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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 TRANSACTION IN RELATION TO  
ESTABLISHMENT OF JOINT VENTURE  
AND  
POSSIBLE MAJOR DISPOSAL IN RELATION TO THE GRANT OF  
THE AAM INTERNATIONAL CALL OPTION**

**Financial adviser to the Company**



**Celestial Capital Limited**

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28 May 2018

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:*

“AAM”	American Axle & Manufacturing, Inc., is a manufacturer of automobile driveline and drivetrain components and systems
“AAM Group”	AAM and its subsidiaries
“AAM International”	AAM International S.à.r.l., an indirect wholly-owned subsidiary of AAM established in the Luxembourg in 2006
“AAM International Call Option”	options granted by Wuling Industrial to AAM International, pursuant to which and upon sales by AAM International of its Equity Interest at a consideration which equals to the Fair Market Value to a third party purchaser resulting from the occurrence of any triggering events as detailed in the paragraph headed “AAM International Call Option” under the section headed “Principal Terms of the JV Agreement” set out in the letter from the Board contained in this circular during the terms of the business of the JV Company, AAM International shall have the right to require Wuling Industrial to sell all of its Equity Interest to that third party purchaser subject to the same terms and conditions (including the basis of determining the consideration (i.e. the option price)) relating to the sale by AAM International and purchase by the third party purchaser of the Equity Interest held by AAM International
“Affiliate”	pursuant to the JV Agreement, an “Affiliate” of a JV Company refers to any company which (i) controls, or is controlled by, that JV Party, or (ii) together with that JV Party, is under common control by another party (“control” refers to “the possession of power, directly or indirectly, to give instruction over the management and decision making process of one party” under the JV Agreement), and for the purpose of the JV Agreement, each of Wuling Industrial, AAM International and the JV Company shall not be deemed to be an Affiliate of the others. “Affiliates” refer to two or more Affiliates
“Ancillary Agreements”	the ancillary agreements which shall be entered into between the JV Party(ies) and the JV Company after the establishment of the JV Company as detailed in the paragraph headed “Other transactions to be entered into by the JV Party(ies) and the JV Company” under the section headed “Principal Terms of the JV Agreement” set out in the letter from the Board contained in this circular

## DEFINITIONS

“Assignment Agreement”	the agreement to be entered between Wuling Industrial (as assignor) and the JV Company (as assignee) regarding the assignment to the JV Company by Wuling Industrial of its rights and obligations under the respective equipment purchase agreement(s) entered into by Wuling Industrial as purchaser and the vendor(s) relating to the production equipment (for the purpose of facilitating the commencements of business and operation of the JV Company) agreed to be purchased by Wuling Industrial from the vendor
“Board”	the board of Directors
“Company”	Wuling Motors Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange (stock code: 305.HK)
“Director(s)”	the director(s) of the Company
“Equity Interest(s)”	equity interest(s) in the JV Company
“Equity Transfer Right of AAM International”	a right granted by Wuling Industrial to AAM International, pursuant to which AAM International shall have the right to sell part or all of its Equity Interest to any third party(ies) (or to Wuling Industrial if Wuling Industrial determines to exercise its Pre-emptive Right) at a price which equals to the Fair Market Value upon occurrence of the triggering events as detailed in the paragraph headed “Equity Transfer Right of AAM International” under the section headed “Principal Terms of the JV Agreement” set out in the letter from the Board contained in this circular during the terms of the business of the JV Company
“Equity Transfer Right of Wuling International”	a right granted by AAM International to Wuling Industrial, pursuant to which Wuling Industrial shall have the right to sell part or all of its Equity Interest to any third party(ies) (or to AAM International if AAM International determines to exercise its Pre-emptive Right) at a price which equals to the Fair Market Value upon occurrence of the triggering events as detailed in the paragraph headed “Equity Transfer Right of Wuling Industrial” under the section headed “Principal Terms of the JV Agreement” set out in the letter from the Board contained in this circular during the terms of the business of the JV Company

## DEFINITIONS

“Fair Market Value”	the value (the “ <b>appraised value</b> ”) of the subject Equity Interest to be determined by an independent qualified asset appraisal company (whose appointment is to be mutually agreed by the JV Parties), or, in case such appraised value is subject to approval by the government authority(ies) in the PRC, the adjusted value as approved by the government authority(ies) provided that any adjustment shall not be greater than 5% of the appraised value set out in the relevant report of the independent qualified asset appraisal company
“Group”	the Company and its subsidiaries
“Guangxi Automobile”	廣西汽車集團有限公司 (Guangxi Automobile Holdings Limited*), a state-controlled enterprise established in the PRC, being the ultimate controlling Shareholder which currently (i) indirectly holds approximately 60.64% shareholding interest in the Company; (ii) directly holds 39.10% equity interest in Wuling Industrial; and (iii) directly holds approximately 5.9% equity interest in SGMW
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“JV Agreement”	the joint venture agreement dated 3 April 2018 entered into between Wuling Industrial and AAM International for the purpose of establishment of the JV Company
“JV Company”	a joint venture company to be established in the PRC, which shall be owned as to 50% by Wuling Industrial and 50% by AAM International pursuant to the JV Agreement, for the purpose of engaging in the development, manufacture and sales of driveline products business
“JV Party(ies)”	parties to the JV Agreement, namely Wuling Industrial and AAM International, and “JV Party” refers to any one of the JV Parties, as the case maybe
“Independent Shareholders”	Shareholder(s) other than Guangxi Automobile and its associates
“Latest Practicable Date”	24 May 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

## DEFINITIONS

“Liuzhou Zhuotong”	柳州卓通汽車部件有限公司 (Liuzhou Zhuotong Automotive Parts and Components Company Limited*), a wholly-owned subsidiary of Wuling Industrial
“Pre-emptive Right”	the right of a JV Party, which is not transferrable, under the JV Agreement to purchase the other JV Party’s Equity Interest if the other JV Party proposes to sell its Equity Interest (not including proposed sales of the Equity Interest to the other JV Party’s Affiliate(s))
“Product Supply Agreement”	a product supply agreement to be entered into between the JV Company and SGMW relating to the supply by the JV Company of parts for production of a vehicle model of SGMW. According to the terms of the JV Agreement, (i) Wuling Industrial shall procure the execution of such product supply agreement by the JV Company and SGMW; and (ii) the agreement shall be entered into by the parties pursuant to arrangement set out in the MOI (as defined and detailed in the paragraph headed “Conditions for payment of the capital contribution to the JV Company” under the section headed “Principal Terms of the JV Agreement” set out in the letter from the Board contained in this circular)
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Share(s)
“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 currently owned as to approximately 50.1% by Shanghai Automobile Industry (Group) Company Limited; as to approximately 44% by GM (China) Investment Co., Limited; and as to approximately 5.9% by Guangxi Automobile, the ultimate controlling Shareholder, and is currently a major customer of Wuling Industrial Group’s businesses in engines and automotive components. To the best of the Directors’ knowledge, each of Shanghai Automobile Industry (Group) Company Limited and GM (China) Investment Co. Limited and their respective ultimate beneficial owner(s) and SGMW is a third party independent of the Company and do not fall under any categories of connected person as defined under the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

## DEFINITIONS

“Wuling HK”	Wuling (Hong Kong) Holdings Limited, a company incorporated in Hong Kong with limited liability and a controlling Shareholder beneficially interested in approximately 60.64% of the total number of Shares in issue of the Company as at the Latest Practicable Date and an indirect wholly-owned subsidiary of Guangxi Automobile
“Wuling Industrial”	柳州五菱汽車工業有限公司 (Liuzhou Wuling Motors Industrial Company Limited*), a company established in the PRC and a non-wholly-owned subsidiary of the Company
“Wuling Industrial Group”	Wuling Industrial and its subsidiaries
“%”	per cent

*In this circular, unless otherwise specified, conversion of RMB into HK\$, is based on the exchange rate of RMB1 to HK\$1.23, for information purpose only. Such conversion should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.*

\* For identification purposes only

LETTER FROM THE BOARD



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

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

**Executive Directors:**

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

**Independent Non-executive Directors:**

Mr. Ye Xiang  
Mr. Wang Yuben  
Mr. Mi Jianguo

**Principal place of business  
in Hong Kong:**

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

**Registered office:**

Canon's Court  
22 Victoria Street  
Hamilton HM12 Bermuda

Hong Kong, 28 May 2018

*To the Shareholders,*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION IN RELATION TO  
ESTABLISHMENT OF JOINT VENTURE  
AND  
POSSIBLE MAJOR DISPOSAL IN RELATION TO THE GRANT OF  
THE AAM INTERNATIONAL CALL OPTION**

**INTRODUCTION**

References are made to the announcements of the Company dated 3 April 2018 and 25 April 2018 in relation to the discloseable transaction and possible major disposal contemplated under the JV Agreement.

