	<u>870,000</u>	<u>432,000</u>	<u>534,000</u>	<u>644,000</u>

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	Historical transaction amounts			Proposed Annual Caps		
	Year ended		Nine months	Year ending 31 December		
	31 December	31 December	ended	2017	2018	2019
	2014	2015	30 September			
(audited)	(audited)	2016				
	RMB'000	RMB'000	(unaudited)	RMB'000	RMB'000	RMB'000
			RMB'000			
Utilization Rates:						
(i) GL Sale Transactions	85.1%	37.3%	23.6%			
(ii) GB Sale Transactions	63.7%	24.0%	25.5%			
(iii) GH Sale Transactions	83.2%	8.4%	0.0%			
(iv) GL Water & Power Supply Services	80.9%	56.0%	29.8%			
	<u>69.8%</u>	<u>27.2%</u>	<u>24.6% (note)</u>			
Overall utilization rates						
Purchase Transactions including:						
(i) GL Purchase Transactions	117,823	71,350	51,881			
(ii) GB Purchase Transactions	292,142	267,995	271,311			
(iii) GH Purchase Transactions	6,058	3,362	—			
(iv) KE Purchase Transactions	9,358	6,738	796			
(v) Baomali Purchase Transactions	6,904	5,334	3,582			
	<u>432,285</u>	<u>354,779</u>	<u>327,570</u>			
Historical transaction amounts						
Annual Caps comprising:						
(i) GL Purchase Transactions	119,800	152,700	180,800	16,000	17,000	17,000
(ii) GB Purchase Transactions	453,800	630,200	840,500	575,000	750,000	850,000
(iii) GH Purchase Transactions	8,000	10,100	11,100	—	—	—
(iv) KE Purchase Transactions	15,500	21,700	28,300	—	—	—
(v) Baomali Purchase Transactions	17,900	23,300	30,300	4,700	5,200	5,700
	<u>615,000</u>	<u>838,000</u>	<u>1,091,000</u>	<u>595,700</u>	<u>772,200</u>	<u>872,700</u>
Aggregate Annual Caps						
Utilization Rates						
(i) GL Purchase Transactions	98.3%	46.7%	28.7%			
(ii) GB Purchase Transactions	64.4%	42.5%	32.3%			
(iii) GH Purchase Transactions	75.7%	33.3%	0.0%			
(iv) KE Purchase Transactions	60.4%	31.1%	2.8%			
(v) Baomali Purchase Transactions	38.6%	22.9%	11.8%			
	<u>70.3%</u>	<u>42.3%</u>	<u>30.0% (note)</u>			
Overall utilization rates						

Note: The utilization rate for the nine months ended 30 September 2016 is calculated based on the historical transactions amounts for the nine months ended 30 September 2016 against the Annual Caps for the year ending 31 December 2016.

(i) Historical transaction amounts

The respective aggregate annual amounts of the Continuing Connected Transactions for the year ended 2014 and the 2015 did not exceed the annual caps as approved by the then Independent Shareholders of the Company at the special general meeting held at 23 January 2014.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Board (i) confirmed that respective aggregate amounts of the Continuing Connected Transactions for the nine months ended 30 September 2016 did not exceed; and (ii) anticipated that the aggregate annual amounts of the Continuing Connected Transactions for the year ending 31 December 2016 will not exceed the respective maximum aggregate annual caps for the year ending 31 December 2016 as approved by the then Independent Shareholders of the Company at the special general meeting held at 23 January 2014.

The Directors also confirmed that they will continue to monitor the Continuing Connected Transactions to ensure that the respective aggregate annual amounts do not exceed the existing annual caps for the year ending 31 December 2016.

(ii) Basis of determination of the proposed Annual Caps

The above Annual Caps were determined by reference to the followings:

- (a) the historical transaction amounts of the Continuing Connected Transactions during the nine months ended 30 September 2016.
- (b) the target production volume of Wuling Industrial Group and Guangxi Automobile Group for the respective three years ending 31 December 2017, 2018 and 2019, which is more fully described under the paragraph “Target production volume and expected changes in the price range and the types of products” below.
- (c) the expected changes in the types of products to be purchased or sold to Guangxi Automobile Group for the respective three years ending 31 December 2017, 2018 and 2019 which are more fully described under the paragraph “Target production volume and expected changes in the price range and the types of products” below.
- (d) the changes in price range of products to be purchased from or sold to Guangxi Automobile Group as a result of the changes in types of products offered which are more fully described under the paragraph “Target production volume and expected changes in the price range and the types of products” below.
- (e) a buffer of 5% for (i) any transactions of similar nature which may be entered into with Guangxi Automobile Group in each of the three years ending 31 December 2017, 2018 and 2019; and (ii) any unforeseeable circumstances, in particular, unexpected market fluctuations, changes in government policies on automobile industry, fluctuations in raw material costs and increase in labour costs, is also considered.

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(iii) Target production volume and expected changes in the price range and the types of products

GL Sale Transactions and GL Purchase Transactions

In determining the target production volume for GL Sale Transactions and GL Purchase Transactions, which are also covered under the 2014–2016 Master Agreement and are themselves closely related, Wuling Industrial Group and Guangxi Automobile Group have made estimations to the volume of the specific automotive components (which consists of three main products and are currently supplied by Guangling to Wuling Industrial Group) to be sourced from Guangling to Wuling Industrial Group for each of the three years ending 31 December 2017, 2018 and 2019.

Wuling Industrial has established a new production facility in Chongqing in late 2015 and it is planned that one key component sourced from Guangling in 2016 will be manufactured by the said production facility in Chongqing beginning from 2017. As such, the target purchase quantity for the GL Purchase Transactions will be reduced from approximately 715,000 units for 2016 to approximately 208,000 units, 222,000 units and 222,000 units respectively for each of the three years ending 31 December 2017, 2018 and 2019.

By applying the estimated use of raw materials, mainly steel, in the planned production of the automotive components to be supplied to Wuling Industrial Group and the other products to be supplied to other customers of Guangling for each of the three years ending 31 December 2017, 2018 and 2019, Wuling Industrial Group and Guangxi Automobile Group, hence, derive the projected volume of transactions under GL Sale Transactions, which is estimated to be slightly increased from approximately 15,600 tons for 2016 to approximately 16,000 tons, 16,500 tons and 16,500 tons respectively for each of the three years ending 31 December 2017, 2018 and 2019.

As for the price range of the products involved under the GL Trading Transactions, which involve primarily sale of raw material, mainly steel, by Wuling Industrial Group to Guangxi Automobile Group and purchase of the automotive components processed from the supplied steel by Wuling Industrial Group from Guangxi Automobile Group, it is expected to be varied in accordance with the prevailing market price of steel for the respective three years ending 31 December 2017, 2018 and 2019, which is currently estimated based on the current market prices of steel.

