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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)

**CONNECTED TRANSACTION IN RELATION TO
COMPENSATION AGREEMENTS**

On 13 September 2017, Wuling Industrial, a non-wholly owned subsidiary of the Company, and Guangxi Automobile entered into the Compensation Agreement I and Compensation Agreement II. Pursuant to the Agreements, among other things, Wuling Industrial agreed to demolish and vacate the properties and equipment of the welding parts plant and plastic parts plant situated on the Land Parcel I and Land Parcel II respectively, to facilitate the surrender of Land Parcel I and Land Parcel II to the Liuzhou Municipal Government by Guangxi Automobile, whereas, Guangxi Automobile agreed to compensate Wuling Industrial for (i) the related costs and losses incurred in the relocation in the total amount of RMB41,014,608; and (ii) the reconstruction costs for the punching workshop in the amount of RMB7,820,000.

As at the date of this announcement, 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. Furthermore, Guangxi Automobile directly holds 39.10% equity interest in Wuling Industrial. In this regard, Guangxi Automobile is a connected person of the Company under the Listing Rules. The Agreements and compensations contemplated thereunder constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios for the total compensations under the Agreements is more than 0.1% but less than 5%, the compensations under the Agreements is subject to reporting and announcement requirements but exempt from the independent shareholders' approval pursuant to R14A.76.

BACKGROUND OF THE AGREEMENTS

On 13 September 2017, Wuling Industrial, a non-wholly owned subsidiary of the Company, and Guangxi Automobile entered into the Compensation Agreement I and Compensation Agreement II. Pursuant to the Agreements, among other things, Wuling Industrial agreed to demolish and vacate the properties and equipment of the welding parts plant and plastic parts plant situated on the Land Parcel I and Land Parcel II respectively, to facilitate the surrender of Land Parcel I and Land Parcel II to the Liuzhou Municipal Government by

Guangxi Automobile, whereas, Guangxi Automobile agreed to compensate Wuling Industrial for (i) the related costs and losses incurred in the relocation in the total amount of RMB41,014,608; and (ii) the reconstruction costs for the punching workshop in the amount of RMB7,820,000.

PRINCIPAL TERMS OF THE AGREEMENTS

Date: 13 September 2017

Parties:

- (a) Guangxi Automobile, being the ultimate controlling Shareholder, is indirectly interested in approximately 56.04% of the total number of Shares in issue of the Company and is a substantial shareholder of Wuling Industrial as at the date of this announcement and a connected person of the Company under the Listing Rules; and
- (b) Wuling Industrial, a non-wholly owned subsidiary of the Company

Compensation Agreement I:

Subject matter: According to the Compensation Agreement I, Wuling Industrial shall (i) terminate the land lease agreement with Guangxi Automobile; and (ii) be responsible for demolishing and vacating the properties and equipment of the welding parts plant and plastic parts plant situated on the Land Parcel I and Land Parcel II respectively prior to delivery to Guangxi Automobile.

Guangxi Automobile shall compensate Wuling Industrial for the related costs and losses incurred in the relocation in the total amount of RMB41,014,608, comprising of the relocation costs and losses for the welding parts plant of RMB28,296,146 and the plastic parts plant of RMB12,718,462 respectively.

Basis of the relocation costs:

Pursuant to Relocation Cost Valuation Report issued by China United Assets Appraisal Group Guangxi Limited Co. (中聯資產評估集團廣西有限公司), an independent evaluation institution in the PRC, engaged for the purpose of performing an independent valuation of the related costs and losses incurred in the relocation of the welding parts plant and plastic parts plant, which include:

- (i) the relocation costs of equipment and storage, involving the costs of discharging, packing, transporting, assembling, testing and resuming to production conditions;

- (ii) the loss of machinery and equipment, involving the impairment losses of machinery and equipment which cannot be removed or resumed during the relocation and have to be discarded as useless; and
- (iii) the loss in the profit during the suspension period of the production as a result of the relocation.

Based on the Relocation Cost Valuation Report, the relocation costs and losses for the welding parts plant and plastic parts plant are estimated to be in the amount of RMB28,296,146 and RMB12,718,462 respectively.