On 3 April 2018, Wuling Industrial entered into the JV Agreement with AAM International in relation to the establishment of the JV Company. Pursuant to the JV Agreement, the JV Company shall be owned as to 50% by each of Wuling Industrial and AAM International, respectively. The total registered capital of the JV Company is RMB138 million (equivalent to approximately HK\$169.74 million), which shall be contributed as to RMB69 million (equivalent to approximately HK\$84.87 million) by each of Wuling Industrial and AAM International respectively.



## LETTER FROM THE BOARD

According to the terms of the JV Agreement, Wuling Industrial shall grant to AAM International the AAM International Call Option, pursuant to which (and upon the occurrence of triggering event as detailed in the section headed “The AAM International Call Option” below) AAM International shall have the right to sell all of its Equity Interest to a third party at a price equals to the Fair Market Value and is entitled to exercise its rights under the AAM International Call Option by written notice to require Wuling Industrial to sell all of its Equity Interest to the third party subject to the same terms and conditions (including the basis of determining the consideration (i.e. the option price)) relating to the sale by AAM International and purchase by the third party of the Equity Interest held by AAM International.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the capital contribution by Wuling Industrial to the JV Company under the JV Agreement are more than 5% and all such ratios are less than 25%, the related transaction contemplated under the JV Agreement constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under the Listing Rules. However, as the AAM International Call Option is exercisable at the discretion of AAM International and the exercise price for the AAM International Call Option is to be determined based on the Fair Market Value of the equity interest of the JV Company at the time of exercise, the grant of the AAM International Call Option will be classified as at least a major transaction for the Company pursuant to Rule 14.76(1) of the Listing Rules. Accordingly, the grant of the AAM International Call Option, together with the transactions contemplated under the JV Agreement, constitutes a possible major disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement, circular and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date and to the best of the Directors’ knowledge, information and belief after making all reasonable enquiries, no Shareholder has any material interest in the transactions contemplated under the JV Agreement. Therefore, no Shareholder will be required to abstain from voting at the general meeting on the resolution(s) to approve the transactions contemplated thereunder the JV Agreement, including (but not limited to) the grant of the AAM International Call Option.

Since no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the JV Agreement and the transactions contemplated thereunder, the Company has obtained a written approval from Wuling HK, the immediate controlling Shareholder, which currently holds approximately 60.64% shareholding interest in the Company, approving the JV Agreement and the transactions contemplated thereunder. Accordingly, such written shareholder’s approval will be accepted in lieu of holding a general meeting for the approval of the JV Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules. As such, no general meeting of the Company will be convened to approve the JV Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) further details of the JV Agreement and the transactions contemplated thereunder; (ii) further details of the grant of the AAM International Call Option pursuant to the JV Agreement; and (iii) all other information as required under the Listing Rules.

## LETTER FROM THE BOARD

### PRINCIPAL TERMS OF THE JV AGREEMENT

The principal terms of the JV Agreement are summarized below:

Date:	3 April 2018
JV Parties:	(a) Wuling Industrial; and  (b) AAM International, each entered into the JV Agreement in the capacity of the proposed holder of 50% Equity Interest.
Proposed name of the JV Company:	English Name: Liuzhou AAM Automotive Driveline System Co., Ltd. Chinese Name: 柳州美橋汽車傳動系統有限公司
Scope of business of the JV Company:	The proposed scope of business of the JV Company shall include (i) development, manufacture and sale of independent drive axles, propshafts and other driveline products, driveheads for high-end Salisbury axles or banjo axles, e-drive units for new energy vehicles, and other driveline components for motor vehicles; (ii) provision of after-sale services, technical support and other customer services; and (iii) import, export and sale (by means of wholesale and retail) of products and technology.
Terms of business of the JV Company:	Twenty years from the date of the establishment of the JV Company unless extended upon the unanimous approval of the board of directors of the JV Company or terminated earlier pursuant to the terms of JV Agreement.
Early termination of the JV Agreement:	The JV Agreement may be early terminated at any time by mutual written agreement by the JV Parties, or by a JV Party unilaterally upon the occurrence of any of the following termination events for, where applicable, the relevant termination event(s) is/are not induced by or relating to that JV Party who exercises its rights to terminate the JV Agreement (“ <b>Non-defaulting JV Party</b> ”) but is/are induced by or relating to the other JV Party (“ <b>Defaulting JV Party</b> ”):

## LETTER FROM THE BOARD

- (a) the Defaulting JV Party materially breaches the JV Agreement or violates the articles of association of the JV Company and such breach or violation cannot be rectified within a 30-day period from the date of delivery of a written notice to the Defaulting JV Party;
- (b) the Defaulting JV Party becomes bankrupt, is the subject of proceedings for liquidation or dissolution, ceases to carry on its business, or is unable to settle its debts due for repayment;
- (c) any material part or entire of the assets of the JV Company are confiscated by any government authorities, which confiscation causes material adverse effect on the business and operation of the JV Company;
- (d) occurrence of a force majeure event which causes material adverse effect on the business and operation of the JV Company for a period in excess of six months and no acceptable solution in relation thereto is mutually agreed by the JV Parties;
- (e) the JV Agreement, the articles of association of the JV Company, the business license issued to the JV Company or the Ancillary Agreements, pursuant to the requirements of any government authorities having authority over the JV Company or any JV Party, is/are revised in such a way which cause material adverse effect on the JV Company or any JV Party;
- (f) the JV Company is unable to carry on its business or settle its debts due for repayment resulting from losses incurred by the JV Company;
- (g) the JV Company is unable to carry on its business normally for a period in excess of 45 days and the situation cannot be rectified, on best endeavor basis, by the JV Parties;

## LETTER FROM THE BOARD

- (h) the JV Company is unable to resolve a management deadlock arising from the failure of the directors of the JV Company to reach a consensus regarding a material decision which is necessary for the continuing operation of the JV Company within a total of 90 days from the date of second board meeting of the JV Company after occurrence of the management deadlock;
- (i) any approval, license, permit, certificate, or right material to the business of the JV Company is amended in a materially adverse manner, or is unable to be renewed upon expiry whereby a JV Party determines to exercise its rights to terminate the JV Agreement, provided that such amendment or non-renewal is not caused by the JV Party;
- (j) the existing controlling shareholder of a JV Party (being the Defaulting JV Party in such case) loses its control (being the possession of power, directly or indirectly, to give instruction) over the management and decision making process of the Defaulting JV Party;
- (k) any competitor of a JV Party (being the Non-defaulting JV Party in such case) (i) owns or has the right to acquire, directly or indirectly, the beneficial ownership of 5% or more of the equity interest in the other JV Party (being the Defaulting JV Party in such case), or (ii) is contractually or statutory entitled to obtain material unpublished information on the Defaulting JV Party and any party control, is controlled by, or is under common control of, the Defaulting JV Party;
- (l) the Defaulting JV Party materially infringes any intellectual property rights of the Non-defaulting JV Party in any material respect;
- (m) the Defaulting JV Party materially breaches its obligations under the Ancillary Agreements to which the Defaulting JV Party is a signing party;

