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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
THE EQUITY TRANSFER AGREEMENT**

THE EQUITY TRANSFER AGREEMENT

On 18 August 2017, Wuling Industrial, a direct non-wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with Guangxi Automobile and Wuling Motors, pursuant to which Wuling Industrial conditionally agreed to acquire 50.7% and 49.3% of equity interest in the Target Company from Guangxi Automobile and Wuling Motors at a consideration of RMB71,857,500 and RMB69,873,200, respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Guangxi Automobile owns the entire issued share capital of Wuling Motors, which, through Wuling HK, is the controlling Shareholder of the Company and is interested in 56.04% of the total number of Shares in issue of the Company. Furthermore, as at the date of this announcement, Guangxi Automobile directly holds 39.10% of equity interest in Wuling Industrial. Accordingly, Guangxi Automobile, Wuling Motors and Wuling Industrial are connected persons of the Company under the Listing Rules. The Acquisition under the Equity Transfer Agreement constitutes a connected transaction of the Company and is subject to the reporting, announcement, circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the Acquisition under the Equity Transfer Agreement are more than 5% and all of the applicable percentage ratios are less than 25%, the entering of the Equity Transfer Agreement and the Acquisition constitute a disclosable transaction for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

The approval of the Independent Shareholders will be sought at the SGM by way of poll in respect of the Equity Transfer Agreement and the Acquisition. In view of their interests in the Equity Transfer Agreement and the Acquisition, 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 Equity Transfer Agreement and the Acquisition.

The Independent Board Committee (which consists of all of the independent non-executive Directors) has been established to advise the Independent Shareholders the terms of the Equity Transfer Agreement and the Acquisition, taking into account the recommendations on the same to be given by the Independent Financial Adviser.

The Company has appointed Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders to consider the terms of the Equity Transfer Agreement and the Acquisition.

A circular containing, among other things, (i) details of the Equity Transfer Agreement and the Acquisition; (ii) a letter from the Independent Board Committee to the Independent Shareholders giving its recommendations in respect of the Equity Transfer Agreement and the Acquisition; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice on the Equity Transfer Agreement and the Acquisition; and (iv) a notice of the SGM, is expected to be despatched to the Shareholders on or before 8 September 2017.

THE EQUITY TRANSFER AGREEMENT

On 18 August 2017, Wuling Industrial, a direct non-wholly owned subsidiary of the Company, entered into the Equity Transfer Agreement with Guangxi Automobile and Wuling Motors, pursuant to which Wuling Industrial conditionally agreed to acquire 50.7% and 49.3% of equity interest in the Target Company from Guangxi Automobile and Wuling Motors at a consideration of RMB71,857,500 and RMB69,873,200 respectively.

PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

Date: 18 August 2017 (after trading hours)

Parties: (a) Wuling Industrial as the purchaser; and
(b) Guangxi Automobile and Wuling Motors as the vendors.

Wuling Industrial, Guangxi Automobile and Wuling Motors are connected persons of the Company under the Listing Rules.

Subject matter:

Pursuant to the Equity Transfer Agreement, Wuling Industrial conditionally agreed to acquire 50.7% and 49.3% of equity interest in the Target Company from Guangxi Automobile and Wuling Motors, respectively.

The principal assets of the Target Company include a parcel of land and the buildings constructed thereon, located in south of Songhuajiang Road, west of Jiangshan Road, Huangdao District, Qingdao, the PRC* (青島市黃島區江山路西、松花江路南側). The total site area of the land and the total floor area of the buildings are approximately 48,919 square meters and 21,722 square meters, respectively (“Qingdao Leased Properties”). The Qingdao Leased Properties had been leased by the Shandong branch of Wuling Industrial for its operation since 1 January 2015. In accordance with the 2016–2018 Master Tenancy Agreement, the monthly rental of the Qingdao Leased Properties is RMB463,401 (or RMB5,560,812 per annum).

Consideration

The Consideration for (i) the 50.7% of equity interest in the Target Company shall be RMB71,857,500 to be paid by Wuling Industrial to the Guangxi Automobile; and (ii) the 49.3% of equity interest in the Target Company shall be RMB69,873,200 to be paid by Wuling Industrial to Wuling Motors.

