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

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

**(1) SUPPLEMENTAL AGREEMENT AND
SECOND SUPPLEMENTAL AGREEMENT TO
THE 2017–2019 MASTER AGREEMENT;
AND
(2) REVISION OF ANNUAL CAPS**

Financial adviser to the Company



Donvex Capital Limited
富域資本有限公司

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

HORAY 好盈

Hooray Capital Limited

A letter from the Board is set out on pages 6 to 23 of this circular. A letter from the Independent Board Committee is set out on pages 24 and 25 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 42 of this circular.

A notice convening the SGM to be held at Unit 2403, 24/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Friday, 30 June 2017 at 10:00 a.m. is set out on pages 49 and 50 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.

13 June 2017

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DEFINITIONS

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

“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 for a term of three years from 1 January 2017 to 31 December 2019
“Annual Cap(s)”	the 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 2017, 2018 and 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, Baomali Purchase Transactions and Outsourcing Services under the 2017–2019 Master Agreement as amended by the Supplemental Agreement
“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“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
“GL Purchase Transactions”	purchase of automotive parts, raw materials, 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
“Group”	the Company and its subsidiaries
“Guangling”	柳州廣菱汽車技術有限公司 (Liuzhou Guangling Moulds & Tools 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
“Guangxi Automobile”	廣西汽車集團有限公司 (Guangxi Automobile Group Co., 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 and Guilin Bus)
“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 70.0% of its total registered capital as at the Latest Practicable Date
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company (which comprises all independent non-executive Directors) formed to consider the terms of the Supplemental Agreement and the Second Supplemental Agreement in relation to the Revised Annual Caps of the Sale Transactions and the Purchase Transactions
“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 Supplemental Agreement and the Second Supplemental Agreement and the Revised Annual Caps
“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
“Latest Practicable Date”	8 June 2017, 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
“New Annual Cap”	the annual cap of the Outsourcing Services for the year ending 31 December 2017 under the 2017–2019 Master Agreement as amended by the Supplemental Agreement
“Outsourcing Services”	provision of production outsourcing services by Wuling Industrial Group to Guangling under the 2017–2019 Master Agreement as amended by the Supplemental Agreement
“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 or the 2017–2019 Master Agreement as amended by the Second Supplemental Agreement, as appropriate

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“Revised Annual Cap”	the proposed annual caps of the GL Sale Transactions, GL Purchase Transactions, Baomali Purchase Transactions, Sale Transactions and the Purchase Transactions respectively and as appropriate, as amended by the Supplemental Agreement and Second Supplemental Agreement for each of the three years ending 31 December 2017, 2018 and 2019
“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 or the 2017–2019 Master Agreement as amended by the Supplemental Agreement, as appropriate
“Second Supplemental Agreement”	the second supplemental agreement dated 17 May 2017 entered into between Wuling Industrial and Guangxi Automobile to further revise the Annual Caps for the GL Purchase Transactions and Baomali Purchase Transactions under the 2017–2019 Master Agreement and to rescind the revision of the Annual Caps of GB Purchase Transactions under the Supplemental Agreement
“SGM”	the special general meeting of the Company to be convened and held on 30 June 2017 to approve the Supplemental Agreement and the Second Supplemental Agreement in relation to the Revised Annual Caps of the Sale Transactions and the Purchase Transactions
“SGMW”	上汽通用五菱汽車股份有限公司 (SAIC-GM-Wuling Automobile Co., Limited*), a company established in the PRC and a joint venture formed among Shanghai Automobile Industry (Group) Company Limited, GM (China) Investment Co., Limited and Guangxi Automobile and is currently a major customer of Wuling Industrial Group’s businesses in engines and automotive components
“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

“Supplemental Agreement”	the supplemental agreement dated 28 April 2017 entered into between Wuling Industrial and Guangxi Automobile to amend certain terms of the 2017–2019 Master Agreement and revise the Annual Caps for GL Sale Transactions, GL Purchase Transactions, GB Purchase Transactions and Sale Transactions and to adopt the New Annual Cap for the Outsourcing Services under the 2017–2019 Master Agreement
“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

* *For identification purposes only*



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

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

Executive directors:

Mr. Yuan Zhijun (*Chairman*)
Mr. Lee Shing (*Vice-chairman and
Chief Executive Officer*)
Mr. Zhong Xianhua
Ms. Liu Yaling
Mr. Yang Jianyong

*Principal place of business
in Hong Kong:*

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

Independent non-executive directors:

Mr. Zuo Duofu
Mr. Ye Xiang
Mr. Wang Yuben

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12 Bermuda

13 June 2017

To the Shareholders

Dear Sir or Madam,

**(1) SUPPLEMENTAL AGREEMENT AND
SECOND SUPPLEMENTAL AGREEMENT TO
THE 2017–2019 MASTER AGREEMENT;
AND
(2) REVISION OF ANNUAL CAPS**

INTRODUCTION

Reference is made to the announcements of the Company dated 28 April 2017 and 17 May 2017 respectively, in relation to the Supplemental Agreement and Second Supplemental Agreement to the 2017–2019 Master Agreement.

On 28 April 2017 (after trading hours), the Company and Guangxi Automobile entered into the Supplemental Agreement to amend certain terms of the 2017–2019 Master Agreement. Besides, the Board also proposed to (i) revise the Annual Caps for the GL Sale Transactions, GL Purchase Transactions and GB Purchase Transactions for each of the three years ending 31 December 2017, 2018 and 2019 respectively and (ii) adopt the New Annual Cap for the Outsourcing Services for the year ending 31 December 2017.

On 17 May 2017 (after trading hours), the Company and Guangxi Automobile entered into the Second Supplemental Agreement (i) to further revise the Annual Caps for the Purchase Transactions, including the GL Purchase Transactions and Baomali Purchase

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Transactions, for each of the three years ending 31 December 2017, 2018 and 2019 respectively, and (ii) to rescind the revision of the Annual Caps of the GB Purchase Transactions under the Supplemental Agreement.

The Purpose of this circular is to provide you with, among other things, (i) details of the Supplemental Agreement and Second Supplemental Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders giving its recommendations in respect of the terms of the Supplemental Agreement and the Second Supplemental Agreement in relation to the Revised Annual Caps of the Sale Transactions and the Purchase Transactions; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the terms of the Supplemental Agreement and the Second Supplemental Agreement in relation to the Revised Annual Caps of to the Sale Transactions and the Purchase Transactions; and (iv) a notice of the SGM.

THE 2017–2019 MASTER AGREEMENT AS AMENDED BY THE SUPPLEMENTAL AGREEMENT

The principal terms of the Continuing Connected Transactions under the 2017-2019 Master Agreement as amended by the Supplemental Agreement are summarized as follows:

Date: 28 April 2017

Parties: (a) Wuling Industrial, a non-wholly owned subsidiary of the Company; and
(b) Guangxi Automobile, being the controlling Shareholder, indirectly interested in approximately 56.04% of the total number of Shares in issue of the Company as at the 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 products under the scope of GL Purchase Transactions as below mentioned; and

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- (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.

Besides, Wuling Industrial agreed to provide power supply services and production outsourcing services to Guangxi Automobile Group.

Guangxi Automobile Group agreed to supply consumables and materials, scrap 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, 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 minibuses, 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.

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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.

Term: Three years from 1 January 2017 to 31 December 2019 (both dates inclusive).