GB Sale Transactions and GB Purchase Transactions

The target sale and production volume for GB Sale Transactions and GB Purchase Transactions, which are also covered under the 2014–2016 Master Agreement, are closely related. In determining the target volume for GB Sale Transactions and GB Purchase Transactions, Wuling Industrial Group and Guangxi Automobile Group have made estimations to the sale and production volume of the passenger mini-buses (which currently consists of approximately 22 models of passenger mini-buses, school buses and other types of mini-buses) produced by Guilin Bus.

LETTER FROM THE BOARD

Due to the increase in sales of the passenger mini-buses by Wuling Industrial Group to its end customers during October and November 2016, there has been a corresponding increase in the value of the GB Purchase Transactions. The total number of passenger mini-buses purchased by Wuling Industrial Group from Guangxi Automobile Group was approximately 800 vehicles during October and November 2016 and reached 4,500 vehicles by end of November 2016 and the total value of transactions of GB Purchase Transactions has since exceeded RMB360 million. As a number of new model passenger mini-buses will be launched in 2017, the sale and production volume of the passenger mini-buses are expected to be further increased from 2017 onwards. Anticipating the growing demand of such new model passenger mini-buses, the target production volume for GB Sale Transactions and GB Purchase Transactions is estimated to gradually increase from the target volume of approximately 5,100 vehicles for 2016 to 5,850 vehicles, 7,380 vehicles and 8,080 vehicles respectively for the three years ending 31 December 2017, 2018 and 2019.

As for the price range of the products involved under the GB Trading Transactions, which involve primarily purchase of passenger mini-buses by Wuling Industrial Group from Guangxi Automobile Group and sale of automotive parts, raw materials, consumables and materials by Wuling Industrial Group to Guangxi Automobile Group for production of the purchased passenger mini-buses, it is expected to be varied in accordance with the target selling prices of the existing and new model passenger mini-buses for the respective three years ending 31 December 2017, 2018 and 2019. According to the marketing plan of Wuling Industrial Group, new models of passenger vehicles with improved quality and added features in response to market demands and the enhanced regulatory standards will be launched from 2017 onwards, which would command higher selling prices and in turn contribute a higher transaction prices between the Wuling Industrial Group and the Guangxi Automobile Group. Meanwhile, the selling prices of the existing models would be slightly decreased so as to maintain competitiveness in the market. As such, the Wuling Industrial Group expects the target selling prices of the existing and new model passenger vehicles for the respective three years ending 31 December 2017, 2018 and 2019 would be ranging from approximately RMB67,000 to RMB90,000 for the existing models and approximately RMB82,000 to RMB130,000 for the new models.

Taking into account of the above, by applying the estimated use of automotive parts, raw materials, consumables and materials in the production of these passenger mini-buses (consists of over 2,000 different types of items) planned to be produced by Guilin Bus for each of the three years ending 31 December 2017, 2018 and 2019, Wuling Industrial Group and Guangxi Automobile Group, hence, derive the projected volume of transactions under GB Sale Transactions.

LETTER FROM THE BOARD

Baomali Purchase Transactions

There is no significant change in the target production volume and the types of products (which consists of 32 types of different types of product) under Baomali Purchase Transactions which are covered under the 2014–2016 Master Agreement for each of the three years ending 31 December 2017, 2018 and 2019 based on the estimation between Wuling Industrial Group and Guangxi Automobile Group.

INFORMATION ON THE GROUP

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

INFORMATION ON GUANGXI AUTOMOBILE

Guangxi Automobile, through its direct and indirect wholly owned subsidiaries, is interested in 1,028,846,806 Shares, representing approximately 56.04% of the total number of issued Shares 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, moulds 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 AND BENEFITS OF ENTERING INTO THE 2017–2019 MASTER AGREEMENT AND THE RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

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

LETTER FROM THE BOARD

In relation to the Sale Transactions, Wuling Industrial Group has been supplying certain parts and components and services to Guangxi Automobile Group for many years. As a result, the Group and Guangxi Automobile Group have a solid business relationship. The 3-year procurement and supply relationship with Guangxi Automobile Group to be established pursuant to the 2017–2019 Master Agreement will contribute to stabilizing the business of the Group. In addition, the Group has also been providing centralized procurement services to its group companies, customers and suppliers for the supply of raw materials, mainly steel. Such centralized procurement mechanism strengthens the business relationships amount the entities and enhances the efficiency and productivity of the entities' operations through the benefits of bulk purchases and scale operation.

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

Given that the Sale Transactions and Purchase Transactions (i) are in the ordinary and usual course of business of the Group; (ii) will be negotiated on an arm's length basis; and (iii) will be provided on normal commercial terms or on terms which are no less favourable than those offered to/obtainable by the Group to/from Independent Third Parties, the Directors (including the independent non-executive Directors after considering the advice of Hooray Capital) consider that there is no major disadvantage for carrying out the Continuing Connected Transactions to the Company and the Continuing Connected Transactions under the 2017–2019 Master Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group.

In the event that the Effective Date is after 1 January 2017, being the expiry date of the 2014–2016 Master Agreement, the Director confirms the transaction amounts of the Purchase Transactions and Sale Transactions before the Effective Date will be less than 5% of the relevant applicable percentage ratio as defined in the Listing Rules. The Directors also confirmed that they will continue to monitor the Continuing Connected Transactions to ensure that the Purchase Transactions and Sale Transactions under the 2017–2019 Master Agreement do not exceed 5% of the relevant applicable percentage ratio. If such transaction amounts exceed 5% of the relevant applicable ratio, the Company will comply with the applicable Listing Rules as and when required.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Guangxi Automobile, through its direct and indirect wholly owned subsidiaries, is interested in approximately 56.04% of the total number of Shares in issue of the Company, and is the ultimate controlling Shareholder of the Company. In this regard, Guangxi Automobile is a connected person of the Company under the Listing Rules. The Sale Transactions and Purchase Transactions contemplated under the 2017–2019 Master Agreement constitute continuing connected transactions for the Company under the Listing Rules.

LETTER FROM THE BOARD

As the highest of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) for the transactions contemplated under the 2017–2019 Master Agreement, on an annual basis, exceeds 25% and the annual consideration is more than HK\$10 million, such transactions constitute continuing connected transactions for the Company and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Yuan Zhijun, Mr. Zhong Xianhua and Mr. Yang Jianyong, being the Directors and the directors and/or senior executives of Guangxi Automobile, have abstained from voting on the board resolutions passed to approve the 2017–2019 Master Agreement. Save as disclosed above, no other Director is regarded having a material interest in the Continuing Connected Transactions and required to abstain from voting on the board resolution to approve the 2017–2019 Master Agreement.

THE SGM

A notice convening the SGM to be held at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Friday, 6 January 2017 at 9:30 a.m., at which an ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the 2017–2019 Master Agreement, including the Annual Caps, and the transactions contemplated thereunder.

The ordinary resolution as set out in the notice of the SGM will be put to the vote of the Independent Shareholders by poll. An announcement will be made by the Company following the conclusion of the SGM to inform you of its results.