## LETTER FROM THE BOARD

- (n) any of the designated Ancillary Agreements (being (i) the service agreement relating to the provision of utilities, security and other support services by Wuling Industrial to the JV Company; (ii) the lease agreement relating to the lease by Wuling Industrial Group of the Land and Plant (as detailed in the condition precedent (d) in the paragraph headed “Conditions for payment of the capital contribution to the JV Company” hereunder) to the JV Company for its business and operation; and (iii) the consigned processing agreement relating to the manufacturing of specific products by Wuling Industrial for the JV Company) having been terminated according to the terms thereof, which termination will cause material adverse effect on the business and operation of the JV Company and is not caused by the JV Company (AAM International will be regarded as the Non-defaulting JV Party while Wuling Industrial will be the Defaulting JV Party in any such case);
- (o) SGMW materially breaches the Product Supply Agreement and the breach cannot be rectified within a 30-day period from the date of a written notice being delivered by the JV Company to SGMW following the JV Company’s best endeavour to resolve the issues through negotiation with SGMW (AAM International will be regarded as the Non-defaulting JV Party while Wuling Industrial will be the Defaulting JV Party in such case);
- (p) AAM International does not receive a memorandum of intention entered into between the JV Company and SGMW in relation to the intention of SGMW to award a contract to the JV Company for the supply of particular components for the production of a vehicle model of SGMW within 6 months after the establishment of the JV Company (AAM International will be regarded as the Non-defaulting JV Party while Wuling Industrial will be the Defaulting JV Party in such case); and

## LETTER FROM THE BOARD

- (q) Liuzhou Zhuotong (being a subsidiary of Wuling Industrial) fails to obtain the necessary permission, approval and acceptance relating to construction (and completions thereof) of the Plant (covering the discharge of pollution related to the Plant) to be leased to the JV Company for its operation or the ownership title of the Plant which causes material adverse effect on the business and operation of the JV Company (AAM International will be regarded as the Non-defaulting JV Party while Wuling Industrial will be the Defaulting JV Party in such case).

If any of the above termination events occurs while no acceptable solution in relation thereto is mutually agreed by the JV Parties within a total of 90-day period after a JV Party (not being a Defaulting JV Party) having served a written notice to exercise its rights to terminate the JV Agreement, the JV Agreement shall be terminated, and the JV Parties as well as the management of the JV Company should carry out necessary steps to dissolve the JV Company accordingly.

Total investment and registered capital of the JV Company:

The total investment of the JV Company shall be RMB305 million (equivalent to approximately HK\$375.15 million). The registered capital of the JV Company shall be RMB138 million (equivalent to approximately HK\$169.74 million), which shall be contributed as to RMB69 million (equivalent to approximately HK\$84.87 million and representing 50% of the registered capital of the JV Company) by each of Wuling Industrial and AAM International respectively.

## LETTER FROM THE BOARD

The JV Parties intend to apply the capital contribution of RMB138 million as follows:

- i) approximately RMB110 million (equivalent to approximately HK\$135.30 million) will be used as capital expenditures for the construction of two processing lines and one assembly line for manufacturing of the principal products of the JV Company; and
- ii) approximately RMB28 million (equivalent to approximately HK\$34.44 million) will be used by the JV Company as initial working capital.

The total amount of the registered capital and the respective capital contribution of the JV Parties were determined after arm's length negotiation between the JV Parties with references to the initial capital requirement of the JV Company and the intention of each JV Party in respect of its capital contribution to the JV Company.

The JV Parties' contribution to the registered capital of the JV Company shall be paid by two instalments. Each JV Party should pay its First Capital Contribution and Second Capital Contribution (as detailed in the paragraph headed "Conditions for payment of the capital contribution to the JV Company" hereunder) in cash on or prior to the tenth business day (being a day that is not a Saturday, a Sunday or other day on which banks are required or authorized by PRC law to be closed in the PRC) following the satisfaction and/or waiver (as the case may be) of the respective conditions for payment of the First Capital Contribution and Second Capital Contribution accordingly.

The total capital contribution of Wuling Industrial to the JV Company in the amount of RMB69 million (equivalent to approximately HK\$84.87 million) will be funded by the internal resources of the Group.

## LETTER FROM THE BOARD

Any increase or decrease in the total investment or the registered capital of the JV Company (including but not limited to any increase in the total investment or the registered capital in case the JV Company's financial condition has deteriorated such that it has been in default in repayment of any loans and debts for a period of 30 days) shall be approved unanimously by the attending directors of the JV Company at the relevant board meeting(s) duly convened or by all of the directors of the JV Company by way of written resolution(s), and the relevant board resolution(s) and/or approval shall be submitted to the relevant government authority(ies) for filing or approval. In case of an increase in the registered capital, the increased registered capital (the "**Increased Capital**") shall be either (i) contributed by the JV Parties on a pro rata basis according to their then respective capital contributions to the JV Company; or (ii) contributed by one JV Party if the other JV Party does not participate in any such increase, subject to the compliance of the relevant laws and regulations in Hong Kong and the PRC (including but not limited to the Listing Rules), and the respective Equity Interests of the JV Parties should then be adjusted accordingly.

Conditions for payment of the capital contribution to the JV Company:

The capital contribution to the JV Company payable by a JV Party with regard to its 50% of the Equity Interest in the amount of RMB69 million (equivalent to approximately HK\$84.87 million) shall be paid by that JV Party (i) as to RMB5 million (equivalent to approximately HK\$6.15 million and representing 3.62% of the registered capital of the JV Company) ("**First Capital Contribution**") upon satisfaction and/or waiver by that JV Party of the following conditions (a) to (h); and (ii) as to the balance of RMB64 million (equivalent to approximately HK\$78.72 million and representing 46.38% of the registered capital of the JV Company) ("**Second Capital Contribution**") upon satisfaction and/or waiver by that JV Party of the following conditions (b), (c), (i) and (j):



## LETTER FROM THE BOARD

- (a) the JV Parties and/or the JV Company having obtained from the relevant PRC government authorities all approvals, confirmations and licenses (including but not limited to the business license specifying the scope of business of the JV Company) required for or otherwise necessary for the establishment of the JV Company by the JV Parties, and the foreign exchange registration with the applicable government authority(ies) or the principal bank by the JV Company having completed;
- (b) the other JV party not having materially breached the JV Agreement, including but not limited to the respective representations made by that JV Party;
- (c) no event of force majeure having occurred and been continuing;
- (d) the state-owned land-use right certificate (the “**Land-use Right Certificate**”) evidencing the ownership by Liuzhou Zhuotong (a wholly-owned subsidiary of Wuling Industrial) of the land-use right of a piece of land (the “**Land**”) and the plant constructed thereon (the “**Plant**”) which are proposed to be leased to the JV Company for its business and operation and the due payment in full made to the relevant government authority(ies) relating to the said land-use right, as well as the relevant construction land planning permit having been obtained and copy of which having been delivered to AAM International by Wuling Industrial (*note: this condition precedent (d) only applied in respect of the payment of the First Capital Contribution by AAM International only*);
- (e) the resolutions of the board of directors of the other JV Party having approved the respective transactions contemplated under the JV Agreement (including the establishment of the JV Company) and each of the Ancillary Agreements to which the other JV Party is a signing party;