Pricing principles: The pricing for the products supplied by or 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 and Guangxi Automobile 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.

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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.

REVISION OF ANNUAL CAPS UNDER THE SUPPLEMENTAL AGREEMENT

Pursuant to the Supplemental Agreement, the Board also proposed to (i) revise the Annual Caps for the GL Sale Transactions, GL Purchase Transactions and GB Purchase Transactions for the three years ending 31 December 2017, 2018 and 2019 respectively; and (ii) adopt the New Annual Cap for the Outsourcing Services for the year ending 31 December 2017.

REVISION OF ANNUAL CAPS UNDER THE SECOND SUPPLEMENTAL AGREEMENT

On 17 May 2017, the Company and Guangxi Automobile entered into the Second Supplemental Agreement (i) to further revise the Annual Caps for the Purchase Transactions, including the GL Purchase Transactions and Baomali Purchase Transactions, for each of the three years ending 31 December 2017, 2018 and 2019 respectively, and (ii) to rescind the revision of the Annual Caps of GB Purchase Transactions under the Supplemental Agreement.

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HISTORICAL TRANSACTION RECORDS

Set out below are the historical transaction amounts of the GL Sale Transactions, GL Purchase Transactions, GB Purchase Transactions and Baomali Purchase Transactions for the years ended 31 December 2015 and 2016 and three months ended 31 March 2017.

	Year ended 31 December		Three months ended
	2015	2016	31 March 2017
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
GL Sale Transactions	<u>62,690</u>	<u>78,244</u>	<u>27,004</u>
Annual Caps	<u>168,100</u>	<u>210,200</u>	<u>72,000</u>
Utilization rate	<u>37.3%</u>	<u>37.2%</u>	<u>37.5% (note)</u>
GL Purchase Transactions	<u>71,350</u>	<u>71,057</u>	<u>14,591</u>
Annual Caps	<u>152,700</u>	<u>180,800</u>	<u>16,000</u>
Utilization rate	<u>46.7%</u>	<u>39.3%</u>	<u>91.2% (note)</u>
GB Purchase Transactions	<u>267,995</u>	<u>393,913</u>	<u>93,056</u>
Annual Caps	<u>630,200</u>	<u>840,500</u>	<u>575,000</u>
Utilization rate	<u>42.5%</u>	<u>46.9%</u>	<u>16.2% (note)</u>
Baomali Purchase Transactions	<u>5,334</u>	<u>6,319</u>	<u>2,366</u>
Annual Caps	<u>23,300</u>	<u>30,300</u>	<u>4,700</u>
Utilization rate	<u>22.9%</u>	<u>20.9%</u>	<u>50.3% (note)</u>

Note: The utilization rate is calculated based on the actual transactions amounts for the three months ended 31 March 2017 against the Annual Caps for the year ending 31 December 2017.

As demonstrated in above table, the respective aggregate annual amounts of the GL Sale Transactions, GL Purchase Transactions, GB Purchase Transactions and Baomali Purchase Transactions for the year ended 31 December 2015 and the 2016 did not exceed the annual caps as approved by the Independent Shareholders at the special general meeting of the

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Company held on 23 January 2014. Besides, the Board confirmed that, the aggregate amounts of the GL Sale Transactions, GL Purchase Transactions, GB Purchase Transactions and Baomali Purchase Transactions for the three months ended 31 March 2017 did not exceed the respective Annual Caps for the year ending 31 December 2017 under the 2017–2019 Master Agreement, which were approved by the Independent Shareholders at the special general meeting of the Company held on 6 January 2017.

REVISION OF THE ANNUAL CAPS

Pursuant to the Supplemental Agreement and Second Supplemental Agreement, the Board proposed to revise the Annual Caps for the GL Sale Transactions, GL Purchase Transactions and Baomali Purchase Transactions for each of the three years ending 31 December 2017, 2018 and 2019 respectively as demonstrated in the tables below:

(i) Sale Transactions

	Annual Caps			Revised Annual Caps		
	Year ending 31 December			Year ending 31 December		
	2017	2018	2019	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(i) GL Sale Transactions	72,000	74,000	74,000	170,000	175,000	175,000
(ii) GB Sale Transactions	<u>360,000</u>	<u>460,000</u>	<u>570,000</u>	<u>360,000</u>	<u>460,000</u>	<u>570,000</u>
Aggregate Annual Caps for Sale Transactions	<u><u>432,000</u></u>	<u><u>534,000</u></u>	<u><u>644,000</u></u>	<u><u>530,000</u></u>	<u><u>635,000</u></u>	<u><u>745,000</u></u>

Basis of determination of the Revised Annual Caps

The above Revised Annual Caps of the GL Sale Transactions have been determined by reference to the following:

- (a) the aggregate transaction amounts of approximately RMB27 million under the GL Sale Transactions during the three months ended 31 March 2017, which represents approximately 37.5% of Annual Caps of GL Sale Transactions for the year ending 31 December 2017;
- (b) In February 2017, Wuling Industrial Group and Guangling reassessed that the volume of the raw materials, mainly steels, supplied by Wuling Industrial Group to Guangling under the 2017–2019 Master Agreement will be increased from 16,000 tons, 16,500 tons and 16,500 tons to 28,800 tons, 29,300 tons and 29,300 tons for the three years ending 31 December 2017, 2018 and 2019 respectively to meet the increase in the demand of Guangling, due to (i) the additional orders of car door components confirmed by SGMW to Guangling in February 2017; and (ii) the additional orders to be placed by Wuling Industrial Group under the GL Purchase Transactions as revised by the Second

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Supplemental Agreement dated 17 May 2017. As such, the growth rate in the transaction amount of the GL Sale Transactions since April 2017 was expected to be higher than the first three months in 2017.

- (c) The quoted price of steel was increased by the main supplier of Wuling Industrial, a leading supplier in the PRC market, with effect from January 2017, in consequence of a sharp increase of over 20% in the market price of the raw materials, mainly the iron ore and coking coal, for producing steels in December 2016. The price of iron ores had been increased from approximately US\$65.3 per tonne to approximately US\$82.3 per tonne during November to December 2016, representing an increase of approximately 26.0%; while the price index of coking coal had been increased from 207 to 250 during November to December 2016, representing an increase of approximately 20.7%. In view of this upward trend of the market price of steels in the PRC market, Wuling Industrial and Guangxi Automobile estimated that the average market price of steels in 2017 will be increased by approximately 30% to 40%, from RMB 4,262.5 per tonne to RMB 5,600 per tonne, as compared to the corresponding period in 2016.

As the selling price of steels charged to Guangling under the GL Sale Transactions is determined with reference to the market prices of steels and the quoted prices offered by the main suppliers, it is foreseeable that the increase in market price of steels has impact on the cost of steels for Wuling Industrial, which would be transferred to the selling price of steels to Guangling; and

- (d) a buffer of approximately 5% adopted for any unforeseeable circumstance, in particular market fluctuations, changes in government policies on automobile industry, fluctuations in raw material costs, market trend of the steel price and increase in labour costs.