The consideration shall be funded by the internal resources of the Group and payable to Guangxi Automobile and Wuling Motors by cash in full upon the date of Completion, subject to:

- (a) Guangxi Automobile and Wuling Motors shall settle all of the outstanding amounts payable to the Target Company, respectively on or before the date of Completion;
- (b) the Target Company shall terminate the land lease agreement with the Shandong branch of Wuling Industrial on or before the date of Completion; and
- (c) all conditions precedent as stated below shall be fulfilled.

The Consideration was determined after arm’s length negotiations among Wuling Industrial, Guangxi Automobile and Wuling Motors on normal commercial terms with reference to the PRC Valuation Report of the Target Company. According to the PRC Valuation Report of the Target Company, the valuation of the shareholders’ equity interest of the Target Company as of 31 December 2016 was RMB141,730,700, in which the valuation of its major assets, Qingdao Leased Properties was valued at RMB55,677,100.

In assessing the valuation of the Qingdao Leased Properties, the Company had also engaged BMI Appraisal Limited as an independent valuer to perform an independent valuation of the Qingdao Leased Properties. According to BMI Appraisal Limited, the valuation of the Qingdao Leased Properties was valued at RMB55,700,000 as at 30 June 2017. In arriving at the market value of the Qingdao Leased Properties, BMI Appraisal Limited adopted the Depreciation Replacement Cost Approach and the Investment Approach as the valuation methodology.

Conditions Precedent

The Equity Transfer Agreement is conditional upon the satisfaction of following conditions precedent:

- (a) the passing of a resolution to approve the Equity Transfer Agreement and the Acquisition at the SGM by the Independent Shareholders;
- (b) the fulfilment of other requirements under the Listing Rules, including but not limited to obtaining the valuation report and legal opinion in respect of the properties and land use right; and
- (c) all permissions and approvals in respect of the Acquisition having been obtained from 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) (“**Guangxi SASAC**”).

If the above conditions precedent are not satisfied on or before 31 October 2017 or any other date as agreed between the parties to the Equity Transfer Agreement, the Equity Transfer Agreement shall automatically lapse.

In addition, if any of the respective equity interests in the Target Company held by Guangxi Automobile and Wuling Motors could not be transferred to Wuling Industrial, the Equity Transfer Agreement shall also automatically lapse.

Other Conditions

Pursuant to the Equity Transfer Agreement, the purchaser and the vendor further agreed that any profits or losses incurred by the Target Company during the period between 31 December 2016 (i.e. the valuation date of the Target Company for purpose of the Acquisition) and the date of Completion shall entirely be undertaken by the vendors.

In addition, unless having the written consent from Wuling Industrial or being required under the law or by the government, Guangxi Automobile and Wuling Motors guarantee that, during the period between 31 December 2016 and the date of Completion, the Target Company will:

- (i) carry out the business activities on normal and commercial terms; and
- (ii) inform the purchaser in a timely manner for any major issues of the Target Company.

and will not:

- (i) dispose any assets of the Target Company and its subsidiaries except under the ordinary course of business;
- (ii) engage in any investments;
- (iii) declare any undistributed profits;
- (iv) enter into any unreasonable or abnormal contracts or agreements;

- (v) waive any obligations or rights; nor
- (vi) engage in any activities intentionally which results in a third party having the right to demand early repayment of debts.

Completion

Completion shall take place on the tenth business day (or any other date as agreed between the parties to the Equity Transfer Agreement) after all the conditions precedent have been fulfilled. Upon Completion, Wuling Industrial will hold the entire equity interest of the Target Company and the Target Company will become an indirect non-wholly owned subsidiary of the Company.

INFORMATION ON THE PARTIES

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.

Guangxi Automobile

Guangxi Automobile, through its direct and indirect wholly owned subsidiaries, namely Wuling Motors and Wuling HK, 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 date of this announcement. Guangxi Automobile is currently a state-controlled company established in the PRC with the Guangxi SASAC, 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.

Wuling Motors

Wuling Motors (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability. It is a wholly-owned subsidiary of Guangxi Automobile and directly holding the entire issued share capital of Wuling HK, a controlling Shareholder which was beneficially interested in approximately 56.04% of the total number of Shares in issue of the Company as at the date of this announcement.