## LETTER FROM THE BOARD

- (f) each of the Ancillary Agreements (not including the Product Supply Agreement) having been duly executed by the JV party(ies) and/or the JV Company and the executed Ancillary Agreements having been delivered to the other JV Party;
- (g) AAM International having received a Memorandum of Intention (the “**MOI**”) issued by SGMW confirming that SGMW has awarded a contract to a wholly-owned subsidiary of AAM International for the supply of particular components for the production of a vehicle model of SGMW by that subsidiary, of which all rights and obligations of that subsidiary in such contract under the MOI having been duly transferred/assigned to the JV Company after its establishment and that the transfer and assignment of such rights and obligations having been confirmed and accepted by SGMW in writing (*note: this condition precedent (g) only applies in respect of the payment of the capital contribution to the JV Company by AAM International only and the MOI is not the same as the memorandum of intention mentioned in termination event (p) in the paragraph headed “Early termination of the JV Agreement” hereabove*);
- (h) the Company and Wuling Industrial having complied with the Listing Rules in respect of the entering into of the JV Agreement and the transactions contemplated thereunder, including but not limited to the payment of the capital contribution by Wuling Industrial in the capacity as a JV Party to the JV Company, grant of the Equity Transfer Right of Wuling Industrial, the Equity Transfer Right of AAM International and the AAM International Call Option, and in respect of the entering into of the relevant Ancillary Agreements by Wuling Industrial (or its subsidiary(ies)) and the transactions contemplated under those Ancillary Agreements;

## LETTER FROM THE BOARD

- (i) the JV Parties and/or the JV Company having obtained from the relevant PRC government authorities all approvals, licenses, permits and registrations required for carrying out the JV Company's business in accordance with the PRC law after its establishment; and
- (j) all necessary permission and approval relating to the construction (and completion thereof) of the Plant having been granted by the relevant government authority(ies) to Liuzhou Zhuotong in accordance with the PRC law.

If any of the above conditions precedent are not fulfilled, or agreed to be waived (as the case may be and save for the condition precedent (h) which cannot be waived) by the relevant JV Parties, within eight months from the date of establishment of the JV Company, the JV Agreement, together with (if having been executed) the articles of association of the JV Company and the Ancillary Agreements shall forthwith be terminated and of no effect, and no JV Party shall have any right whatsoever to require any performance of the JV Agreement by the other JV Party and to claim any damages from the other JV Party save for any antecedent material breaches of the terms of the JV Agreement by the other JV Party, and any registered capital contribution made by a JV Party to the JV Company shall then be returned to that JV Party in accordance with the relevant PRC law relating to company dissolution and liquidation.

As at the Latest Practicable Date conditions (e), (f) and (g) have been fulfilled and each of the Company and AAM International has no intention to waive any of the other conditions.

## LETTER FROM THE BOARD

Transfer of Equity Interests and related restriction:

Save for the transfer of Equity Interest (i) by a JV Party to the other JV Party or any third party(ies) according to the Equity Transfer Right of Wuling Industrial, the Equity Transfer Right of AAM International and the AAM International Call Option granted by the respective JV Party to the other JV Party; and (ii) by a JV Party to any of its Affiliates, a JV Party shall not dispose of its Equity Interest for a period of three years from the date of establishment of the JV Company. Upon expiry of such three-year period, subject to the Pre-emptive Right, a JV Party shall have the right to transfer or otherwise dispose of a portion or all of its Equity Interest to a third party purchaser.

According to the terms of the JV Agreement, a JV Party shall have the Pre-emptive Right, but not obligation, to purchase the other JV Party's Equity Interest if the other JV Party proposes to sell its Equity Interest (not including proposed sales of the Equity Interest to the other JV Party's Affiliate(s)).

A JV Party (the "**Selling JV Party**") which proposes to sell its Equity Interest to a third party purchaser must serve relevant notice (the "**Transfer Notice**") setting out principal terms of the proposed transfer (including the subject Equity Interest proposed to be transferred and the transfer price), to the other JV Party. Within 30 days after receiving the Transfer Notice which shall constitute an irrevocable offer of the Selling JV Party to transfer the subject Equity Interest to the other JV Party upon the terms and conditions set out therein, the other JV Party may accept such offer from the Selling JV Party by issuing relevant written notice of acceptance to the Selling JV Party. If no such written notice of acceptance is sent by the other JV Party, the Selling JV Party may transfer the subject Equity Interest set out in the Transfer Notice to the third party purchaser designated in the Transfer Notice at a price not less than the price set forth in the Transfer Notice and upon other terms and conditions no more favorable than those also set forth in the Transfer Notice, provided that such third party purchaser of the subject Equity Interest shall be bound by the terms of the JV Agreement as if it was a party thereto.

## LETTER FROM THE BOARD

Equity Transfer Right of  
Wuling Industrial:

Pursuant to the JV Agreement, Wuling Industrial shall have the right to sell a portion or all of the Equity Interest held by it to any third party(ies) (or to AAM International if AAM International determines to exercise its Pre-emptive Right at a price which is equivalent to the Fair Market Value of the subject Equity Interest upon occurrence of any of the following trigger events at any time during the terms of business of the JV Company:

- (a) any competitor of Wuling Industrial owns or has the right to acquire, directly or indirectly, beneficial ownership of 5% or more of the equity interest of AAM International, or (ii) is contractually or statutory entitled to obtain material unpublished information on AAM International and any party control, is controlled by, or is under common control of, AAM International;
- (b) AAM International infringes any intellectual property rights of Wuling Industrial or the JV Company in any material respect;
- (c) AAM International materially breaches its obligations under the relevant Ancillary Agreements regarding the respective provision of technical assistance and licensing services by AAM International to the JV Company for its business;
- (d) the occurrence of any event following which AAM (the controlling shareholder of AAM International) loses its control (being the possession of power, directly or indirectly, to give instruction) over the management and decision making process of AAM International; and

## LETTER FROM THE BOARD

- (e) the JV Company fails to achieve the financial or operation benchmarks formulated by the board of directors of the JV Company for a period of three consecutive fiscal years after the establishment of the JV Company (*note: the financial and/or operation benchmarks, which in general will include: (i) projected revenues, costs, and expenses related to the JV Company's operations and sales activities for the respective fiscal year; (ii) expected pricing, service, product performance, and quality levels; (iii) short and long-term investment plans, if any, and proposed changes in production capacity or types of products to be manufactured by the JV Company; (iv) expected sources of funding to support such operations and activities; (v) a review of the JV Company's performance under the environmental, health and safety policies adopted by the board of directors of the JV Company and a description of any actions to be taken to improve compliance with such policies; and (vi) such other items as are specified by the board of directors of the JV Company from time to time, will be formulated by the management team of the JV Company and will be presented to the board of directors of the JV Company for review and approval prior to the commencement of each fiscal year*).

## LETTER FROM THE BOARD

If any of the above triggering events occurs while no acceptable solution in relation thereto is mutually agreed by the JV Parties within a total of 90 days after occurrence of the triggering events, by giving written notice to AAM International to exercise the Equity Transfer Right of Wuling Industrial, Wuling Industrial shall have the right to sell to any of the third party(ies) (or to AAM International if AAM International determines to exercise its Pre-emptive Right), a portion or all of its Equity Interest at a price which equals to the Fair Market Value of the subject Equity Interest, provided that any transfer of Equity Interest as a result of exercise of the Equity Transfer Right of Wuling Industrial should be in compliance with the Listing Rules and the applicable PRC law and approval or filing requirements of the relevant PRC authority(ies). For the avoidance of doubt, the Company has confirmed that AAM International shall have the Pre-emptive Right, but no obligation, to acquire any Equity Interests proposed to be sold by Wuling Industrial upon its exercise of the Equity Transfer Right of Wuling Industrial as mentioned above.