A form of proxy is enclosed with this circular for use at the SGM. Whether or not you intend to be present at the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 48 hours before the time required for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

In view of their interests in the 2017–2019 Master Agreement, Guangxi Automobile and its associates will abstain from voting on the resolution in relation to the 2017–2019 Master Agreement at the SGM.

Saved as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder is required to abstain from voting at the SGM in respect of the 2017–2019 Master Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, comprising Mr. Zuo Duofu, Mr. Ye Xiang and Mr. Wang Yuben, being all independent non-executive Directors, has been established to advise the Independent Shareholders the terms of the Continuing Connected Transactions under the 2017–2019 Master Agreement, including the Annual Caps, and the transactions contemplated thereunder. Your attention is drawn to the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders on page 21 of this circular.

The Independent Board Committee, after taking into account the advice and recommendations of Hooray Capital, considers that the terms of the Continuing Connected Transactions under the 2017–2019 Master Agreement, including the Annual Caps and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, which 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 resolution to be proposed at the SGM to approve the Continuing Connected Transactions under the 2017–2019 Master Agreement, including the Annual Caps and the transactions contemplated thereunder.

The Directors consider that terms of the 2017–2019 Master Agreement, including the Annual Caps, and the transactions contemplated thereunder, are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the 2017–2019 Master Agreement, including the Annual Caps, and the transactions contemplated thereunder, to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the general information on the Group set out in the appendix to this circular.

Yours faithfully,
On behalf of the Board
Wuling Motors Holdings Limited
Mr. 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)

15 December 2016

To the Independent Shareholders

Dear Sir or Madam,

**RENEWAL OF EXISTING CONTINUING
CONNECTED TRANSACTIONS**

We refer to the circular dated 15 December 2016 (the “**Circular**”), of which this letter forms a part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We, being the independent non-executive Directors, have been appointed by the Company as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Continuing Connected Transactions under the 2017–2019 Master Agreement, including the Annual Caps, and the transactions contemplated thereunder. Hooray Capital has been appointed to advise the Independent Shareholders and us in this regard. Details of the advice and recommendations from Hooray Capital, together with the principal factors and reasons taken into consideration by it in arriving at such advice and recommendations, are set out in the “Letter from the Independent Financial Adviser” on pages 22 to 39 of the Circular.

Having considered, among other things, the factors and reasons considered by, and the advice and recommendations of Hooray Capital, we are of the opinion that the Continuing Connected Transactions under the 2017–2019 Master Agreement, including the Annual Caps, and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, which is fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Continuing Connected Transactions under the 2017–2019 Master Agreement, including the Annual Caps, the transactions contemplated thereunder.

Yours faithfully,

On behalf of the Board

Independent Board Committee

Mr. Zuo Doufu Mr. Ye Xiang Mr. Wang Yuben
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Hooray Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transactions under the 2017–2019 Master Agreement (including the Annual Caps) and other transactions contemplated thereunder for a term of three years from the Effective Date to 31 December 2019 for the purpose of inclusion in this Circular.

HOORAY 好盈

15 December 2016

To: the Independent Board Committee and
the Independent Shareholders

Dear Sirs,

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions under the 2017–2019 Master Agreement (including the Annual Caps) and other transactions contemplated thereunder. Details of which are set out in the “Letter from the Board” contained in the circular dated 15 December 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.

On 16 November 2016 (after trading hours), Wuling Industrial, a non-wholly owned subsidiary of the Company, entered into the 2017–2019 Master Agreement with Guangxi Automobile to renew the existing Continuing Connected Transactions for a term of three years from the Effective Date to 31 December 2019. The Continuing Connected Transactions under the 2017–2019 Master Agreement represent a continuance of those under the 2014–2016 Master Agreement, of which their terms are materially the same in their respective transaction.

As at the Latest Practicable Date, Wuling (Hong Kong) Holdings Limited (“**Wuling HK**”), an indirect wholly owned subsidiary of Guangxi Automobile, is interested in 1,028,846,806 Shares, representing approximately 56.04% of the issued share capital of the Company. Accordingly, Guangxi Automobile is the ultimate controlling Shareholder and is regarded as a connected person of the Company pursuant to the Listing Rules. The entering of the 2017–2019 Master Agreement (including the Annual Caps) and other transactions

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LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

contemplated thereunder for a term of three years from the Effective Date to 31 December 2019 constitute continuing connected transactions on part of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules.

Since each of Mr. Yuan Zhijun, Mr. Zhong Xianhua and Mr. Yang Jianyong, is a Director and a director and/or senior executive of Guangxi Automobile, all of whom abstained from voting on the board resolution(s) to approve the 2017–2019 Master Agreement, the Continuing Connected Transactions (including the Annual Caps) and other transactions contemplated thereunder. Save as disclosed above, no other Director is regarded as having material interest in the Continuing Connected Transactions and required to abstain from voting at the Board meeting for approving the same.

In view of the above, Wuling HK and its associates (including but not limited to Guangxi Automobile) will abstain from voting on the resolution(s) in relation to the Continuing Connected Transactions under the 2017–2019 Master Agreement (including the Annual Caps) and other transactions contemplated thereunder at the SGM. To the best knowledge, information and belief of the Directors, as at the Latest Practicable Date, no Shareholder (excluding Wuling HK and its associates) is required to abstain from voting on the resolution(s) approving the Continuing Connected Transactions under the 2017–2019 Master Agreement (including the Annual Caps) and other transactions contemplated thereunder at the SGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Zuo Duofu, Mr. Ye Xiang and Mr. Wang Yuben, has been established to advise the Independent Shareholders on (i) whether the terms of the Continuing Connected Transactions under the 2017–2019 Master Agreement (including the Annual Caps) and other transactions contemplated thereunder are on normal commercial terms and fair and reasonable, so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Continuing Connected Transactions under the 2017–2019 Master Agreement (including the Annual Caps) and other transactions contemplated thereunder at the SGM. We, Hooray Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are independent from and not connected with the Company pursuant to Rule 13.84 of the Listing Rules. We have not acted as the independent financial adviser of the Company in the past two years. We are not aware of the existence of or change in any circumstances that would affect our independence. In addition, apart from the normal professional fee payable to us by the Company in connection with our appointment as the Independent Financial Adviser, no other arrangement exists whereby we shall receive any other fees or benefits from the Company or any of its subsidiaries. Accordingly, we consider

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

ourselves eligible to give independent advice on the terms of the Continuing Connected Transactions under the 2017–2019 Master Agreement (including the Annual Caps) and other transactions contemplated thereunder.

BASIS OF OUR OPINION AND RECOMMENDATION

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 representations and information that have been provided by the Directors, for which they are solely and wholly responsible, were reasonably made after due enquiry and careful consideration and are true and accurate at the time when they were made and continue to be so up to the date of the SGM. The Company will notify the Shareholders of any material changes to such information, facts, representations, opinions and statements as soon as possible. In addition, we have no reason to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or to believe that any material facts and information has been omitted or withheld.