Payment arrangement:

The amounts of compensation shall be paid by Guangxi Automobile in the following manner:

- (i) The compensation for the welding parts plant of RMB28,296,146 shall be fully paid in cash by Guangxi Automobile within 10 Business Days after entering into the Compensation Agreement I; and
- (ii) The compensation for the plastic parts plant of RMB12,718,462 shall be fully paid in cash by Guangxi Automobile within 10 Business Days after Guangxi Automobile has received the compensation from Liuzhou Municipal Government for the expropriation of the Land Parcel II.

Compensation Agreement II:

Subject matter:

Given that the punching workshop situated on the Land Parcel I was invested by Wuling Industrial in 2007, Guangxi Automobile agreed to compensate Wuling Industrial for the reconstruction costs for the punching workshop in the amount of RMB7,820,000, based on the compensation received from Liuzhou Municipal Government by Guangxi Automobile.

Basis of the compensation: The compensation of the punching workshop was determined pursuant to the relevant provisions in the Interim Measures on the Encouragement of Enterprise's Relocation and Reform (關於鼓勵企業進行搬遷改造的暫行辦法) (“**Interim Measures**”) issued by Liuzhou Municipal Government in September 2007, which is equal to 60% of the reconstruction cost of the punching workshop. According to the Property Valuation Report, issued by Guangxi Huzheng Property and Land Evaluation & Consulting Co. Ltd (廣西華正房地產土地評估諮詢有限公司), an independent evaluation institution in the PRC engaged for the purpose of performing an independent valuation of the reconstruction cost of the punching workshop, the reconstruction cost of the punching workshop was estimated to be RMB13,037,800. As such, the amount of compensation is calculated at RMB7,820,000 and Guangxi Automobile will transfer such amount of RMB7,820,000, received from the Liuzhou Municipal Government, to Wuling Industrial as the compensation for the punching workshop.

Payment arrangement: The amount of compensation shall be fully paid by Guangxi Automobile to Wuling Industrial within 10 Business Days after entering into the Compensation Agreement II.

INFORMATION ON THE GROUP AND GUANGXI AUTOMOBILE

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.

The Guangxi Automobile

Guangxi Automobile, through its direct and indirect wholly owned subsidiaries, is interested in 1,028,846,806 Shares of the Company, 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. Furthermore, Guangxi Automobile directly holds 39.10% equity interest in Wuling Industrial. Guangxi Automobile is currently a state-controlled company established in the PRC with the State-owned Assets Supervision and Administration Commission of the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府國有資產監督管理委員會), being the registered shareholder empowered by the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府). Guangxi Automobile, together with its subsidiaries, including the Group, is mainly engaged in the trading, manufacturing and design of (i) various types of vehicles, primarily passenger coaches and mini-buses, automotive components and accessories; (ii) various types of machinery, moulds and tools for production of automobiles, engines, and other relevant parts; (iii) the provision of

related services, including the technical advisory, information, production, after sales services and the supply of power and water services, etc., in relation to the aforementioned products and equipment; and (iv) rental of property and other related services.

REASONS FOR AND BENEFITS OF THE AGREEMENTS

Guangxi Automobile owned the land use right of the Land Parcel I and Land Parcel II and the factory premises (other than the punching workshop) originally built on them, while Wuling Industrial had been leasing the aforesaid land parcels and the factory premises (other than the punching workshop), comprising the welding parts plant and plastic parts plant situated thereon since its establishment as a sino-foreign joint venture enterprise in September 2007 for the production of car-axles components and plastic injected parts. During its occupation, Wuling Industrial further invested and constructed the said punching workshop situated on the Land Parcel I for further expansion purpose.

The entering into the Agreements between Guangxi Automobile and Wuling Industrial were originated from the government policies and measures (including the Interim Measures) advocated by the Liuzhou Municipal Government in encouraging the manufacturing enterprises situated in the districts near to the urban district to relocate to the newly developed industrial zone with appropriate environment and facilities due to the urban development needs of Liuzhou in recent years.