Equity Transfer Right of AAM International:

Pursuant to the JV Agreement, AAM International shall have the right to sell a portion or all of the Equity Interest held by it to any third party(ies) (or to Wuling Industrial if Wuling Industrial determines to exercise its Pre-emptive Right) at a price which is equivalent to the Fair Market Value of the subject Equity Interest upon occurrence of any of the following triggering events at any time during the terms of business of the JV Company:

- (a) any of the designated Ancillary Agreements, being (i) the service agreement relating to the provision of utilities, security and other support services by Wuling Industrial to the JV Company; (ii) the lease agreement relating to the lease by Wuling Industrial Group of the Land and Plant to the JV Company for its business and operation; and (iii) the consigned processing agreement relating to the manufacturing of specific products by Wuling Industrial for the JV Company having been terminated which termination is not caused by AAM International;

## LETTER FROM THE BOARD

- (b) SGMW materially breaches the Product Supply Agreement and the breach cannot be rectified within a 30-day period from the date of delivery of a written notice by the JV Company to SGMW;
- (c) the occurrence of any event following which Guangxi Automobile loses its control (being the possession of power, directly or indirectly, to give instruction) over the management and decision making process of Wuling Industrial;
- (d) any competitor of AAM International (i) owns or has the right to acquire, directly or indirectly, beneficial ownership of 5% or more of the equity interest in Wuling Industrial, or (ii) is contractually or statutory entitled to obtain material unpublished information on Wuling Industrial and any party control, is controlled by, or is under common control of, Wuling Industrial;
- (e) Wuling Industrial infringes any intellectual property rights of AAM International or the JV Company in any material respect;
- (f) Wuling Industrial materially breaches its obligations under (i) the Assignment Agreement, or (ii) the agreement regarding the respective provision of technical assistance and licensing services by AAM International, Wuling Industrial and their respective Affiliate to the JV Company;



## LETTER FROM THE BOARD

- (g) the JV Company fails to achieve the financial or operation benchmarks formulated by the board of directors of the JV Company for a period of three consecutive fiscal years after establishment of the JV Company (*note: the financial and/or operation benchmarks, which in general will include: (i) projected revenues, costs, and expenses related to the JV Company's operations and sales activities for the respective fiscal year; (ii) expected pricing, service, product performance, and quality levels; (iii) short and long-term investment plans, if any, and proposed changes in production capacity or types of products to be manufactured by the JV Company; (iv) expected sources of funding to support such operations and activities; (v) a review of the JV Company's performance under the environmental, health and safety policies adopted by the board of directors of the JV Company and a description of any actions to be taken to improve compliance with such policies; and (vi) such other items as are specified by the board of directors of the JV Company from time to time, will be formulated by the management team of the JV Company and will be presented to the board of directors of the JV Company for review and approval prior to the commencement of each fiscal year*);
- (h) Liuzhou Zhuotong fails to obtain the necessary permission, approval and acceptance relating to construction (and completion thereof) of the Plant (covering the discharge of pollution relating to the Plant) or the ownership title of the Plant which causes material adverse effect on the business and operation of the JV Company; and
- (i) the JV Company fails to obtain any approvals, certificates, licenses, permits and registrations (including the pollution discharge permission) necessary for its operation, which failure causes material adverse effect on the business and operation of the JV Company.

## LETTER FROM THE BOARD

If any of the above triggering events occurs while no acceptable solution in relation thereto is mutually agreed by the JV Parties within a total of 90 days after the occurrence of the triggering events, by giving written notice to Wuling Industrial to exercise the Equity Transfer Right of AAM International, AAM International shall have the right to sell to any third party(ies) (or to Wuling Industrial if Wuling Industrial determines to exercise its Pre-emptive Right), a portion or all of its Equity Interest at a price which equals to the Fair Market Value, provided that any transfer of Equity Interest as a result of exercise of the Equity Transfer Right of AAM International and/or exercise of the Pre-emptive Rights by Wuling Industrial should be in compliance with the Listing Rules and the applicable PRC law and approval or filing requirements of the relevant PRC authority(ies). For the avoidance of doubt, the Company has confirmed that Wuling Industrial shall have the Pre-emptive Right, but no obligation, to acquire any Equity Interests proposed to be sold by AAM International upon its exercise of the Equity Transfer Right of AAM International as mentioned above.

Non-competition with the JV Company:

Each JV Party and its Affiliates, during the terms of business of the JV Company, shall not engage in any business which would compete with the JV Company within the location where SGMW carrying out its operations.

Composition of the board of directors, supervisors and other senior management of the JV Company:

The board of directors of the JV Company shall comprise four directors, two of which shall be nominated by Wuling Industrial and AAM International respectively. The chairman and vice chairman of the board of directors shall be nominated by Wuling Industrial and AAM International respectively.

The JV Company has two supervisors, Wuling Industrial and AAM International each have the right to nominate one supervisor.

## LETTER FROM THE BOARD

The senior management team of the JV Company shall comprise a general manager, a deputy general manager, a finance manager and a deputy finance manager. The general manager and the deputy finance manager shall be nominated by AAM International, and the deputy general manager and the finance manager shall be nominated by Wuling Industrial.

Other transactions to be entered into by the JV Party(ies) and the JV Company:

Pursuant to the JV Agreement, after the establishment of the JV Company, the JV Party(ies) and the JV Company shall enter into the Ancillary Agreements, in relation to, among other things, (i) the provision of technical assistance services and other supporting services by the JV Party(ies) to the JV Company; (ii) the licensing of certain trademarks owned by the JV Party(ies) to the JV Company; (iii) the Assignment Agreement; (iv) the leasing of the Land and the Plant to the JV Company by Wuling Industrial Group; (v) the Product Supply Agreement; and (vi) the consigned processing agreement relating to the manufacturing of specific products by Wuling Industrial for the JV Company.

The JV Parties further agreed to procure the transfer of relevant employees designated for the production of driveline products from each of the JV Parties before their respective payment of the First Capital Contribution to the JV Company.

In this regard, further announcement(s) may be made by the Company to comply with the relevant disclosure and approval requirements, as and when required, under the Listing Rules.

### THE AAM INTERNATIONAL CALL OPTION

According to the JV Agreement, AAM International Call Option will be granted by Wuling Industrial to AAM International, pursuant to which AAM International shall have the right to exercise the AAM International Call Option if the JV Company fails to achieve the financial or operation benchmarks formulated by the board of director of the JV Company for a period of three consecutive fiscal years after the establishment of the JV Company (*note: the financial and/or operation benchmarks, which in general will include: (i) projected revenues, costs, and expenses related to the JV Company's operations and sales activities for the respective fiscal year; (ii) expected pricing, service, product performance, and quality levels; (iii) short and long-term investment plans, if any, and proposed changes in production capacity or types of products to be manufactured by the JV Company; (iv) expected sources of funding to support such operations and activities; (v) a review of the JV Company's*

## LETTER FROM THE BOARD

*performance under the environmental, health and safety policies adopted by the board of directors of the JV Company and a description of any actions to be taken to improve compliance with such policies; and (vi) such other items as are specified by the board of directors of the JV Company from time to time, will be formulated by the management team of the JV Company and will be presented to the board of directors of the JV Company for review and approval prior to the commencement of each fiscal year) and during the terms of business of the JV Company and no acceptable solution in relation thereto is mutually agreed by the JV Parties within a total of 90 days thereafter (the “**Triggering Event**”).*

Upon the occurrence of the Triggering Event, (i) AAM International shall have the right to sell all of its Equity Interest to a third party purchaser at a price equals to the Fair Market Value, and (ii) AAM International, upon being requested by the third party purchaser, is entitled to exercise its rights under the AAM International Call Option by written notice to require Wuling Industrial to sell all of its Equity Interest to the third party purchaser subject to the same terms and conditions (including the basis of determining the consideration (i.e. the option price)) relating to the sale by AAM International and purchase by the third party purchaser of the Equity Interest held by AAM International, provided that any transfer of Equity Interest as a result of exercise of the AAM International Call Option, according to the terms of the JV Agreement, should be in compliance with the Listing Rules (in particular, if the exercise of the AAM International Call Option and resultant transfer of the Equity Interest is classified as a very substantial disposal, the Company will comply with the additional reporting, disclosure and shareholder’s approval requirements as applicable under the Listing Rules and the applicable PRC law and approval or filing requirements of the relevant PRC authority(ies). In this connection, in the event that the Company could not obtain shareholder’s approval as required under the Listing Rules, the AAM International Call Option will not be exercisable according to the terms of the JV Agreement).