We noted that the Company announced the possible issue of two tranches of convertible notes on 13 October 2016, which Wuling HK (an indirectly wholly owned subsidiary of Guangxi Automobile) is a party to the subscription of certain convertible notes with the principal value of HK\$400,000,000. Based on the initial conversion price is HK\$0.70 per Share (subject to adjustment), and upon exercise of the conversion rights in full, a maximum of 571,428,571 Shares will be allotted and issued to Wuling HK. Accordingly, Guangxi Automobile will be deemed to have an aggregate interest of 1,600,275,377 Shares, representing approximately 56.43% of the enlarged issued share capital of the Company (upon the full conversion of 1,000,000,000 Shares) should Wuling HK's shareholdings remain unchanged. However, as at the Latest Practicable Date, the aforementioned convertible notes are not issued, and therefore, we have not taken into account of the issue of the convertible notes into our consideration in relation to the Continuing Connected Transactions.

We consider that we have reviewed sufficient information currently available in forming an informed view with reasonable basis on the subject matter. We have not, however, conducted any independent in-depth investigation into the business, affairs, financial position or the future prospects of any members of the Group and the related subject of, and parties to, the 2017–2019 Master Agreement, nor have we carried out any independent verification of the information supplied. 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 stated hereinunder.

This letter is issued as our opinion and recommendation to the Independent Board Committee and the Independent Shareholders which solely for their consideration of whether to approve the Continuing Connected Transactions under the 2017–2019 Master Agreement (including the Annual Caps) and other transactions contemplated thereunder, and save for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Continuing Connected Transactions under the 2017–2019 Master Agreement (including the Annual Caps) and other transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background of the Group

The Group (including Wuling Industrial and its subsidiaries) is principally engaged in the manufacturing and trading of engines, automotive parts and accessories, specialized vehicles, as well as the trading of raw materials, provision of water and power supply services in the PRC.

Set out below are the segmental information of the financial information on the Group for the two years ended 31 December 2015 and the six months ended 30 June 2015 and 30 June 2016, respectively, and as extracted from the annual report of the Company for the year ended 31 December 2015 and interim report of the Company for the six months ended 30 June 2016:

	For the year ended 31 December 2014 (audited) <i>approximately</i> RMB'000	For the year ended 31 December 2015 (audited) <i>approximately</i> RMB'000	For the six month ended 30 June 2015 (unaudited) <i>approximately</i> RMB'000	For the six month ended 30 June 2016 (unaudited) <i>approximately</i> RMB'000
Revenue				
— Engines and related parts	2,666,249	3,620,766	1,500,443	2,437,442
— Automotive components and other industrial services	7,418,056	7,689,088	4,214,940	4,871,678
— Specialized vehicles	2,054,239	2,141,264	1,000,831	1,193,051
— Others	118	125	61	—
	12,138,662	13,451,243	6,716,275	8,502,171
Total	12,138,662	13,451,243	6,716,275	8,502,171

The above table illustrates that the Group's financial performance in every reported business segments increased from 2014 to 2015. In addition, the Group's unaudited consolidated revenue for the six months ended 30 June 2016 also rose by approximately 26.59% as compared to the corresponding period in 2015.

2. Background of Guangxi Automobile

Guangxi Automobile is 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).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Guangxi Automobile, together with its subsidiaries, including the Group, is principally engaged in the trading, manufacturing and design of (i) various types of vehicles, primarily passenger coaches and mini-buses, automotive parts and accessories; (ii) various types of machinery, moulds and tools for production of automobiles, engines, and other relevant parts; (iii) the provision of related services, including but not limited to the technical advisory, after sales services, provision of power and water supply services for the aforementioned products and equipment; and (iv) rental of property and other related services.

3. Principal terms of the Continuing Connected Transactions under the 2017–2019 Master Agreement

The table below summarise the principal terms of the Continuing Connected Transactions under the 2017–2019 Master Agreement:

Date:	16 November 2016
Parties	(a) Wuling Industrial, a non-wholly owned subsidiary of the Company; and (b) Guangxi Automobile, being the ultimate controlling Shareholder, through its indirect wholly owned subsidiaries, is interested in 1,028,846,806 Shares, representing approximately 56.04% of the issued share capital of the Company as at the Latest Practicable Date and is regarded as a connected person of the Company under the Listing Rules.
Scope of products (and services) to be provided (note):	Wuling Industrial Group agreed to supply certain raw materials (including but not limited to steel), consumables (which would be processed into other products) and materials, finished products and semi-finished products (including but not limited to automotive parts and accessories) to Guangxi Automobile Group, further details of each transaction is as follows: 1. GL Sale Transactions — sale of parts and raw materials, mainly steel, to Guangling for manufacturing of automotive parts and other related products including the products under the scope of GL Purchase Transactions as mentioned below; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. GB Sale Transactions — sale of automotive parts (comprising an extensive range of parts and components including but not limited to those applied for the manufacturing and assembly of chassis, engines, brakes, wheels, seat sets, various metal stamping and welding parts, various plastic injection parts and various other accessories), raw materials, consumables (which would be processed into other products) and materials to Guilin Bus for production of vehicles, primarily passenger coaches and mini-buses under the scope of GB Purchase Transactions as mentioned below.

Guangxi Automobile Group agreed to supply consumables (which would be processed into other products) and materials, finished products and semi-finished products (including but not limited to passenger mini-buses, automotive components, mould parts and accessories, and automotive air-conditioners-related parts and accessories) to Wuling Industrial Group, further details of each transaction is as follows:

1. GL Purchase Transactions — purchase of automotive components, (comprising several types of metal stamping parts) mould parts and other related products from Guangling for resale, assembly into component units, as well as for manufacturing of vehicles;
2. GB Purchase Transactions — purchase of passenger mini-buses, primarily passenger coaches and mini-buses, and other related products from Guilin Bus for resale; and
3. Baomali Purchase Transactions — purchase of automotive air-conditioner-related parts and accessories from Baomali for production of automotive parts and accessories, some of which are resold to Guilin Bus for manufacturing of the passenger mini-buses.

Term:

Three years from the Effective Date to 31 December 2019 (both dates inclusive).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing Principles:

Both parties have agreed in principal that the products to be provided by member company(ies) of a group to member company(ies) of the opposite group should be arrived at arm's length basis and on normal commercial terms (or on terms which are no less favourable than those available from or to Independent Third Parties in the event that there is no relevant comparable transaction to be referred to in determining whether the transaction are on normal commercial terms).

The pricings for the products shall be based on:

- (i) the prices which are offered to or by Independent Third Parties in the ordinary and usual course of business (the "**Market Price**"); and
- (ii) in the event where the Market Price is of absence, then the cost-plus basis pricing shall be adopted, of which is based on the actual cost incurred thereof plus a reasonable profit margin (the "**Agreed Price**"). The setting of the said profit margin will be determined with reference to the historical or target gross profit margin of Wuling Industrial Group, and taking into account of the nature, complexity and initial development cost of the relevant product and the stage of product life cycle and the general market situation relevant to the products, which would normally be ranging from approximately 10 to 20%.