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(ii) Purchase Transactions

	Annual Caps			Revised Annual Caps		
	Year ending 31 December			Year ending 31 December		
	2017	2018	2019	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(i) GL Purchase Transactions	16,000	17,000	17,000	57,000	65,000	60,000
(ii) GB Purchase Transactions	575,000	750,000	850,000	575,000	750,000	850,000
(iii) Baomali Purchase Transactions	<u>4,700</u>	<u>5,200</u>	<u>5,700</u>	<u>23,000</u>	<u>29,000</u>	<u>31,000</u>
Aggregate Annual Caps for Purchase Transactions	<u><u>595,700</u></u>	<u><u>772,200</u></u>	<u><u>872,700</u></u>	<u><u>655,000</u></u>	<u><u>844,000</u></u>	<u><u>941,000</u></u>

Basis of determination of the Revised Annual Caps

The above Revised Annual Caps of the GL Purchase Transactions have been determined by reference to the following:

- (a) the aggregate transaction amounts of approximately RMB14.6 million under the GL Purchase Transactions during the three months ended 31 March 2017, which represents approximately 91.2% of Annual Caps of GL Purchases Transactions for the year ending 31 December 2017;
- (b) the estimated increase in the volume of automotive components to be sourced from Guangling by Wuling Industrial Group, primarily the automotive front-floors components under the GL Purchase Transactions. Wuling Industrial and Guangling estimated that the target volume of these specific automotive components will be increased from approximately 208,000 units, 222,000 units and 222,000 units to approximately 286,000 units, 402,000 units and 322,000 units for the three years ending 31 December 2017, 2018 and 2019 respectively;
- (c) The production facility of Wuling Industrial in Chongqing has commenced operation for over a year to supply automotive components for particular vehicle models manufactured in the production facilities of SGMW in Chongqing. As such, the specific automotive components, namely the car roof components, for one of the abovementioned vehicle models would not require to be sourced by SGMW from Guangling through Wuling Industrial. In this regard, the purchase of the car roof components was not included in the GL Purchase Transactions for the three years ending 31 December 2019 under the 2017–2019 Master Agreement.

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However, in January 2017, Wuling Industrial was informed by SGMW that SGMW would maintain certain portion of such vehicle model to be manufactured in Liuzhou. In order to respond quickly to the particular needs of SGMW, Wuling Industrial decided to continue the procurement of the car roof components from Guangling in Liuzhou for the three years ending 31 December 2019, which amounts are estimated to be approximately RMB20.5 million, RMB16.4 million and RMB10.3 million (consists of estimated quantities of 200,000 units, 160,000 units and 100,000 units respectively) for the each year ending 31 December 2017, 2018 and 2019 respectively;

- (d) as a result of the increase in volume of transactions with Guangling, the corresponding mould parts and scarp materials to be sourced from Guangling by Wuling Industrial Group will be increased accordingly, which amounts are estimated to be approximately RMB14.2 million, RMB17.7 million and RMB24.7 million for the years ending 31 December 2017, 2018 and 2019 respectively; and
- (e) a buffer of approximately 5% for each of the three years ending 31 December 2017, 2018 and 2019 are adopted to cater for any unforeseeable circumstance, in particular market fluctuations, changes in government policies on automobile industry, fluctuations in raw material costs and increase in labour costs.

As such, the Revised Annual Cap of the GL Purchase Transactions of RMB57.0 million for the year ending 31 December 2017 is determined in accordance with the forecast provided by the purchase department of Wuling Industrial, after having a discussion with Guangling, which is based on the most updated demand from their end customer, i.e. SGMW. Therefore, the Directors consider such Revised Annual Cap of the GL Purchase Transactions for the year ending 31 December 2017 reflects the best estimate for the time being.

Besides, the Revised Annual Caps of the Baomali Purchase Transactions have been determined by reference to the following:

- (a) the aggregate transaction amounts of approximately RMB2.4 million under the Baomali Purchase Transactions during the three months ended 31 March 2017, which represents approximately 50.3% of Annual Caps of Baomali Purchases Transactions for the year ending 31 December 2017;
- (b) the increase in the target production volume and the new types of products to be purchased from Baomali. In May 2017, Wuling Industrial decided to source 4 new types of assembled air-conditioner units, which have been recently launched by Baomali, under the Baomali Purchase Transactions. Wuling Industrial and Guangxi Automobile estimated the target volume of these 4 new types of assemble air-conditioner units will be approximately 4,000 units, 6,500 units, and 6,350 units for three years ending 31 December 2017, 2018 and 2019 respectively, with a price range from RMB1,700 to RMB4,500 per unit; and

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- (c) a buffer of approximately 5% for each of the three years ending 31 December 2017, 2018 and 2019 are adopted to cater for any unforeseeable circumstance, in particular market fluctuations, changes in government policies on automobile industry, fluctuations in raw material costs and increase in labour costs.

As confirmed by the management of the Company, the Directors will continue to monitor the Continuing Connected Transactions and ensure that the Annual Caps of the GL Sale Transactions, GL Purchase Transactions and Baomali Purchase Transactions will not be exceeded prior to obtaining shareholders' approval for the Revised Annual Caps at the SGM.

INTERNAL CONTROL PROCEDURES IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS

As stated under the section headed "INTERNAL CONTROL PROCEDURES IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS" in the circular of the Company dated 15 December 2016, Wuling Industrial Group has adopted and will continue to implement a set of standard internal control procedures on all Purchase Transactions and Sales Transactions covered under 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 under the 2017–2019 Master Agreement as amended by the Supplemental Agreement and the Second Supplemental Agreement 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.

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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 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 as amended by the Supplemental Agreement and the Second Supplemental 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 (i.e. BAIINFO, <http://www.baiinfo.com>) 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

LETTER FROM THE BOARD

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 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 as amended by the Supplemental Agreement and the Second Supplemental Agreement will be conducted on normal commercial terms or better and not prejudicial to the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP

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

INFORMATION ON 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 Shares in issue of the Company, and is the ultimate controlling Shareholder of the Company as at the Latest Practicable Date. Guangxi Automobile is currently a state-controlled company established in the PRC with the State-owned Assets Supervision and Administration

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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 REVISION OF THE ANNUAL CAPS

GL Sale Transactions and GL Purchase Transactions

The revision of the Annual Caps for the GL Purchase Transactions and GL Sale Transactions under the Supplemental Agreement and Second Supplemental Agreement respectively is due to following reasons:

- (a) As disclosed in the annual report of the Company for the year ended 31 December 2016, SGMW is the major customer of Wuling Industrial, the principal operating subsidiary of the Group in the business divisions of (1) engines and related parts and (2) automotive components and other industrial services. As such, Wuling Industrial Group, being the direct and indirect manufacturers of automotive components for SGMW, is always required to review and adjust their production plans frequently to meet with the specific requests and demands of SGMW, which needs to respond to changing market and business environment.

With the change in the demand of SGMW, it has impact on Wuling Industrial Group when procuring certain parts and components from Guangling and supplying raw materials to Guangling.

Guangling has been familiar with the standards and specifications and therefore it has been able to respond quickly and in a cost efficient manner to any new requirement from Wuling Industrial Group. Besides, the centralized procurement services provided by the Group to supply raw materials, mainly steels, to its group companies, customers and suppliers will (i) strengthen the business relationships among the parties; and (ii) enhance the operating efficiency and productivity of the parties through the benefits of bulk purchases and scale operation; and

- (b) Meanwhile, since the beginning of the year 2017, the market price of steels has been increased by more than 30% as compared to the corresponding period of 2016, so it is necessary for both parties to re-formulate the original plans by adjusting the unit selling price of the steels upward in order to reflect the change in the market situation.