As mentioned in the paragraphs headed “Information on the Group, AAM and AAM International” and “Reasons for and benefits of the establishment of the JV Company” below, AAM is a global leader in the driveline market; upon the establishment of the JV Company, it will be able to leverage AAM’s advanced technologies and abundance experience in manufacture of driveline products, which will be essential for the JV Company to develop competitive driveline products for the high-end automobile market. Considering the AAM International Call Option is one of the terms and conditions required by AAM International on formation of the JV Company and that upon exercise of the AAM International Call Option, the consideration to be received by Wuling Industrial on disposal of its equity interests in the JV Company would be equal to the Fair Market Value, which is also the same as the consideration to be received by AAM International, the Directors are of the view that, the grant of the AAM International Call Option by Wuling Industrial to AAM International pursuant to the JV Agreement is a commercial term agreed between the JV Parties after arm’s length negotiations.

## **LETTER FROM THE BOARD**

### **INFORMATION ON THE GROUP, AAM AND AAM INTERNATIONAL**

#### **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 (which covers the new energy vehicles, represented primarily by the electrical vehicles), as well as the trading of raw materials, water and power supply services.

#### **AAM and AAM International**

AAM is a premier, global leader in the design, engineering, validation and manufacturing of driveline, metal forming, powertrain, and casting technologies for automotive, commercial and industrial markets. AAM was founded in 1917 as an aircraft parts manufacturer headquartered in Detroit, the United States of America, it has been continuously expanding its product mix and upgrading its production facilities to meet the increased demands of the burgeoning automotive industry since its establishment and have successfully become a stand-alone, independent and multi-billion-dollar Tier 1 automotive supplier in 1994. AAM Group is currently having over 25,000 employees operating at more than 90 facilities (including factories and engineering centres) in 17 countries to support their customers on global and regional platforms with a focus on quality, operational excellence and technology leadership.

AAM International is one of the operating arms of AAM Group established in Luxembourg in 2006 and is principally engaged in design, manufacture, and distribution of driveline and drivetrain systems.

As at the Latest Practicable Date and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of AAM International and its ultimate beneficial owner is a third party independent of the Company and its connected persons.

### **REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE JV COMPANY**

As disclosed in the annual report of the Company for the year ended 31 December 2017, Wuling Industrial, the principal operating subsidiary of the Group in the business division of engines and related parts, and automotive components and other industrial services, has been actively undertaking certain expansion and upgrading projects in its production facilities so as to meet the customer demands in view of the anticipated growth of business of SGMW (which is a major customer of Wuling Industrial Group's businesses in engines and automotive components) from the existing vehicle models and the launches of new vehicle models. Over the recent years, SGMW has been shifting its focus from the commercial-type mini-vehicle market to the passenger vehicle market in the PRC. As such, Wuling Industrial Group, being the direct and indirect manufacturers of various automotive components for SGMW, is required to undertake certain technology improvement in order to satisfy such changes of SGMW and provide SGMW with high-end products.

## LETTER FROM THE BOARD

Wuling Industrial currently only supplies one single product namely integral assembled rear axles primarily for the products of SGMW in the commercial-type mini-vehicles segment, which are grouped under the automotive components and other industrial services division of Wuling Industrial Group. Considered the recent development of SGMW in expanding its production of passenger vehicles, Wuling Industrial has also undertaken various research and development programmes focusing on the driveline products for the high-end products from the passenger vehicles segment of SGMW. In response to the increasing orders of SGMW for the high value-added passenger vehicles, such as the current and future vehicle platform for sedans, MPV, SUV and new energy vehicles, etc., which currently accounted for nearly 70% of the total business volume of the automotive components and other industrial services division, Wuling Industrial considers it is necessary to speed up the enhancement and upgrading exercises of its existing products in order to meet the rising technical and quality requirement of SGMW and to further explore its business opportunities with SGMW as well as other potential new customers in the high-end automobile market.

The JV Company, upon establishment, will focus on development, manufacture and sale of competitive driveline products. It is considered that the establishment of the JV Company will be able to (i) fully leverage the advantage of the advanced designing, engineering and manufacturing technologies from AAM International though its unique world class global AAM operating management system to speed up the business development programmes in manufacturing the driveline products for the high-end passenger vehicle required by SGMW and other existing and new customers; (ii) utilize Wuling Industrial's experience in resource allocation and effective cost control in production and management for manufacturing and sales of automotive components in the PRC; and (iii) share the strong sales networks of Wuling Industrial in the automobile market in the PRC especially in achieving more immediate business opportunities from the high-end passenger vehicle market of SGMW and other potential new customers. Given the importance of SGMW as the potential major customer of the JV Company and in order to substantiate the anticipated business opportunity with SGMW upon the establishment of the JV Company, the JV Parties have considered that the entering into of the Product Supply Agreement by the JV Company and SGMW and the issue of the MOI by SGMW are critical for the initial development and business of the JV Company and the JV Parties. After arm's length negotiation, the JV Parties have agreed that the issue of the MOI should be part of the conditions for payment of their respective capital contribution to the JV Company. With the provision of the advanced technology from the AAM International and the utilization of Wuling Industrial Group's vast experience in the automotive industry in the PRC mentioned above, the JV Parties are of the view that the JV Company will be fully equipped to grasp the opportunity presented by the increasing demands of SGMW for high-valued added passenger vehicles. Save for the MOI mentioned above, no agreement has been entered into between the JV Company and SGMW as at the Latest Practicable Date.

The terms of the JV Agreement, including (i) the total amount of the registered capital of the JV Company of RMB138 million (equivalent to approximately HK\$169.74 million) and the contribution thereof by each JV Party (as to RMB69 million (equivalent to approximately HK\$84.87 million and representing 50% of the registered capital of the JV Company), and (ii) the grant of the AAM International Call Option, were determined after arm's length negotiation between the JV Parties with references to, among other things, the initial capital



## LETTER FROM THE BOARD

requirement of the JV Company and the intention of each JV Party in respect of its capital contribution to the JV Company. In view of the above, the Directors consider that the terms of the JV Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### FINANCIAL IMPACT ON THE GROUP

The registered capital of the JV Company shall be RMB138 million (equivalent to approximately HK\$169.74 million), which shall be contributed as to RMB69 million (equivalent to approximately HK\$84.87 million and representing 50% of the registered capital of the JV Company) by each of Wuling Industrial and AAM International respectively. The Group will finance its contribution to the JV Company by internal resources. Upon the establishment of the JV Company, the JV Company will be treated as a jointly controlled entity of the Company. As such, the JV Company will be equity accounted for in the financial statements of the Group and its financial results and financial position will not be consolidated into financial statements of the Group. Accordingly, upon establishment of the JV Company, (i) there will be no impact on the consolidated revenue of the Group; (ii) any profit/loss of the JV Company will be shared by the Group as a jointly controlled entity; and (iii) there will be no impact on the Group's total assets and liabilities save that the working capital will be decreased by the payment of the Group's capital contribution to the JV Company of RMB69.0 million (equivalent to approximately HK\$84.87 million and representing 50% of the registered capital of the JV Company) on one hand, and the Group will record an interest in a jointly controlled entity at the equivalent amount on the other hand. Wuling Industrial and AAM International will be entitled to share the profit or loss of the JV Company in proportion to their respective equity interests in the JV Company.

### LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the capital contribution by Wuling Industrial to the JV Company under the JV Agreement are more than 5% and all such ratios are less than 25%, the related transaction contemplated under the JV Agreement constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under the Listing Rules. However, as the AAM International Call Option is exercisable at the discretion of AAM International and the exercise price for the AAM International Call Option is to be determined based on the Fair Market Value of the equity interest of the JV Company at the time of exercise, the grant of the AAM International Call Option will be classified as at least a major transaction for the Company pursuant to Rule 14.76(1) of the Listing Rules. Accordingly, the grant of the AAM International Call Option, together with the transactions contemplated under the JV Agreement, constitutes a possible major disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## LETTER FROM THE BOARD

### WRITTEN SHAREHOLDER'S APPROVAL

As at the Latest Practicable Date and to the best of the Directors' knowledge, information and belief after making all reasonable enquiries, no Shareholder has any material interest in the transactions contemplated under the JV Agreement. Therefore, no Shareholder will be required to abstain from voting at the general meeting on the resolution(s) to approve the transactions contemplated thereunder the JV Agreement, including (but not limited to) the grant of the AAM International Call Option.