Payment terms:

Payments for the products supplied by and/or to Guangxi Automobile Group will be settled by way of cash or such other manner as agreed by the parties, and in accordance with the agreed time and manner stipulated in the contracts(s) to be entered into between member company(ies) of the Wuling Industrial Group and member company(ies) of the Guangxi Automobile Group. The payment terms will be on market terms which are no less favourable than those offered to or by Independent Third Parties, which all payments are generally settled within 180 days in cash or bills receivables/payables.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Note: Below are the general description of the nature of the products to be transacted under the 2017–2019 Master Agreement:

- (a) raw materials — representing raw materials, including but not limited to, steel, plastic and pulp, which has comparable specifications and prices in active markets;
- (b) consumables and materials — representing those processed and/or unprocessed materials and consumables which are applied in the production of automotive components, its related products and vehicles other than the raw materials as above; and
- (c) semi-finished products and finished products — representing automotive components and its related products that are differentiated by whether the product itself requires any further processing works before it could be sold to the customers. In this regard, semi-finished products refer to those further processing works are required, whereas, finished products refer to those further processing works are not required.

Furthermore, pursuant to the terms and conditions of the 2017–2019 Master Agreement, the 2017–2019 Master Agreement is conditional upon the approval of the Independent Shareholders at the SGM and the compliance of any other requirements under the Listing Rules.

4. The Annual Caps

The Annual Caps for each of the three years ending 31 December 2019 are as follows:

Annual Caps

	For the year ending 31 December 2017 <i>RMB'000</i>	For the year ending 31 December 2018 <i>RMB'000</i>	For the year ending 31 December 2019 <i>RMB'000</i>
Sale Transactions, including:			
— GL Sale Transactions:	72,000	74,000	74,000
— GB Sale Transactions:	360,000	460,000	570,000
Annual Caps for the Sale Transactions:	432,000	534,000	644,000
Purchase Transactions, including:			
— GL Purchase Transactions:	16,000	17,000	17,000
— GB Purchase Transactions:	575,000	750,000	850,000
— Baomali Purchase Transactions:	4,700	5,200	5,700
Annual Caps for the Purchase Transactions:	595,700	772,200	872,700

5. Pricing Principals of the Continuing Connected Transactions

In respect of the pricing basis of the Continuing Connected Transactions, we have enquired the management of the Company and were given the understanding that the pricing basis under the 2017–2019 Master Agreement and those under the 2014–2016 Master Agreement are materially the same, which is determined after arm’s length negotiations between the parties, on terms which are no less favourable than those available from or to Independent Third Parties and in accordance to the Market Price or the Agreed Price in the absence of the Market Price.

We have been advised by the Company that (i) in relation to the Purchase Transactions, the purchase department of the Wuling Industrial Group would invite at least three suppliers, where appropriate, would include the relevant connected party and the other Independent Third Parties, to engage in the tender processes to obtain the market prices of the relevant products. The Wuling Industrial Group will review the prices at least once every year or whenever there is a proposed change in the relevant price; and (ii) in relation to the Sale Transactions, with respect to raw materials, the sale department of the Wuling Industrial Group would make reference to the updated market prices of the raw materials in the open market as well as the latest traded and quoted prices from the leading raw material suppliers. For the sales of steel, the sale department of the Wuling Industrial Group would obtain the reference prices online or from monthly quotations by two leading steel suppliers in the PRC, where applicable. The market price data will be updated on a monthly basis under normal circumstances and on a more frequent basis if the relevant market is volatile. The Wuling Industrial Group will conduct periodic reviews, normally semi-annually and at least annually, as compared to the products sold to other Independent Third Parties. Details of which are included in the section headed under “Internal control procedures in relation to the Continuing Connected Transactions” in the “Letter from the Board”.

For those transactions that can be referenced to the Market Price, we are in the opinion that such pricing basis is fair and reasonable and on normal commercial terms. Other transactions where the Market Price is of absence, the Agreed Price will be applied, of which is derived from the actual cost incurred thereof plus a reasonable profit margin. The setting of the said profit margin will be determined with reference to the historical or target gross profit margin of Wuling Industrial Group, and taking into account of the nature, complexity and initial development cost of the relevant product and the stage of product life cycle and the general market situation relevant to the products.

Since (a) references will be made to the historical or target gross margin of the related finished products for the computation of the Agreed Price; and (b) further reference will be made to relevant market comparable, we are of the view that the pricing policy of the Agreed Price is no less favourable to the Group.

Having considered that (i) the terms of the Continuing Connected Transactions offered by the Group to the Guangxi Automobile Group, or vice versa, will be on terms similar to those available offered to or by Independent Third Parties and are no less favourable to the Group; and (ii) the Company has implemented internal control measures

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to ensure the responsible staff comply with the pricing guidelines for the Purchase Transactions and Sales Transactions (details of which are stated in the section headed “Internal control procedures in relation to the Continuing Connected Transactions” in the “Letter from the Board”), we are of the view that the terms and the pricing basis of the Continuing Connected Transactions under the 2017–2019 Master Agreement are on normal commercial terms and 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.

6. Basis of determination of the Annual Caps

As advised by the Company, the Annual Caps were determined with reference to the followings:

- (a) the historical transaction amounts of the Continuing Connected Transactions for the nine months ended 30 September 2016;
- (b) the target production volume of the Wuling Industrial Group and the Guangxi Automobile Group for the three years ending 31 December 2017, 2018 and 2019 (details of which are set out under the paragraph “Target production volume and expected changes in the price range and the types of products” in the “Letter from the Board”);
- (c) the expected change in the types of products to be purchased by the Group and/or sold to the Guangxi Automobile Group for the respective three years ending 31 December 2019 (details of which are set out under the paragraph “Target production volume and expected changes in the price range and the types of products” in the “Letter from the Board”);
- (d) the change in price range of the products to be purchased by the Group and/or sold to the Guangxi Automobile Group as a result of the change in types of products offered. Details of which are fully described under the paragraph “Target production volume and expected changes in the price range and the types of products” in the “Letter from the Board”; and
- (e) a buffer of 5% for (i) any transaction of similar nature which may be entered into with the Guangxi Automobile Group in each of the three years ending 31 December 2019; and (ii) any unforeseeable circumstance, in particular, unexpected market fluctuations, change in government policies on automobile industry, fluctuations in commodity price and increase in labour costs, is also considered.

We have also looked into the utilisation rate of the annual caps in respect of the Continuing Connected Transactions under the 2014–2016 Master Agreement. Set out below is a summary of (i) the historical transaction amounts of the GL Sale Transactions, the GB Sale Transactions, the GL Purchase Transactions, the GB Purchase Transactions and the Baomali Purchase Transactions (all of which represent the Continuing Connected Transactions under the 2017–2019 Master Agreement) for the two years ended 31

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December 2015 and the nine months ended 30 September 2016; and (ii) the annual caps for the abovementioned transactions under the 2014–2016 Master Agreement for each of the three years ending 31 December 2016 approved by Independent Shareholders at a special general meeting of the Company on 23 January 2014.