LETTER FROM THE BOARD

Baomali Purchase Transactions

As one of the Wuling Industrial's major supplier, Baomali has been supplying automotive air-conditioners-related parts and accessories to Wuling Industrial for many years. Therefore Baomali has (i) been familiar with the standards and specifications of Wuling Industrial Group; and (ii) been able to respond to any requirement from Wuling Industrial Group in an effective way.

Due to an increase in the applications of the air-conditioners-related parts and accessories in the production of specialized vehicles by Wuling Industrial Group, Wuling Industrial and Baomali have recently revised the target production volume and included new type of products (which primarily consists of 4 new types of assembled air-conditioner units) under the Baomali Purchase Transactions for each of the three years ending 31 December 2017, 2018 and 2019 in order to meeting the production needs of Wuling Industrial.

Taking into account that revisions of the Annual Caps for the Sale Transactions and Purchase Transactions pursuant to the Supplemental Agreement and the Second Supplemental Agreement are mainly due to (i) the sudden sharp increase in the market price of steels; (ii) the increase in the target volume of the products supplied or purchased by Wuling Industrial Group as a result of the changing demand from the key customer i.e. SGMW; and (iii) the new types of assembled air-conditioner products launched by Baomali, the Directors consider the revisions of the Annual Caps as special and exceptional factors in operation under the 2017–2019 Master Agreement.

Wuling Industrial Group will obtain indicative production plan from SGMW on an annual basis, subject to the rolling production plan updated normally on a monthly basis or shorter notice based on the fluctuation of the market situation and commercial decision of SGMW. However, in view of the current information available to Wuling Industrial, it is not necessary for the Board to frequently revise the Annual Caps under the 2017–2019 Master Agreement during the three years ending 31 December 2019.

In view of the above and 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; (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; and (iv) subject to the internal control procedures of the Wuling Industrial Group as stated under the above section "Internal Control Procedures In Relation To the Continuing Connected Transactions", the Directors (including the independent non-executive Directors after considering the advice of Hooray Capital) consider that:

- (a) the revisions of the Annual Caps of the Sale Transactions and the Purchase Transactions will facilitate the Group to cope with the increase in the transaction amounts of the Sale Transactions and the Purchase Transactions without exceeding the Annual Caps. In this regard, no disadvantage to the Group has been identified as at the date of this circular; and

LETTER FROM THE BOARD

- (b) the terms of the Supplemental Agreement and Second Supplemental Agreement in relation to the Revised Annual Caps of the Sale Transactions and the Purchase Transactions are on an arm's length basis and on normal commercial terms or better and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 as amended by the Supplemental Agreement and Second Supplemental Agreement respectively constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios for the Revised Annual Caps of the Sale Transactions contemplated under the Supplemental Agreement, on an annual basis, is higher than 5% 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.

As the highest of the applicable percentage ratios for the Revised Annual Caps of the Purchase Transactions contemplated under the Second Supplemental Agreement, on an annual basis, is higher than 5% 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 Supplemental Agreement, Second Supplemental Agreement and Revised Annual Caps with respect to the Sale Transactions and the Purchase Transactions. 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 Supplemental Agreement, Second Supplemental Agreement and Revised Annual Caps.

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, 30 June 2017 at 10:00 a.m., at which an ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Supplemental Agreement and the Second Supplemental Agreement in relation to the Revised Annual Caps of the Sale Transactions and the Purchase Transactions.

LETTER FROM THE BOARD

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 Supplemental Agreement and Second Supplemental Agreement, Guangxi Automobile and its associates will abstain from voting on the resolution in relation to the Supplemental Agreement and the Second Supplemental Agreement and the Revised Annual Caps of the Sale Transactions and the Purchase Transactions 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 Supplemental Agreement and the Second Supplemental Agreement and the Revised Annual Caps of the Sale Transactions and the Purchase Transactions.

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 Supplemental Agreement and the Second Supplemental Agreement in relation to the Revised Annual Caps of the Sale Transactions and the Purchase Transactions. Your attention is drawn to the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders on pages 24 and 25 of this circular.

The Independent Board Committee, after taking into account the advice and recommendations of Hooray Capital, considers that the terms of the Supplemental Agreement and the Second Supplemental Agreement in relation to the Revised Annual Caps of the Sale Transactions and the Purchase Transactions 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 Supplemental Agreement and the Second Supplemental Agreement in relation to the Revised Annual Caps of the Sale Transactions and the Purchase Transactions.

The Directors consider that terms of the Supplemental Agreement and the Second Supplemental Agreement in relation to the Revised Annual Caps of the Sale Transactions and the Purchase Transactions are on normal commercial terms or better and fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary

LETTER FROM THE BOARD

resolution, in relation to the Supplemental Agreement, the Second Supplemental Agreement and the Revised Annual Caps of the Sale Transactions and the Purchase Transactions, 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
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)

13 June 2017

To the Independent Shareholders

Dear Sir or Madam,

**(1) SUPPLEMENTAL AGREEMENT AND
SECOND SUPPLEMENTAL AGREEMENT TO
THE 2017–2019 MASTER AGREEMENT;
AND
(2) REVISION OF ANNUAL CAPS**

We refer to the circular dated 13 June 2017 (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 terms of the Supplemental Agreement and the Second Supplemental Agreement in relation to the Revised Annual Caps of the Sale Transactions and the Purchase Transactions. 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 26 to 42 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 terms of the Supplemental Agreement and the Second Supplemental Agreement in relation to the Revised Annual Caps of the Sale Transactions and the Purchase Transactions, 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.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Supplemental Agreement and the Second Supplemental Agreement in relation to the Revised Annual Caps of the Sale Transactions and the Purchase Transactions.

Yours faithfully,

On behalf of the

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 in relation to the terms of the Supplemental Agreements and the Revised Annual Caps for the purpose of inclusion in this circular.

HOORAY 好盈

13 June 2017

To: the Independent Board Committee and
the Independent Shareholders

Dear Sirs or Madams,

SUPPLEMENTAL AGREEMENT AND SECOND SUPPLEMENTAL AGREEMENT TO THE 2017–2019 MASTER AGREEMENT AND REVISION OF ANNUAL CAPS

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 terms of the Supplemental Agreement and the Second Supplemental Agreement (the “**Supplemental Agreements**”) and the Revised Annual Caps. Details of which are set out in the “Letter from the Board” contained in the circular dated 13 June 2017 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The 2017–2019 Master Agreement was approved by the Shareholders who were independent and not interested in the relevant transactions at material time at the special general meeting of the Company on 6 January 2017 (the “**First SGM**”). On 28 April 2017 and 17 May 2017 (after trading hours), Wuling Industrial, a non-wholly owned subsidiary of the Company, entered into the Supplemental Agreement and the Second Supplemental Agreement respectively with Guangxi Automobile, pursuant to which both parties agreed to amend certain terms of the 2017–2019 Master Agreement. The transactions contemplated under the Supplemental Agreements are the extension of the transactions contemplated under the 2017–2019 Master Agreement, of which the principal terms are materially the same. Further details are stated herein below.