Since no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the JV Agreement and the transactions contemplated thereunder, the Company has obtained a written approval from Wuling HK, the immediate controlling Shareholder, which currently holds approximately 60.64% shareholding interest in the Company, approving the JV Agreement and the transactions contemplated thereunder. Accordingly, such written shareholder's approval will be accepted in lieu of holding a general meeting for the approval of the JV Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules. As such, no general meeting of the Company will be convened to approve the JV Agreement and the transactions contemplated thereunder.

### RECOMMENDATION

Based on the relevant information disclosed herein, the Directors (including the independent non-executive Directors) are of the opinion that the terms of the JV Agreement and the respective transactions contemplated thereunder (including the grant of the AAM International Call Option) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolutions to approve the JV Agreement and the respective transactions contemplated thereunder (including the grant of the AAM International Call Option) if it had been necessary to hold a general meeting for such purpose.

**Completion is subject to the fulfillment of the conditions precedent and therefore the transactions contemplated under the JV Agreement may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

### ADDITIONAL INFORMATION

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

Yours faithfully  
For and On behalf of the Board  
**Wuling Motors Holdings Limited**  
**Yuan Zhijun**  
*Chairman*



## 1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial information of the Group for the three years ended 31 December 2015, 2016 and 2017, respectively, had been set out in the annual reports of the Company for the three years ended 31 December 2015 (from pages 64 to 140), 31 December 2016 (from pages 73 to 144) and 31 December 2017 (from pages 70 to 152).

All of the abovementioned annual reports and final result announcement of the Company had been published on the respective websites of Company (<http://www.wuling.com.hk/index.php/hk/>) and the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) through the links below:

- annual report of the Company for the year ended 31 December 2015:  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0426/LTN20160426850.pdf>
- annual report of the Company for the year ended 31 December 2016:  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0424/LTN20170424805.pdf>
- annual report of the Company for the year ended 31 December 2017:  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0427/LTN201804272346.pdf>

## 2. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after due and careful enquiry taking into account the financial resources available to the Group, including internally generated funds, the available banking facilities for issuance of bills payables and bank borrowings, and assets available to pledge for obtaining further banking facilities, the Group has, in the absence of unforeseeable circumstances, sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

## 3. STATEMENT OF INDEBTEDNESS

As at 31 March 2018, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had the following indebtedness that are unguaranteed:

	<i>Notes</i>	<b>As at 31 March 2018</b> <i>RMB'000</i>
Secured bank borrowings	<i>(i)</i>	559,675
Unsecured bank borrowings		397,153
Secured advances drawn on bills receivables discounted with recourse	<i>(ii)</i>	97,781
Unsecured convertible loan notes		148,083
		<u>1,202,692</u>

*Notes:*

- (i) The amounts are secured by an investment property and certain bills receivables of the Group.
- (ii) The amount represents the Group's other borrowings secured by the bills receivables discounted to banks with recourse.

Save as aforesaid, and apart from intra-group liabilities and normal trade and other payables, as at 31 March 2018, the Group did not have any debt securities issued or outstanding or authorised or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

#### **4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, there had been no material adverse changes in the financial or trading position of the Group since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group had been made up) up to the Latest Practicable Date.

#### **5. FINANCIAL AND TRADING PROSPECTS**

As set out in the annual report of the Company for the year ended 31 December 2017 (“**2017 Annual Report**”), the year of 2017 continued to be full of challenges and opportunities to the automobile industry in China. With the undergoing structural changes of the market and the implementation of the fundamental supply side reform measures, the automobile industry entered into the stage of development emphasizing an equilibrium of growth and quality. Persistently adhering to our operating policies, the Group managed to enhance quality and efficiency, continued to adjust our enterprise structure and promoted business transformation, unremittingly identifying new business goals for strategic development without compromising the long-standing scale of operation and healthy growth. Despite a relatively tough business environment, the Group recorded a total revenue of RMB16,123,895,000 for the year ended 31 December 2017, representing a slight decrease of 3.3% as compared to previous year.

Gross profit for the year ended 31 December 2017 was RMB1,603,669,000, representing a decrease of 14.7% as compared to previous year. Growth of businesses in relation to the passenger vehicles segment of the automotive components and the specialized vehicles helped to maintain a stable business volume of the Group for the year. However, such positive impact was adversely impeded by the increases in the prices of raw material, the operating losses incurred in the newly setup plant in Indonesia and the drastic reduction in the businesses of the engine and parts division during the year. Besides, the relatively low gross margin condition continued to reflect the keen competition environment in the automobile industry in China.

Net profit of the Group for the year ended 31 December 2017 which had taken into account of the other gain of RMB46,994,000 from the effect of changes in fair value of the convertible loan notes issued by the Company in May 2017, was RMB281,784,000, representing a slight increase of 0.5% as compared to previous year. Profit attributable to the owners of the Company was RMB173,158,000, representing an increase of approximately 23.3%, while the profit attributable to the owners of the Company netting off of the related effective interest expenses incurred, the related foreign exchange gain and the effect of changes in fair value from the convertible loan notes during the year for the purpose of computation of the earnings per share on a fully diluted basis, was RMB135,303,000, representing a decrease of approximately 3.7% as compared to previous year.

On 23 May 2017, through the funds raised from the issue of convertible loan notes of a principal amount of HKD400,000,000 to Wuling HK, our controlling shareholder, the Company completed further capital injection of RMB340,000,000 into Wuling Industrial, our non-wholly owned subsidiary which is also our principal operating arm in the automobile industry. Upon completion of this capital injection, the Company's equity interest in Wuling Industrial on an enlarged basis was increased by approximately 6.04% to approximately 60.90%. Completion of the capital injection in Wuling Industrial had not only strengthened the capital base of Wuling Industrial, but also enabled the Company to have a greater equity share of the business operation of Wuling Industrial. As scheduled by Wuling Industrial, the capital injected to Wuling Industrial had been applied to the capacity expansion and construction of the production bases in Indonesia, Liuzhou and Chongqing.

The business performance and evaluation of the Group's three main business segments, operated under Wuling Industrial Group, namely (1) engines and parts; (2) automotive components and other industrial services; and (3) specialized vehicles for the year ended 31 December 2017 are detailed below:

### **Engines and Related Parts**

Total revenue (based on external sales) of the engines and related parts division for the year ended 31 December 2017 was RMB2,268,200,000, representing a decrease of 41.4% as compared to previous year. Operating profit for the year was RMB148,872,000, representing a decrease of 7.5% as compared to previous year.

Total number of engines sold by the subsidiary, Liuzhou Wuling Liuji Motors Company Limited ("**Wuling Liuji**"), for the year 2017 was approximately 280,000 units, representing a decrease of approximately 32% as compared to previous year.

During the year, sales to SGMW, our core customer, amounted to approximately RMB1,709,455,000 and continued to account for the majority portion of the division's revenue. Sales to SGMW were mainly attributable to the contribution from the NP18 model (Capacity 1.8L), the Group's first self-propriety engine which was launched in 2015 for passenger vehicles and were primarily installed in the high capacity SUVs and MPVs of SGMW. During the year, due to the shift of the marketing focus of SGMW in intensively promoting the vehicle models installed with their in-house produced 1.5T engine (Capacity 1.5L), sale volume of the NP18 model experienced a drastic decrease especially in the second half of 2017.

Meanwhile, as a long standing industry leader in the manufacturing of engines for the commercial minivehicles, Wuling Liuji continued to supply products to other automobile manufacturers in this market segment. Sales, primarily engine sets with capacity range from 1.0L to 1.6L, to other customers amounted to approximately RMB560,000,000 for the year 2017, representing approximately 25% of the total revenue of this division.