Historical transaction amounts

	For the year ended 31 December 2014 (audited) <i>approximately</i> RMB'000	For the year ended 31 December 2015 (audited) <i>approximately</i> RMB'000	For the nine months ended 30 September 2016 (unaudited) <i>approximately</i> RMB'000
Sale Transactions, including:			
— GL Sale Transactions:	111,759	62,690	49,688
— GB Sale Transactions:	223,340	117,725	162,652
<i>Sub-total</i>	335,099	180,415	212,340
Purchase Transactions, including:			
— GL Purchase Transactions:	117,823	71,350	51,881
— GB Purchase Transactions:	292,142	267,995	271,311
— Baomali Purchase Transactions:	6,904	5,334	3,582
<i>Sub-total</i>	416,869	344,679	326,774

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Annual caps

	For the year ended 31 December 2014 <i>RMB'000</i>	For the year ended 31 December 2015 <i>RMB'000</i>	For the year ending 31 December 2016 <i>RMB'000</i>
Sale Transactions, including:			
— GL Sale Transactions:	131,400	168,100	210,200
— GB Sale Transactions:	350,400	490,400	637,600
<i>Sub-total</i>	481,800	658,500	847,800
Purchase Transactions, including:			
— GL Purchase Transactions:	119,800	152,700	180,800
— GB Purchase Transactions:	453,800	630,200	840,500
— Baomali Purchase Transactions:	17,900	23,300	30,300
<i>Sub-total</i>	591,500	806,200	1,051,600

Utilisation rates

	For the year ended 31 December 2014 <i>approximately</i>	For the year ended 31 December 2015 <i>approximately</i>	For the year ending 31 December 2016 <i>approximately</i>
Sale Transactions, including:			
— GL Sale Transactions:	85.05%	37.29%	23.64%
— GB Sale Transactions:	63.74%	24.01%	25.51%
<i>Overall</i>	69.55%	27.40%	25.05%
Purchase Transactions, including:			
— GL Purchase Transactions:	98.35%	46.73%	28.70%
— GB Purchase Transactions:	64.38%	42.53%	32.28%
— Baomali Purchase Transactions:	38.57%	22.89%	11.82%
<i>Overall</i>	70.48%	42.75%	31.07%

Note: The utilisation rates for the year ending 31 December 2016 is for reference only, and is calculated based on the historical transaction amounts for the nine months ended 30 September 2016 against the Annual Caps for the year ending 31 December 2016.

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We have noticed that the overall utilisation rate of the annual caps for the aforementioned transactions under the 2014–2016 Master Agreement for the two years ended 31 December 2015 was only between approximately 27.40% and approximately 70.48%. In addition, we have been given the understanding that Wuling Industrial established a new production facility in Chongqing in late 2015 and it is planned that one key component sourced from Guangling in 2016 will be manufactured by the said production facility in Chongqing beginning from 2017. As such, the target purchase quantity for the GL Purchase Transactions under 2017–2019 Master Agreement is estimated to drop from approximately 715,000 units for 2016 to approximately 208,000 units, 220,000 units, and 222,000 units, for the respective three years ending 31 December 2019, respectively. In view of such, the Company has revised the Annual Caps downward to the level as set out above as compared to the annual caps under the 2014–2016 Master Agreement.

We have further analysed that the Annual Caps for the Sale Transactions and the Purchase Transactions for the year ending 31 December 2017 under the 2017–2019 Master Agreement only represent approximately 50.96% and 56.65% of the corresponding annual caps for the year ended 31 December 2016 under the 2014–2016 Master Agreement, respectively. Moreover, based on the historical transaction amounts for the nine months ended 30 September 2016 of the transactions under the 2014–2016 Master Agreement which was equivalent to the Sale Transactions and Purchase Transactions, they represent approximately 49.15% and 54.86% of the Annual Caps for the Sale Transactions and the Purchase Transactions for the year ending 31 December 2017 under the 2017–2019 Master Agreement, respectively. We expect such numbers would continue to improve after taking into account of the corresponding figures of November and December 2016. As a result, we are satisfied that the Annual Caps have been revised accordingly and are corresponding to the historical amounts of the Continuing Connected Transactions.

Furthermore, we have consulted with the Company with the change in types of products offered under the 2017–2019 Master Agreement. As advised by the management of the Company, the Wuling Industrial Group will launch new models of passenger vehicles with improved quality and added features in response to the market demands and the enhanced regulatory standards, which would command higher selling prices and in turn contribute a higher transaction prices between the Wuling Industrial Group and the Guangxi Automobile Group. Due to the launch of these new models of passenger mini-buses in 2017, the Wuling Industrial Group expects that (i) the target production volume for passenger mini-buses under the GB Purchase Transactions is estimated to gradually increase from 5,100 vehicles for 2016 to 5,850 vehicles, 7,380 vehicles and 8,080 vehicles for the respective three years ending 31 December 2019; and (ii) the target selling prices of the existing and new model passenger mini-buses (which includes mini-school buses) for the respective three years ending 31 December 2019 will be ranging from approximately RMB67,000 to RMB90,000 for the existing models and approximately RMB82,000 to RMB130,000 for the new models.

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We were given the understanding that the Group is in constant contact with the Guangxi Automobile Group regarding the prevailing sales status and expected ordering of the items under the GL Sale Transactions and GB Sale Transactions. Relevant sourcing of raw materials for the production of such items under GL Sale Transactions and GB Sale Transactions from the Group's perspective is principally based on the above indications. Therefore, any unutilised amount of the Annual Caps for the Sale Transactions will not have any cost incurred or material impact or adverse effect to the Group. In addition, the Company has confirmed that there is no cost incurred or penalty charged to the Group for any unutilised amount of the Annual Caps for the Purchase Transactions and the Sale Transactions.

Moreover, we have conducted an independent research to analyse the overall trend of the automobile industry which the Group operates in. In our findings, based on automotive industrial figures published by the China Association of Automobile Manufacturers (中國汽車工業協會) (“CAAM”), one of the national automobile associations, indicated that Chinese-branded commercial vehicle (in small-medium coaches category), which the Group primarily focuses on manufacturing such products, sold approximately 388,800 vehicles in 2012 and approximately 479,200 vehicles in 2015, which represents a continuous growth for the four years ended 31 December 2015 with a compound annual growth rate (“CAGR”) of approximately 5.37%. In addition, according to the report dated July 2016 by 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), Wuling branded mini-school buses in general with approximately 26% market share for the six months ended 2016, ranked first in six meter long or below mini-school bus category (for further details, please refer to: http://www.gxgzw.gov.cn/html/2016/guangxiqiyedongtai_0718/113529.html). Furthermore, on 31 December 2015, the State Council of the People's Republic of China (中共中央國務院) announced the reformation of the national policies on family planning and adopted the “Two-child Policy” (兩孩政策). It is expected that there will be an increase in baby population in the PRC and the rise in demand for mini-school buses can possibly be seen in the future which the Group can be benefited from.