INFORMATION ON THE TARGET COMPANY

Qingdao Wuling is a limited liability company established in the PRC with a registered capital of RMB138 million. As at the date of this announcement, Qingdao Wuling is owned as to 50.7% by Guangxi Automobile and as to 49.3% by Wuling Motors.

Set out below is the extracted financial information of the Target Company from the audited financial statements for the two years ended 31 December 2016 and 2015:

	For the year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Revenue	5,388	4,871
Profit before Taxation	3,053	45
Net Profit after Taxation	3,000	45
		As at 31 December 2016
		<i>RMB'000</i>
		(Audited)
Net assets		138,338
primarily comprising:		
— Properties		52,285
— Bank and cash balance		23,984
— Amount due from Guangxi Automobile		59,962
— Amount due from Wuling Industrial		3,866

As the vendors did not acquire the Target Company from a third party, so there is no original acquisition cost of the equity interest of the Target Company.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AGREEMENT

The Group's core business primarily includes the manufacturing and trading of engines and parts, automotive components and accessories, specialized vehicles. As disclosed in the annual report of the Company for the year ended 31 December 2016, the Group has planned to expand and upgrade its production capacity to meet the customer demands in view of the anticipated growth of business of SGMW, the major customer of Wuling Industrial. In this

connection and as disclosed in the paragraph headed “Reasons for the Capital Increase” in the circular of the Company dated 28 November 2016, due to the launch of the new passenger vehicles by SGMW manufactured in their production base in Shandong, the production facilities of Wuling Industrial located in Qingdao, the PRC are required to undertake certain technology enhancement and capacity expansion programs, some of which have been conducted by the Group as disclosed in the announcements of the Company dated 25 January 2017, 26 May 2017 and 13 June 2017, respectively.

Currently, the Shandong branch of Wuling Industrial has been leasing the Qingdao Leased Properties from the Target Company under the 2016–2018 Master Tenancy Agreement. As the 2016-2018 Master Tenancy Agreement will be expired on 31 December 2018, it would be risky for the Group in planning further investments in these premises. Having considered that the location of the Qingdao Leased Properties is in close proximity to SGMW, the acquisition of the Qingdao Leased Properties (through the acquisition of the entire interest in the Target Company pursuant to the Equity Transfer Agreement) will enable the Group to own the Qingdao Leased Properties, which in turn will facilitate a more effective investment planning for the Group in enhancing the technology and expanding capacity for the production facilities.

Besides, the acquisition of the Qingdao Leased Properties would also reduce the rental costs of Wuling Industrial by approximately RMB5,560,812 per annum.

In view of the above, the Directors (save for the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) consider that the terms of the Equity Transfer Agreement are on normal commercial terms and in the ordinary and usual course of business of the Company. Therefore, it is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Guangxi Automobile owns the entire issued share capital of Wuling Motors, which, through Wuling HK, is the controlling Shareholder of the Company and is interested in 56.04% of the total number of Shares in issue of the Company. Furthermore, as at the date of this announcement, Guangxi Automobile directly holds 39.10% of equity interest in Wuling Industrial. Accordingly, Guangxi Automobile, Wuling Motors and Wuling Industrial are connected persons of the Company under the Listing Rules. The Acquisition under the Equity Transfer Agreement constitutes a connected transaction of the Company and is subject to the reporting, announcement, circular, independent financial advice and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the Acquisition under the Equity Transfer Agreement are more than 5% and all of the applicable percentage ratios are less than 25%, the entering of the Equity Transfer Agreement and the Acquisition constitute a disclosable transaction for the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

GENERAL

The approval of the Independent Shareholders will be sought at the SGM by way of poll in respect of the Equity Transfer Agreement and the Acquisition. In view of their interests in the Equity Transfer Agreement and the Acquisition, 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 Equity Transfer Agreement and the Acquisition.

The Independent Board Committee (which consists of all of the independent non-executive Directors) has been established to advise the Independent Shareholders the terms of the Equity Transfer Agreement and the Acquisition, taking into account the recommendations on the same to be given by the Independent Financial Adviser.