好盈融資有限公司

Hooray Capital Limited (CE No. AHF 470)

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LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 total number of issued Shares. In addition, Wuling HK is also interested in the convertible notes issued by the Company in the aggregate principal amount of HK\$400,000,000, in which 571,428,571 Shares will be issuable upon the exercise of the conversion rights attached thereof in full at the initial conversion price of HK\$0.70 per conversion share. Accordingly, Guangxi Automobile is the ultimate controlling Shareholder and is regarded as a connected person of the Company pursuant to the Listing Rules. The transactions contemplated under the Supplemental Agreements 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 have abstained from voting on the board resolution(s) to approve the Supplemental Agreements and the Revised Annual Caps. Save as disclosed above, no other Director is regarded as having material interest in the transactions contemplated under the Supplemental Agreements 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 approval of the Supplemental Agreements and the Revised Annual Caps 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 same 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 Supplemental Agreements are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole; (ii) the proposed Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Supplemental Agreements and the Revised Annual Caps 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. Save for our appointment as the independent financial adviser to the independent board committee and independent shareholders of the Company dated 15 December 2016 in relation to the renewal of the Continuing Connected Transactions, we have not acted as the independent financial adviser for the Company’s other transactions in the past two years. We are not aware of the existence

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 ourselves eligible to give independent advice on the terms of the Supplemental Agreements and the Revised Annual Caps.

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 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 Supplemental Agreements, 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 Supplemental Agreements and the Revised Annual Caps, 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 Supplemental Agreements and the Revised Annual Caps, 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 and parts, automotive components and accessories, specialised 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 2016 and as extracted from the annual report of the Company for the year ended 31 December 2016:

	For the year ended 31 December 2015 (audited) <i>approximately</i> RMB'000	For the year ended 31 December 2016 (audited) <i>approximately</i> RMB'000
Revenue		
— Engines and related parts	3,620,766	3,869,040
— Automotive components and other industrial services	7,689,088	10,542,987
— Specialised vehicles	2,141,264	2,265,526
— Others	125	142
Total	13,451,243	16,677,695

The above table illustrates that the Group's financial performance in every reported business segments increased from 2015 to 2016. The Group's audited consolidated revenue for the year ended 31 December 2016 rose by approximately 23.99% 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). 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)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 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. Background of SGMW

SGMW is a major customer of the Wuling Industrial Group and its principal shareholders include Shanghai Automobile Industry (Group) Company Limited, GM (China) Investment Company Limited and Guangxi Automobile. As advised by the Company, Guangxi Automobile only holds 5% of SGMW. Accordingly, pursuant to the Listing Rules, SGMW is not a connected person of the Group.

4. Principal terms of the Supplemental Agreements

The table below summarises the principal terms of the Supplemental Agreements:

Date:	28 April 2017 (Supplemental Agreement) 17 May 2017 (Second Supplemental Agreement)
Parties	(a) Wuling Industrial; and (b) Guangxi Automobile.
Terms amended:	The following terms were stated in the 2017-2019 Master Agreement and are subject to revision under the Supplemental Agreements: <ul style="list-style-type: none">• <i>“Guangxi Automobile Group agreed to supply consumables 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, collectively the “Purchase Transactions” of the Group”.</i>• <i>“Wuling Industrial Group agreed to provide power supply services to Guangxi Automobile Group.”</i>

will be replaced by the following terms:

- *“Guangxi Automobile Group agreed to supply consumables and materials, scrap 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, accessories) to Wuling Industrial Group, collectively the “Purchase Transactions” of the Group”*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- *“Wuling Industrial Group agreed to provide power supply services and production outsourcing services to Guangxi Automobile Group.”*

Effective from: The effective date of the Supplemental Agreements to 31 December 2019 (both dates inclusive).

Save as disclosed above, all existing terms and conditions under the 2017–2019 Master Agreement remain unchanged including but not limited to, the existing scope of products and services, pricing principles, profit margin, and payment terms. The 2017 — 2019 Master Agreement (as supplemented by the Supplemental Agreement and Second Supplemental Agreement) covers the car front-floors components, car roof components, and scrap materials to be purchased from Guangling under the GL Purchase Transactions and the new types of assembled air-conditioner units to be purchased from Baomali under the Baomali Purchase Transactions. All of the newly included products and services will be based on the same pricing principles of the 2017–2019 Master Agreement which we are of view that it is fair and reasonable so far as the Independent Shareholders are concerned.

Furthermore, the Supplemental Agreements and the Revised Annual Caps are conditional upon the approval of the Independent Shareholders at the SGM and the compliance of any other requirements under the Listing Rules. We have reviewed the Supplemental Agreements and are of view that the nature of the transactions described thereof are in the ordinary course of business of the Group.

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5. The Annual Caps

The original annual caps of the Sale Transactions and the Purchase Transactions for the three years ending 31 December 2019 approved by the Independent Shareholders at the First SGM are as follows:

Original 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

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The Revised Annual Caps of the Sale Transactions and Purchase Transactions for the three years ending 31 December 2019 to be approved by the Independent Shareholders at the SGM are as follows:

Revised 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:	170,000	175,000	175,000
— GB Sale Transactions:	<u>360,000</u>	<u>460,000</u>	<u>570,000</u>
Revised Annual Caps for the Sale Transactions:	<u>530,000</u>	<u>635,000</u>	<u>745,000</u>
Purchase Transactions, including:			
— GL Purchase Transactions:	57,000	65,000	60,000
— GB Purchase Transactions:	575,000	750,000	850,000
— Baomali Purchase Transactions:	<u>23,000</u>	<u>29,000</u>	<u>31,000</u>
Revised Annual Caps for the Purchase Transactions:	<u>655,000</u>	<u>844,000</u>	<u>941,000</u>

Note: the respective annual caps of the GB Sale Transactions and the GB Purchase Transactions for each of the three years ending 31 December 2019 will remain the same.

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6. Basis of determination of the Revised Annual Caps

We have looked into the utilisation rate of the original annual caps of the Sale Transactions and Purchase Transactions. Set out below is a summary of (i) the historical transaction amount 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 December 2016 and the three months ended 31 March 2017; and (ii) the utilisation rate for the abovementioned transactions for the two years ended 31 December 2016 and the three months ended 31 March 2017.

Historical transaction amounts

	For the year ended 31 December 2015 (audited) <i>approximately</i> RMB'000	For the year ended 31 December 2016 (audited) <i>approximately</i> RMB'000	For the three months ended 31 March 2017 (unaudited) <i>approximately</i> RMB'000
Sale Transactions, including:			
— GL Sale Transactions:	62,690	78,244	27,004
— GB Sale Transactions:	117,725	245,756	47,163
Sub-Total	180,415	324,000	74,167
Purchase Transactions, including:			
— GL Purchase Transactions:	71,350	71,057	14,591
— GB Purchase Transactions:	267,995	393,913	93,056
— Baomali Purchase Transactions:	5,334	6,319	2,366
Sub-Total	344,679	471,289	110,013

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Utilisation rates

	For the year ended 31 December 2015 <i>approximately</i>	For the year ended 31 December 2016 <i>approximately</i>	For the three months ended 31 March 2017 <i>approximately</i>
Sale Transactions, including:			
— GL Sale Transactions:	37.29%	37.22%	37.51%
— GB Sale Transactions:	24.01%	38.54%	13.10%
Overall	27.40%	38.22%	17.17%
Purchase Transactions, including:			
— GL Purchase Transactions:	46.73%	39.30%	91.19%
— GB Purchase Transactions:	42.53%	46.87%	16.18%
— Baomali Purchase Transactions:	22.89%	20.85%	50.34%
Overall	42.75%	44.82%	18.47%

Note: The utilisation rates for the year ending 31 December 2017 is for reference only, and is calculated based on the historical transaction amounts for the three months ended 31 March 2017 against the relevant original annual caps for the year ending 31 December 2017.