In light of the above, with the “Two-child Policy” that can stimulate the future demand for mini-school buses and leading position of Wuling mini-buses in six meters long or below mini-school buses, we concur with the Group that the setting of the Annual Caps with annual increment as stated above are appropriate, fair and reasonable.

We further study the business models of the Group and the Guangxi Automobile Group, that production of automotive parts and accessories and vehicles (where applicable) are on a continual daily basis. It would materially affect the operations and financials of the Company in the event that the production of the automotive parts and accessories and vehicles (where applicable) of the Group has to cease due to maxing out of the Annual Caps, and that any increase in the Annual Caps would require Independent Shareholders' approval at a special general meeting of the Company which would take additional time to process. In view of such, it is in the interests of the Company to have a buffer in the target production volume of the Wuling Industrial Group and the Guangxi Automobile Group (which is reflected in the Annual Caps) for each of the three years

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ending 31 December 2019. We are of view that a buffer of 5% for (i) any transactions of similar nature which may be entered into with the Guangxi Automobile Group in each of the three years ending 31 December 2019; and (ii) any unforeseeable circumstances, in particular, unexpected market fluctuations, changes in government policies on automobile industry, fluctuations in raw material costs and increase in labour costs, is fair and reasonable. Given that the Annual Caps are subject to, among other things, the approval of the Independent Shareholders at the SGM, which safeguards the Shareholders' interest as a whole.

Having considered that: (a) the Purchase Transactions and the Sale Transactions is in the ordinary course of business of the Group; (b) the terms of the Continuing Connected Transactions under the 2017–2019 Master Agreement are fair and reasonable, on arm's length basis and on terms no less favourable to the Group; (c) there is no cost incurred or penalty charged to the Group for any unutilised amount under the Annual Caps; (d) the "Two-child Policy" can stimulate the future demand for mini-school buses and leading position of Wuling mini-buses in six meters long or below mini-school buses; and (e) there could be material adverse effect to the Group if the Annual Caps are not renew on time in the event of maxing out of the Annual Caps, we concur with the view of the Company that there is no major disadvantage to the Group for carrying out the Continuing Connected Transactions and the setting of the Annual Caps for each of the three years ending 31 December 2019 is justifiable, fair and reasonable so far as the Independent Shareholders are concerned.

7. Internal Control procedures in relation to the Continuing Connected Transactions

We are advised that the Company has adopted internal control procedures on all sales and purchases transactions, which has implemented on the Continuing Connected Transactions under the 2014–2016 Master Agreement and will be implemented on the Continuing Connected Transactions under the 2017–2019 Master Agreement, so as to ensure the payment terms and pricing basis of the sales and purchases transactions are on terms which are no less favourable than those available from or to the Independent Third Parties. For details, please refer to the section headed "Internal control procedures in relation to the Continuing Connected Transactions" in the "Letter from the Board".

Other than reviewing and discussing with the management of the Company on the internal control procedures in relation to the Sale Transactions and the Purchase Transactions, respectively, we have also compared the terms of the agreements (including pricing basis) in relation to the transactions under the 2014–2016 Master Agreement which was equivalent to the Sale Transactions and Purchase Transactions entered with the Guangxi Automobile Group against with those entered with the Group's Independent Third Parties during the term of the 2014–2016 Master Agreement. We have taken agreements entered with the Group's top four independent customers, representing approximately 74.69% of the total sales of the Group in 2015, in respect of the transactions under the 2014–2016 Master Agreement which was equivalent to the Sale Transactions and agreements entered with the Group's top four independent suppliers, representing approximately 25.28% of the total purchases of the Group in 2015, in respect

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of the transactions under the 2014–2016 Master Agreement which was equivalent to the Purchase Transactions, as our samples. We are of the view that the terms of the agreements (including pricing basis) in relation to the transactions under the 2014–2016 Master Agreement which was equivalent to the Sale Transactions and Purchase Transactions entered with the Guangxi Automobile Group and those entered with the Group's Independent Third Parties during the term of the 2014–2016 Master Agreement are both similar in nature and on normal commercial terms and are no less favourable to the Group for comparable transactions. As such, we believe that the internal control procedures in relation to the Sale Transactions and the Purchase Transactions are appropriate to safeguard the interest of the Company and Shareholders as a whole.

8. Reasons for and benefit of entering into the 2017–2019 Master Agreement and the renewal of existing Continuing Connected Transactions

Pursuant to the information provided by the Company, in relation to the Purchase Transactions, the Group has been procuring certain parts and components and services for the manufacture of its products from the Guangxi Automobile Group over the years. As a result of such long-term business relationship, the Guangxi Automobile Group is familiar with the standards and specifications and has been able to respond quickly and in a cost-efficient manner to any new requirements that the Wuling Industrial Group may request. Meanwhile, since 2008, the Wuling Industrial Group is also acted as the main sale agent of certain types of vehicles, primarily passenger mini-buses of the Guangxi Automobile Group. In view of the recent improvement of sale of higher-end model passenger mini-buses, it is the Group's intention to continue such arrangement to strengthen the revenue stream of the Group.

In relation to the Sale Transactions, the Wuling Industrial Group is supplying certain parts and components and services to the Guangxi Automobile Group over the years. As a result, the Group and the Guangxi Automobile Group have a solid business relationship. The 3-year procurement and supply relationship with the Guangxi Automobile Group to be established pursuant to the 2017–2019 Master Agreement will stabilize the business of the Group. In addition, the Group has also been providing centralized procurement services to its group companies, customers and suppliers for the supply of raw materials, mainly steel products. Such centralized procurement mechanism strengthens the business relationships among the entities and enhances the efficiency and productivity of the entities' operations through the benefits of bulk purchases and scale operation.

In view of the above, we concur with the Company that the Sale Transactions and the Purchase Transactions will help strengthen the Group's ability to carry out a stable and sustainable business operation which is in the interest of the Company and the Shareholders as a whole.

9. Listing Rules Implications

Apart from reporting, announcement and Independent Shareholders' approval requirements as required pursuant to the Listing Rules, the Continuing Connected Transactions under the 2017–2019 Master Agreement (including the Annual Caps) and other transactions contemplated thereunder are subject to the annual review requirements under the Rules 14A.55 to 14A.59 of the Listing Rules, in particular:

- (i) the independent non-executive Directors must review the Continuing Connected Transactions under the 2017–2019 Master Agreement (including the Annual Caps) and other transactions contemplated thereunder every year and confirm in the annual report of the Company whether the Continuing Connected Transactions have been entered into:
 - (1) in the ordinary and usual course of business of the Group;
 - (2) are fair and reasonable and on normal commercial terms; and
 - (3) in the interests of the Shareholders as a whole;
- (ii) the Company must engage its auditors to report on the Continuing Connected Transactions every year. The auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:
 - (1) have not been approved by the Board;
 - (2) were not, in all material respects, in accordance with the pricing policies of the Group;
 - (3) were not entered into, in all material respects, in accordance with the 2017–2019 Master Agreement governing the transactions; and
 - (4) have exceeded the Annual Caps;
- (iii) the Company will comply with all other relevant requirements under the Listing Rules.