The Company has appointed Gram Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders to consider the terms of the Equity Transfer Agreement and the Acquisition.

A circular containing, among other things, (i) details of the Equity Transfer Agreement and the Acquisition; (ii) a letter from the Independent Board Committee to the Independent Shareholders giving its recommendations in respect of the Equity Transfer Agreement and the Acquisition; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice on the Equity Transfer Agreement and the Acquisition; and (iv) a notice of the SGM, is expected to be despatched to the Shareholders on or before 8 September 2017.

DEFINITIONS

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

“2016–2018 Master Tenancy Agreement”	the tenancy agreement dated 28 December 2015 entered into between Wuling Industrial and Guangxi Automobile in relation to, among others, the leasing of the Qingdao Leased Properties
“Acquisition”	the acquisition of the entire equity interest in the Target Company by Wuling Industrial from Guangxi Automobile and Wuling Motors pursuant to the Equity Transfer Agreement
“Board”	the board of Directors
“Company”	Wuling Motors Holdings Limited (五菱汽車集團控股有限公司), an exempted company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement

“connect person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of RMB141,730,700 payable by Wuling Industrial in relation to the Acquisition under the Equity Transfer Agreement
“Director(s)”	Director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 18 August 2017 (after trading hours) entered into between Wuling Industrial, Guangxi Automobile and Wuling Motors in relation to the Acquisition
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreement and the Acquisition
“Group”	the Company and its subsidiaries
“Guangxi Automobile”	Guangxi Automobile Holdings Limited (廣西汽車集團有限公司), a state-controlled enterprise established in the PRC, being the ultimate beneficial controlling Shareholder
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company (which comprises all independent non-executive Directors) formed to advise the Independent Shareholders on the terms of the Equity Transfer Agreement and the Acquisition
“Independent Shareholder(s)”	Shareholder(s) other than (i) Guangxi Automobile, Wuling Motors and their associates and (ii) any other persons who are interested and involved in the Equity Transfer Agreement and the Acquisition or who are prohibited to vote under the Listing Rules
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“Qingdao Leased Properties”	a parcel of land and the buildings constructed thereon, located in south of Songhuajiang Road, west of Jiangshan Road, Huangdao District, Qingdao, the PRC* (青島市黃島區江山路西、松花江路南側). The total site area of the land and the total floor area of the buildings are approximately 48,919 square meters and 21,722 square meters respectively. The Qingdao Leased Properties are currently leased by Qingdao Wuling to Wuling Industrial and used by Wuling Industrial Group as offices and production plants
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.004 each in the share capital the Company
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“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
“sq.m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company” or “Qingdao Wuling”	青島五菱汽車科技有限公司 (Qingdao Wuling Automobile Technology Limited*), a company established in the PRC on 2 April 2010
“PRC Valuation Report”	the valuation report prepared by an independent third valuer, Zhongtongcheng Asset Valuation Company Limited* (中通城資產評估有限公司) dated 5 May 2017 in relation to the a valuation of the shareholders’ equity value of the Target Company as of 31 December 2016
“Wuling HK”	Wuling (Hong Kong) Holdings Limited, a company incorporated in Hong Kong with limited liability and a controlling Shareholder beneficially interested in approximately 56.04% of the total number of Shares in issue of the Company as at the date of this announcement and an indirect wholly-owned subsidiary of Guangxi Automobile

“Wuling Industrial”	柳州五菱汽車工業有限公司 (Liuzhou Wuling Motors Industrial Company Limited*), a company established in the PRC and a non-wholly owned subsidiary of the Company which is owned as to approximately 60.90% and approximately 39.10% by the Company and Guangxi Automobile, respectively
“Wuling Industrial Group”	Wuling Industrial and its subsidiaries
“Wuling Motors”	Wuling Motors (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability. It is a wholly-owned subsidiary of Guangxi Automobile and directly holding the entire issued share capital of Wuling HK, a controlling Shareholder which was beneficially interested in approximately 56.04% of the total number of Shares in issue of the Company as at the date of this announcement
“%”	per cent

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

Hong Kong, 18 August 2017

As at the date of this announcement, 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.

* *For identification purposes only*