Pursuant to the above, we noticed that the utilisation rate in respect of the GL Sale Transactions, the GL Purchase Transactions and the Baomali Purchase Transactions are approximately 37.51%, 91.19% and 50.34%, respectively. In view of the relatively high utilisation rate of the aforementioned transactions, the Company proposed to revise the Annual Caps to the Revised Annual Caps.

6.1 GL Sale Transactions:

In respect of the GL Sale Transactions, we have enquired the Company regarding the reasons for such high utilisation for the three months ended 31 March 2017 and were given the understanding that the increase of the utilisation rate was primary due to: (1) increase in price of steels under the GL Sale Transaction; and (2) received unexpected orders from Guangling in relation to procurement of steels by Guangling for its production of certain car door components.

Under the pricing basis of the 2017–2019 Master Agreement, the pricing basis would be materially the same to those offered to the independent third parties and is referenced to market comparable prices (which the basis of the GL Sale Transaction is based upon). For the sale of steels, the sales department of the Wuling Industrial group obtains the reference prices published by independent information providers

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(i.e. BAIINFO, <http://www.baiinfo.com>) and/or from monthly quotations provided by two leading suppliers which are state-owned steel company in the PRC, where applicable. 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.

We are given the understanding that Wuling Industrial was notified by its main supplier that the quoted price of steels was increased with effect from January 2017 due to a sharp increase of over 20% in the market price of raw materials (for steel production) in December 2016. In view of the upward trend of the market price of steels in the PRC, Wuling Industrial and Guangxi Automobile estimated that the average market price of steels in 2017 will be increased by approximately 31% as compared to the corresponding period in 2016. We are further advised by the Company that as the selling price of steels charged to Guangling under the GL Sale Transactions is determined with reference to the market price of steels and/or from the quoted prices offered by the main suppliers, it is foreseeable that the increase in market price of steels has impact on the cost of steels for Wuling Industrial, which would be transferred and reflected onto the selling price of steels to Guangling.

In this regard, we have examined the steel price for the six months from October 2016 to March 2017 published by independent raw material information providers in China, published by independent raw material information providers in China, namely BAIINFO 百川資訊 (<http://www.baiinfo.com>), Mysteel.net 我的鋼鐵網 (<http://www.mysteel.net>) and custeel.com 中國聯合鋼鐵網 (<http://www.custeel.com>), which showed the market price of steels increased by more than 40% and reviewed notices issued by the independent suppliers of the Company and concluded that the price of steels has shown an increasing trend which is in line with the Company's estimation. Thus, we considered that the increase of approximately 31% in the steel price set by Wuling Industrial is fair and reasonable.

Furthermore, based on the expected sales amount of approximately 16,000 tonnes of steels, and the original estimated steel price of RMB 4,262.5 per tonne under the 2017–2019 Master Agreement, a 31% increase in the steel price per tonne to approximately RMB 5,600 per tonne would increase the gross selling price by approximately RMB21,400,000 for the year ended 31 December 2017.

In addition, SGMW has begun to outsource the production of certain car door components to Guangling starting in February 2017 and due to the additional orders to be placed by the Wuling Industrial Group under the GL Purchase Transactions as revised by the Second Supplemental Agreement, Guangling has placed the additional orders for steels to the Wuling Industrial Group. Given that the transaction took place after the Annual Caps were determined, the new orders were not included in the Annual Caps in respect of the GL Purchase Transaction.

We have examined the relevant memorandum of understanding entered into between Guangling and SGMW and confirmed that SGMW has begun to place orders of car door components to Guangling. The estimated amount of steels required by Guangling for its production of car door components are approximately 12,800 units, 12,800 units and 12,800 units for the years ending 31 December 2017, 2018 and 2019, respectively, representing approximately RMB 72 million, RMB 74 million and RMB 74 million for the years ending 31 December 2017, 2018 and 2019, respectively.

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The Company further proposed a buffer of approximately 5% on the aggregate of the above sum.

Based on aforementioned and the current estimation provided by the Company, we are of view that the Revised Annual Caps are sufficient for the GL Sale Transactions and concur with the Board that the setting of the Revised Annual Caps in respect of the GL Sale Transactions is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6.2 GL Purchase Transactions:

In respect of the GL Purchase Transactions, we are advised by the Company that the increase in the utilisation rate for the three months ending 31 March 2017 was primary due to (i) SGMW altered its production plan which requires the Group to purchase additional car front-floors components and continue to purchase car roof components from Guangling for assembly to meet the new demand from SGMW; and (ii) the introduction of scrap materials and mould parts into the GL Purchase Transaction.

Pursuant to the information provided by the Company, in the first quarter of 2017 SGMW has altered its production plan, among other things, increase in production of certain car model which requires the Group to purchase additional car front-floors components from Guangling for assembly and supply to SGMW. We are advised that the estimated increase in purchase of car front-floors components are approximately 78,000 units, 180,000 units, 100,000 units for the years ending 31 December 2017, 2018 and 2019, respectively and the revised aggregate purchase of car front-floors components are approximately 278,000 units, 394,000 units and 314,000 units for the years ending 31 December 2017, 2018 and 2019, respectively.

In addition, SGMW has shifted its production strategy in the first quarter of 2017 which requires the Company to continue the purchase car roof components from Guangling for assembly and supply to SGMW. The Company estimated that the car roof components to be sourced from Guangling are approximately 200,000 units, 160,000 units and 100,000 units for the years ending 31 December 2017, 2018 and 2019, respectively.

As mentioned above, SGMW outsourced the production of car door components to Guangling in February 2017 which large amount of scrap materials will be produced as by-products during the production of car door components. The Group will then purchase the scrap materials and resale it to independent third parties at market price. The Group viewed this as an opportunity to extend an extra source of income. The estimated purchase amount of which are approximately RMB 7.2 million for each of the three years ending 31 December 2017, 2018 and 2019, respectively. Furthermore, the Group has also included the purchases of certain mould parts for the manufacturing of automotive components and other related products. The estimated purchase amount of which are approximately RMB 7.0 million, RMB 10.5 million and RMB 17.5 million for the years ending 31 December 2017, 2018 and 2019, respectively.

The Company further proposed a buffer of approximately 5% on the aggregate of the above sum.

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In this regard, we have examined the relevant memorandum of understanding entered into between Guangling and SGMW and confirm that the nature of which are in-line with the Company's description. We have also reviewed the pricing principle of the scrap materials and concur the Company that it is consistent with pricing basis of the 2017–2019 Master Agreement.

As the new transactions derived from SGMW's alternation of production plan and change of production strategy is undergoing, the utilisation rate of the original annual cap for the year ended 31 December 2017 in respect of the GL Sale Transactions has already reached 91.2% for the three months ended 31 March 2017. Thus, it is expected that the original annual caps of GL Sale Transactions will be insufficient.