10. Recommendation

Having taken into account the above factors and reasons, we are of the opinion that:

- (i) the entering of the Continuing Connected Transactions under the 2017–2019 Master Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and
- (ii) the terms of the Continuing Connected Transactions under the 2017–2019 Master Agreement (including the Annual Caps) and other transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Continuing Connected Transactions under the 2017–2019 Master Agreement (including the Annual Caps) and other 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
Hooray Capital Limited
Simon Ng
Director

Mr. Simon Ng is a licensed person under the SFO to engage in, inter alia, Type 6 (advising on corporate finance) regulated activity and has over 17 years of experience in investment banking and corporate finance.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(i) Directors and chief executive of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company held any interest or short positions in the Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of part XV of the Securities Future Ordinance (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 to be notified to the Company and the Stock Exchange:

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 Shing (“Mr. Lee”)	Interest in controlled corporation (<i>Note</i>)	281,622,914	15.34%
	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>0.06%</u>

Note: This represents the Shares held by Dragon Hill Development Limited (“**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.

(ii) 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 positions

Name of Shareholders	Capacity	Nature of interest	Number of Shares held	Approximate % of the total number of Shares in issue*
Dragon Hill (<i>Note 1</i>)	Beneficial owner	Corporate	<u>281,622,914</u>	<u>15.34%</u>
Wuling (Hong Kong) Holdings Limited (“ Wuling HK ”) (<i>Notes 2 and 3</i>)	Beneficial owner	Corporate Unlisted derivatives	1,028,846,806 <u>571,428,571</u>	56.04% 31.13%
			<u>1,600,275,377</u>	<u>87.17%</u>
Wuling Motors (Hong Kong) Company Limited (<i>Notes 2 and 3</i>)	Interest in controlled corporation	Corporate Unlisted derivatives	1,028,846,806 <u>571,428,571</u>	56.04% 31.13%
			<u>1,600,275,377</u>	<u>87.17%</u>
Guangxi Automobile (<i>Notes 2 and 3</i>)	Interest in controlled corporation	Corporate Unlisted derivatives	1,028,846,806 <u>571,428,571</u>	56.04% 31.13%
			<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 issuable to Wuling HK upon exercise in full of the conversion rights attaching to the convertible notes proposed to be issued to Wuling HK pursuant to the Subscription Agreement (as defined below).

* The percentage has been adjusted (if any) based on the total number of Shares in issue as at the Latest Practicable Date.

3. 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).

4. 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, 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, 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 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.

On 13 October 2016, the Company and Wuling HK entered into a conditional subscription agreement, pursuant to which the Company has conditionally agreed to issue and Wuling HK has conditionally agreed to subscribe for the convertible notes in an aggregate principal amount of HK\$400,000,000 at an initial conversion price of HK\$0.70 per Share (subject to adjustments) (the "**Subscription Agreement**"). Details of Subscription Agreement was fully described in the Company's announcement dated 13 October 2016 and the Company's circular dated 28 November 2016.

Besides, in relation to the Subscription Agreement, on 13 October 2016, the Company entered into the a conditional 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 into Wuling Industrial in two instalments, in 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, and upon completion, 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 "**Capital Increase Agreement**"). Details of Capital Increase Agreement was fully described in the Company's announcement dated 13 October 2016 and the Company's circular dated 28 November 2016.

Mr. Yuan Zhijun, chairman of the Board and an executive Director, is currently a director of Guangxi Automobile and Wuling HK. Mr. Zhong Xianhua and Mr. Yang Jianyong, both of them executive Directors, are currently senior executives of Guangxi Automobile.

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.

5. COMPETING INTEREST

As at the Latest Practicable Date, Mr. Yuan Zhijun, the chairman of the Board and 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 fulfil 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 close associates had any direct or indirect interest in a business which competes or may compete with the business of the Company.

6. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert which has given advice contained in this circular:

Name	Qualification
Hooray Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) of the regulated activities under the SFO

As at the Latest Practicable Date, Hooray Capital did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Hooray Capital did not have any direct or indirect interest in any asset which 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 since 31 December 2015, being the date to which the latest published consolidated audited financial statements of the Group were made up.

Hooray Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter to the Independent Board Committee and the Independent Shareholders and references to its name in the form and context in which they are included in this circular.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published consolidated audited financial statements of the Company were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any business day at the principal place of business of the Company in Hong Kong at Unit 2403, 24th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the SGM of the Company to be held on Friday, 6 January 2017.

- (i) the letter from the Independent Board Committee to the Independent Shareholders giving its recommendations on the Continuing Connected Transactions under the 2017–2019 Master Agreement and the transactions contemplated thereunder, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (ii) the letter from Hooray Capital containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders regarding the Continuing Connected Transactions under the 2017–2019 Master Agreement and the transactions contemplated thereunder, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular;
- (iii) the written consent of Hooray Capital referred to in the paragraph headed “Expert’s Qualification and Consent” in this appendix;
- (iv) the 2014–2016 Master Agreement and 2017–2019 Master Agreement; and
- (v) this circular.

NOTICE OF SGM



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

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

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Wuling Motors Holdings Limited (the “Company”) will be held at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Friday, 6 January 2017 at 9:30 a.m., for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the 2017-2019 Master Agreement dated 16 November 2016 (copy of which has been produced to this meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification) including the Annual Caps for the Sale Transactions and Purchase Transactions and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the Board be and is hereby authorized to take all such actions as it considers necessary or desirable to implement and give effect to the 2017–2019 Master Agreement and the transactions contemplated thereunder.”

For the purpose of this resolution, the term “2017–2019 Master Agreement” shall have the same definitions as defined in the circular to the shareholders of the Company dated 15 December 2016.

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

Hong Kong, 15 December 2016

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

NOTICE OF SGM

As at the date of this notice, the Board comprises Mr. Yuan Zhijun (Chairman), Mr. Lee Shing (Vice-chairman and Chief Executive Officer), Mr. Zhong Xianhua, Ms. Liu Yaling and Mr. Yang Jianyong as executive Directors, and Mr. Zuo Duofu, Mr. Ye Xiang and Mr. Wang Yuben as independent non-executive Directors.

Notes:

1. Any member entitled to attend and vote at the SGM (or at any adjournment thereof) is entitled to appoint one or more proxies to attend and, in the event of poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be lodged with 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 SGM (or at any adjournment thereof). Completion and return of the forms of proxy will not preclude a member from attending the SGM and voting in person if he so wishes. In this event that a member attends the SGM after having lodged his form of proxy, his form of proxy will be deemed to have been revoked.
3. In the case of joint holders of Shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such Share as if he was solely entitled thereto, but if more than one of such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
4. Shareholders are advised to read the circular to the shareholders of the Company dated 15 December 2016 which contains information concerning the resolution to be proposed in this notice.
5. The ordinary resolution to be proposed at the SGM shall be decided by way of poll.