Pursuant to these government policies and measures, in July 2014, the Liuzhou Municipal Government entered into respective agreements with Guangxi Automobile to implement the processes of taking over the land use right of the Land Parcel I and Land Parcel II respectively with relevant compensations in accordance with the Interim Measures. As such, following the negotiation between Guangxi Automobile and Wuling Industrial, Wuling Industrial agreed to (i) terminate the lease agreement with Guangxi Automobile and (ii) relocate its welding parts plant and plastic parts plant to its newly constructed factory premises in the Hexi Industrial Zone in Liuzhou, to facilitate the surrender of Land Parcel I and Land Parcel II to the Liuzhou Municipal Government by Guangxi Automobile, whereas, Guangxi Automobile agreed to compensate Wuling Industrial for (i) the related costs and losses incurred in the relocation of the welding parts plant and plastic parts plant; and (ii) the reconstruction costs of the punching workshop upon compensation received by Guangxi Automobile from Liuzhou Municipal Government.

The relocation and reconstruction programmes of the related production facilities of the welding parts plant, the plastic parts plant and the punching workshop, accompanied with other relevant upgrading and expansion programmes of the Group had since been gradually completed during which the manufacturing operation of Wuling Industrial had not been adversely affected.

Meanwhile, the relocation and reconstruction programmes to certain extent also facilitated the construction of an upgraded and expanded production facilities of Wuling Industrial in a newly developed industrial zone, which is considered to be beneficial for its future business development in view of the increasing demands from the main customer in recent years.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Agreements are on normal commercial terms and in the ordinary and usual course of business of the Company, and are 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, 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. Furthermore, Guangxi Automobile directly holds 39.10% equity interest in Wuling Industrial. In this regard, Guangxi Automobile is a connected person of the Company under the Listing Rules. The Agreements and the compensations contemplated thereunder constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios for the total compensations under the Agreements is more than 0.1% but less than 5%, the compensations under the Agreements is subject to reporting and announcement requirements but exempt from the independent shareholders' approval pursuant to R14A.76.

DEFINITIONS

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

“Agreements”	the Compensation Agreement I and the Compensation Agreement II
“Board”	the board of Directors
“Company”	Wuling Motors Holdings Limited, a company incorporated in Bermuda with limited liability and the shares which are listed on the Stock Exchange (stock code: 305.HK)
“Compensation Agreement I”	the compensation agreement entered into between Guangxi Automobile and Wuling Industrial on 13 September 2017 in relation to the compensation with respect of the welding parts plant and plastic parts plant
“Compensation Agreement II”	the compensation agreement entered into between Guangxi Automobile and Wuling Industrial on 13 September 2017 in relation to the compensation for the reconstruction cost of the punching workshop
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	Director(s) of the Company
“Group”	the Company and its subsidiaries

“Guangxi Automobile”	廣西汽車集團有限公司(Guangxi Automobile Group Co., Limited*) (formerly named as 柳州五菱汽車有限責任公司(Liuzhou Wuling Motors Company Limited*)), a state-controlled company established in the PRC, being the ultimate controlling Shareholder which is indirectly interested in approximately 56.04% of the total number of Shares in issue of the Company as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Land Parcel I”	a land parcel located at No. 6 Xihuan Road, Liuzhou, Guangxi Zhuang Autonomous Region of the PRC with a site area of approximately 62,085.8 square meters
“Land Parcel II”	a land parcel located at No. 13 Xihuan Road, Liuzhou, Guangxi Zhuang Autonomous Region of the PRC with a site area of 33,299.8 square meters
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Liuzhou Municipal Government”	the municipal government of Liuzhou, Guangxi Zhuang Autonomous Region (廣西壯族自治區柳州市人民政府)
“PRC”	the People’s Republic of China
“Property Valuation Report”	the valuation report issued by Guangxi Huzheng Property and Land Evaluation & Consulting Co. Ltd (廣西華正房地產土地評估諮詢有限公司) in relation to the valuation of the reconstruction cost of the punching workshop invested by Wuling Industrial situated on the Land Parcel I
“Relocation Cost Valuation Report”	the valuation report issued by China United Assets Appraisal Group Guangxi Limited Co. (中聯資產評估集團廣西有限公司) in relation to the valuation of the related costs and losses incurred in the relocation for the welding parts plant and plastic parts plant situated on the Land Parcel I and Land Parcel II
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	Holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“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

“%”

per cent

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

Hong Kong, 13 September 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. Ye Xiang, Mr. Wang Yuben and Mr. Mi Jianguo as independent non-executive Directors.

* *For identification purposes only*