Based on aforementioned and the current estimation provided by the Company, we are of view that the Revised Annual Caps are sufficient for the GL Purchase Transactions and concur with the Board that the setting of the Revised Annual Caps in respect of the GL Purchase Transactions is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6.3 Baomali Purchase Transaction:

Due to an increase in the volume of the existing model of air-conditioner units sourced from Baomali, as at 31 March 2017, the utilisation rate in respect of the original annual caps of the Baomali Purchase Transactions for the year ending 31 December 2017 reached to approximately 50.3%. Moreover, in response to the introduction of the new vehicle models by the Wuling Industrial Group with air-conditioning feature, Baomali plans to introduce four new types of assembled air-conditioner units for the Wuling Industrial Group to gradually replace the existing model of air-conditioner units by the end of 2017. The Group purchased approximately 2,400 units of existing model of air-conditioner units from Baomali for the year ended 31 December 2016. The volume of these four new types of assembled air-conditioner units are estimated to be approximately 4,000 units, 6,500 units and 6,350 units for the years ending 31 December 2017, 2018 and 2019, respectively. Together with the associated parts and accessories the total sum is estimated at approximately RMB 21.8 million, RMB 27.6 million and RMB 29.4 million for the years ending 31 December 2017, 2018 and 2019, respectively.

The Company further proposed a buffer of approximately 5% on the aggregate of the above sum.

In this regard, we have reviewed the information provided by the Company regarding the revised estimates of existing model of air-conditioner units and the introduction of the new vehicle models with air-conditioning feature by the Wuling Industrial Group, including but not limited to, the descriptions and model specification of each air-conditioner unit. We understand that it is the Wuling Industrial Group's revised business strategy in 2017 to introduce new vehicle models with air-conditioning feature. Based on: (i) the internal revised estimation of sourcing of existing model of air-conditioner units; and (ii) estimation of the number of new vehicle models and the estimated price per unit of the new models air-conditioners, the amount is principally in-line with the estimated amount of aggregate purchase of the air-conditioner units under the Revised Annual Caps.

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Based on aforementioned and the current estimation provided by the Company, we are of view that the Revised Annual Caps are sufficient for the Baomali Purchase Transactions and concur with the Board that the setting of the Revised Annual Caps in respect of the Baomali Purchase Transaction is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Moreover, we studied the business models of the Group and the Guangxi Automobile Group, that the production of automotive parts and accessories and vehicles (where applicable) are on a continual daily basis. In the event that the Revised Annual Caps max out, the Independent Shareholders' approval at a special general meeting of the Company is required for any increase in the Annual Caps which would take additional time to process, this could affect the timeliness in the delivery of the automotive parts and accessories and vehicles to its customers. In view of such, it is in the interests of the Company to have a buffer in the target sales and purchases volume from/to the Wuling Industrial Group and the Guangxi Automobile Group (which is reflected in the Annual Caps) for each of the three years ending 31 December 2019.

Thus, we consider a buffer of approximately 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, 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.

In addition, we have also compared the terms of the agreements (including pricing basis) in relation to the Sale Transactions and the Purchase Transactions under the 2017–2019 Master Agreement entered with the Guangxi Automobile Group for the three months ended 31 March 2017 against with those entered with the Group's Independent Third Parties of the same period.

In respect of the Sale Transactions, we have taken agreements entered with the Group's top four independent customers, representing approximately 79.16% of the total sales of the Group for the three months ended 31 March 2017, as our samples. In respect of the Purchase Transactions, we have taken agreements entered with the Group's top four independent suppliers, representing approximately 44.06% of the total purchases of the Group for the three months ended 31 March 2017, as our samples.

After comparing against the aforementioned samples, we are of the view that the terms of the agreements (including pricing basis) in relation to the Sale Transactions and the Purchase Transactions under the 2017–2019 Master Agreement entered with the Guangxi Automobile Group and those entered with the Group's Independent Third Parties for the three months ended 31 March 2017 are both materially the same and are no less favourable to the Group for comparable transactions.

Furthermore, 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. Relevant

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sourcing of raw materials (mainly steels) under GL Sale Transactions from the Group's perspective is principally based on the above indications. Therefore, any unutilised amount of the Revised 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 Revised Annual Caps for the Purchase Transactions and the Sale Transactions.

After considering that there is no cost incurred or penalty charged to the Group for any unutilised amount of the Revised Annual Caps for the Purchase Transactions and the Sale Transactions, we are of view that there is no disadvantage for the revisions of the Annual Caps of the Sale Transactions and the Purchase Transactions pursuant to the Supplemental Agreement and the Second Supplemental Agreement.

Based on the current estimation and available information provided by the Company and aforementioned, we are of the view that the Revised Annual Caps are sufficient and the setting of the Revised Annual Caps is fair and reasonable and in the interests of the Company and Shareholders as a whole. Should there be any subsequent revision due to unexpected requests and demands from SGMW, the Company will comply with all relevant requirements under the Listing Rules, among other thing, to obtain independent shareholders' approval at the special general meeting of the Company. As such, we are of the view that this safeguards the interests of the Company and Shareholders.

Having considered that: (a) the GL Sale Transactions, the GL Purchase Transactions and the Baomali Purchase Transactions are in the ordinary course of business of the Group; (b) the terms of the transactions contemplated under the Supplemental Agreements are fair and reasonable, on arm's length basis and on terms no less favourable to the Group; (c) the proposed increment in the Revised Annual Caps are based on the Company's best estimates deriving from available information; (d) there is no cost incurred or penalty charged to the Group for any unutilised amount under the Revised Annual Caps; and (e) it could affect the timeliness in the delivery of the automotive parts and accessories and vehicles by the Group to its customers if the Revised Annual Caps are not renew on time in the event of maxing out of the Revised Annual Caps, we concur with the view of the Company that there is no disadvantage to the Group for carrying out the Continuing Connected Transactions and the setting of the Revised Annual Caps for each of the three years ending 31 December 2019 is fair and reasonable so far as the Independent Shareholders are concerned.

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

Similar to the situation under the 2017–2019 Master Agreement, we are advised that the Company has adopted and implemented internal control procedures on all sales and purchases transactions, 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".

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We are of the view that the internal control procedures are effective in monitoring the Continuing Connected Transactions as the Board immediately responded to the increase in price and orders under the 2017–2019 Maser Agreement and the Board has confirmed that, the aggregate amounts of the GL Sale Transactions, the GL Purchase Transactions, the GB Sale Transaction, the GB Purchase Transactions and the Baomali Purchase Transactions for the three months ended 31 March 2017 did not exceed the respective Annual Caps for the year ending 31 December 2017 under the 2017–2019 Master Agreement.

8. Reasons for and benefit of entering into the Supplemental Agreements and the revision of annual caps of the existing Continuing Connected Transactions

The revision of the Annual Caps for the GL Purchase Transactions, the GL Sale Transactions and the Baomali Purchase Transactions to the Revised Annual Caps under the Supplemental Agreements is due to following reasons:

- (a) Pursuant to the information provided by the Company and as disclosed in the annual report of the Company for the year ended 31 December 2016, SGMW is a major customer of Wuling Industrial, the principal operating subsidiary of the Group. As such, the Wuling Industrial Group, being the direct and indirect manufacturers of automotive components for SGMW, is always required to review and adjust their production plans to meet with the specific requests and demands from SGMW from time to time due to change in market and business environment.

Any material changes in the demand from SGMW could have impact on the Wuling Industrial Group in terms of both procuring certain parts and components from Guangling and supplying raw materials to Guangling under the 2017–2019 Master Agreement.

Guangling has been familiar with the standards and specifications and therefore it has been able to respond quickly and in a cost-efficient manner to any new requirement from the Wuling Industrial Group. Besides, the centralised procurement services provided by the Group to supply raw materials, mainly steels, to its group companies, customers and suppliers will (i) strengthen the business relationships among the parties; and (ii) enhance the operating efficiency and productivity of the parties through the benefits of bulk purchases and scale operation;

- (b) the market price of steels has been increased by more than 40% for the six months from October 2016 to March 2017, so it is necessary for both parties to re-formulate the original plans by adjusting the unit selling price of the steels upward in order to reflect the change in the market situation; and
- (c) due to an increase in the applications of the air-conditioners-related parts and accessories in the production of specialised vehicles by the Wuling Industrial Group, Wuling Industrial and Baomali have recently revised the target production volume and included new type of products (which primarily consists of four new types of assembled air-conditioner units) under the Baomali Purchase Transactions for each of the three years ending 31 December 2017, 2018 and 2019 in order to meeting the production needs of Wuling Industrial.

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In view of the above, we concur with the Company that the entering into the Supplemental Agreements and the revision of annual caps 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 transactions contemplated under the Supplemental Agreements (including the relevant annual caps) 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 terms of the Supplemental Agreements every year and confirm in the annual report of the Company whether the relevant annual monetary caps not being exceeded, details of which must be included in the Company's subsequent published annual reports and accounts;
- (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 transactions contemplated under the Supplemental Agreements are conducted in accordance with the terms of the relevant Supplemental Agreements and that the relevant annual caps have not been exceeded; and
- (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 the entering of the Supplemental Agreements and the Revised Annual Caps are in the ordinary and usual course of business of the Group, are on normal commercial terms and the terms thereof (including the Revised Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Supplemental Agreements and the Revised Annual Caps 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 in 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 position in the Shares

Name of Director	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>
Mr. Lee Shing	Interest in controlled corporation (<i>Note 1</i>)	Corporate	281,622,914	15.34%
	Beneficial owner (<i>Note 2</i>)	Personal	3,090,900	0.17%
	Interest held by spouse (<i>Note 2</i>)	Family	1,648,480	0.09%
		Sub-total	<u>286,362,294</u>	<u>15.06%</u>
Wuling (Hong Kong) Holdings Limited (“ Wuling HK ”) (<i>Notes 3 and 4</i>)	Beneficial owner	Corporate	1,028,846,806	56.04%
		Unlisted derivatives	<u>571,428,571</u>	<u>31.13%</u>
	Sub-total		<u>1,600,275,377</u>	<u>87.17%</u>
Wuling Motors (Hong Kong) Company Limited (<i>Notes 3 and 4</i>)	Interest in controlled corporation	Corporate	1,028,846,806	56.04%
		Unlisted derivatives	<u>571,428,571</u>	<u>31.13%</u>
	Sub-total		<u>1,600,275,377</u>	<u>87.17%</u>
Guangxi Automobile	Interest in controlled corporation	Corporate	1,028,846,806	56.04%
		Unlisted derivatives	<u>571,428,571</u>	<u>31.13%</u>
	Sub-total		<u>1,600,275,377</u>	<u>87.17%</u>

Notes:

- (1) Mr. Lee is beneficially interested in 281,622,914 Shares, which interests are held by Dragon Hill, a company wholly-owned by Mr. Lee. This parcel of Shares has also been disclosed as long position of Mr. Lee under the above section.
 - (2) These represent the Shares held by Mr. Lee and his spouse as beneficial owners, respectively.
 - (3) The entire issued share capital of Wuling HK is currently held by Wuling Motors, whereas the entire issued share capital of Wuling Motors is currently held by Guangxi Automobile. Accordingly, Wuling Motors and Guangxi Automobile are deemed to be interested in the Shares in which Wuling HK is interested under the SFO.
 - (4) The unlisted derivatives referred to the 571,428,571 Shares (conversion shares) issuable to Wuling HK upon exercise in full of the conversion rights attaching to the convertible notes issued to Wuling HK on 23 May 2017 pursuant to the Subscription Agreement dated 13 October 2016 (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 easing 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 2016 (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. Completion of the Subscription Agreement was taken place on 23 May 2017 upon which the convertible notes in an aggregate principal amount of HK\$400,000,000 was issued to Wuling HK on the same date.

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. Completion of the first instalment of the capital increase in Wuling Industrial was taken place following the completion of the Subscription Agreement upon which the Company had contributed an additional sum of RMB340,000,000 in cash to Wuling Industrial of which RMB161,126,100 was contributed to the registered capital of Wuling Industrial and RMB178,873,900 was contributed to the capital reserves of Wuling Industrial. Upon completion of the first instalment, the registered capital of Wuling Industrial was increased from RMB1,042,580,646 to RMB1,203,706,746 and the Company's equity interest in Wuling Industrial on an enlarged basis will be increased by approximately 6.04% to approximately 60.90% and the remaining 39.10% will be owned by Guangxi Automobile.

On 25 January 2017 and 31 March 2017, Wuling Industrial, a non-wholly owned subsidiary of the Company, entered into the equipment purchase agreements with Shanghai Yipu, a non-wholly owned subsidiary of Guangxi Automobile, respectively, pursuant to which Wuling Industrial agrees to purchase and Shanghai Yipu agrees to sell the equipment at the net total consideration of RMB37,905,983 (exclusive of VAT) in accordance with the terms and conditions of the equipment purchase agreements. Details of the equipment purchase agreements were fully described in the Company's announcements dated 25 January 2017 and 31 March 2017.

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 2016 (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. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, Mr. Yuan Zhijun, the chairman of the Board and an executive Director, is also a director of SGMW. SGMW is principally engaged in the manufacturing and trading businesses of motor vehicles and engines, which may have direct or indirect competition to the businesses of the Group. Although Mr. Yuan is taken to have competing interests in SGMW by virtue of his common directorships, he will fulfill his fiduciary duty in order to ensure that he acts 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 length basis from, the businesses of SGMW.

Save as disclosed above, as at the date of this report, none of the Directors or their respective close associates has interests in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

6. CONSENT AND QUALIFICATION OF EXPERT

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 2016, 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 are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited financial statements of the Group 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 30 June 2017.

- (i) the letter from the Independent Board Committee to the Independent Shareholders giving its recommendations in respect of the terms of the Supplemental Agreement and the Second Supplemental Agreement in relation to the Revised Annual Caps of the Sale Transactions and the Purchase Transactions, 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 terms of the Supplemental Agreement and the Second Supplemental Agreement in relation to the Revised Annual Caps of the Sale Transactions and the Purchase Transactions, 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 “CONSENT AND QUALIFICATION OF EXPERTS” in this appendix;
- (iv) the 2017–2019 Master Agreement, the Supplemental Agreement and the Second Supplemental Agreement; and
- (v) this circular.

NOTICE OF SPECIAL GENERAL MEETING



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, 30 June 2017 at 10:00 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 the Supplemental Agreement dated 28 April 2017 and the Second Supplemental Agreement dated 17 May 2017 (copies of which have been produced to this meeting marked “A” and “B” respectively signed by the Chairman of the meeting for the purpose of identification) in relation to the Revised Annual Caps of the Sale Transactions and the Purchase Transactions and are hereby approved, confirmed and ratified.”

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

Hong Kong, 13 June 2017

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

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.

NOTICE OF SPECIAL GENERAL MEETING

- (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 13 June 2017 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.