Operating margin improved to 6.6% for the year. Reversal of the bad debt provision made in previous years and an improved gross profit margin and a decrease in warranty expenses incurred resulting from the continuous improvement of the operations of the foundry facilities and gradual improvement in the production efficiency of the NP18 model at an optimal scale operation level helped to offset the negative impact from the drastic reduction in sale volume and total revenue of this division.

The production capacity of Wuling Liuji for the assembly functions at present is about 800,000 units a year, in which approximately 280,000 units are for the NP18 model, whereas the foundry facilities of cylinder block and cylinder head are having a capacity of 600,000 units. Wuling Liuji will continue to monitor the growth of customers' businesses volume in order to derive an optimum capacity and utilization level for its operations.

In the past, engines produced by Wuling Liuji were mainly for the commercial mini-vehicles which had been recognized as a trademark product in this particular market segment. However, to further expand the product range and to achieve higher technical capability, Wuling Liuji has actively undertaken development projects for the production of the upgraded engine products in serving the different needs of the customers, especially targeting at the passenger vehicles segment. Apart from the successfully launched NP18 model as previously mentioned, Wuling Liuji was also undertaking projects in enhancing the NP18 model and in developing new products with greater capacity for extending the range of products in serving the specific needs of the customers of the passenger vehicles segment. In September 2017, Wuling Liuji entered into an equipment purchase agreement at a gross consideration of RMB94,000,000 (inclusive of VAT) in relation to the construction of a production-line designated and installed for the production by Wuling Liuji of a new model of automotive engine, namely the NPT20 (Capacity 2.0L), which had completed the internal technical procedure and was planned to be launched and supplied for passenger vehicles of its customers, including SGMW and other customers commencing from late 2018.

Besides, to ensure adequate supply of foundry components for the existing and the above new model engines and for further upgrading of the quality standard, in November 2017 Wuling Liuji entered into another equipment purchase agreements at a gross consideration of RMB170,000,000 (inclusive of VAT) in relation to the establishment of two production-lines which are designated for the processing production of cylinder blocks and cylinder heads, which are planned to be completed in the second half of 2018. The Group considers that completion of the above two projects and the launch of the NPT20 would further strengthen the market position of Wuling Liuji by having a comprehensive range of products ranging from 1.0L to 2.0L with the essential vertical integration elements, i.e., the in-house manufacturing of the foundry components.

Going forward, Wuling Liuji will continue to focus on the research and development, as well as the marketing programmes of its existing and new products, including the products applicable for the new energy vehicles, so as to maintain its competitiveness in this market segment. The Group believes the increasing applications of the successfully launched higher end models to the passenger vehicles of SGMW and other new customers and the introduction of other new higher end products will enhance the business potential and the technical capability of Wuling Liuji which will contribute to its profitability in the coming years.

### **Automotive Components and Other Industrial Services**

Total revenue (based on external sales) of the automotive components and other industrial services division for the year ended 31 December 2017 was RMB11,022,262,000, representing an increase of 4.5% as compared to previous year. Operating profits for the year was RMB331,769,000, representing an increase of 1.7% as compared to previous year.

The automotive components and other industrial services division, undertaken by Wuling Industrial, continued to be the key supplier for supplying a majority portion of the key automotive components to SGMW.

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

Operating margin maintained at 3.0% as compared to previous year. The positive effects from the launches of new models continued to promote business growth of this division. This positive impact was however adversely impeded by the increases in the prices of raw material and the operating losses incurred in the newly set-up plant in Indonesia during the year. Meanwhile, moderate increases in the staff cost in response to the keen competition in the human resources market and the recruitment of the management and administrative workforce for the newly established plants and facilities and other ongoing projects undertaken by Wuling Industrial had also cancelled out the positive impact from a reduction in the research and development expenses of this division.

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

further the profitability performance for the Group. In term of revenue contribution, the division had since successfully achieved a higher revenue share from the passenger vehicles segment as compared to the commercial mini-vehicles segment.

In view of the anticipated growth of business of SGMW from the existing models and the launch of new models, the Group had actively undertaken capacity expansion and upgrading programmes. With respect to the Liuzhou region, the production facility located in Hexi Industrial Park, Liuzhou which was completed in 2014, primarily for the mini-vehicles' components businesses, had been subject to various upgrading and revamping exercises, which involved the installation of industrial robotic workstations and other automatic machinery, in response to the business strategy and the increasing orders of SGMW for the passenger vehicles, in particular for the SUVs and MPVs. In addition, part of the facilities was planned to be leased to the newly formed joint ventures as mentioned below.

The Group operated another production facility in the eastern district of Liuzhou (“**Liudong Facilities**”), which was mainly targeted at the passenger vehicles' components businesses and were strategically located in adjacent to the passenger vehicles production base of SGMW, in which the first and second phase had become fully operational since the second half of 2016. Foreseeing a significant growth of passenger vehicles' components businesses and considering that the Liudong Facilities would gradually be fully utilized, Wuling Industrial had decided to expand its Liudong Facilities by undertaking the third phase development through the acquisition of a new industrial site with a site area of approximately 140,500 sq.m. located adjacent to the Liudong Facilities in 2016, whereas construction work of foundation and infrastructure had been completed during the year to ensure adequate production capacity could be available to serve the increasing needs from customers on a timely basis. This development site had already been designated for the construction of the first “Smart Factory” of the Group targeting for the production of the chassis components of the higher-end passenger vehicles and the related construction contract had been entered into by Wuling Industrial in September 2017, of which construction of the factory premises are expected to be completed by mid-2018.

Apart from the production facilities in the Liuzhou region, Wuling Industrial had also recently formulated development plans for the other two main production facilities in China, i.e. the production facilities located in Qingdao and Chongqing. As for the production facilities in Qingdao, due to the launches of the new passenger vehicles by SGMW manufactured in their production base in Shandong, the production facilities located in Qingdao would be required to undertake certain technology advance and capacity expansion projects. Such projects, which would involve the construction of a new factory premises, the establishment of several large scale plastic injection production lines, as well as other automatic welding and assembly lines and the installation of industrial robots, were progressing satisfactorily, in which part of the facilities had gradually started operational from the second half of 2017. In connection with these technology advance and capacity expansion projects, during the year, Wuling Industrial entered into agreement to acquire the land and the buildings which were leased from Guangxi Automobile for current operation to facilitate a more effective investment planning for the Group in Qingdao, completion of which was taken place subsequent to the year end. With respect to the production facilities in Chongqing which had commenced operation for over a year in supplying automotive



components to SGMW, Wuling Industrial is currently reviewing the second phase development in line with the expansion plan of SGMW and would initiate appropriate plans for further expansion of this production facility in due course.

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

The production plant in Indonesia comprised a number of welding, stamping and assembly production lines for manufacturing of the automotive components for the rear suspension, front axle parts of vehicles, with an initial planned production volume of 100,000 sets/units per annum. Being the fourth largest population country in the world and in consideration of its recent economic development, the Group is of the view that there is great business potential for the automobile industry in Indonesia and consider that the geographical expansion of the Group's automotive components businesses in Indonesia is an appropriate expansion strategy for the Group.

In constructing a new frame of enterprise structure endowed with "Multiple Growth Drivers With Diverse Profit Streams", Wuling Industrial had been actively reviewing the product mix within the automotive components and other industrial services division in formulating suitable operating and development strategies for individual product and business components in this division. As for the car seat products, which scale of operation was relatively small and the products are primarily focused on the commercial mini-vehicles market with insignificant contribution to the Group's revenue and profitability, Wuling Industrial had in July 2017 entered into agreement with the renowned Faurecia Group for the establishment of a joint venture enterprise for pursuing the business of car seat products in China. In November 2017, the same joint venture parties further entered into another joint venture agreement for pursuing the businesses in relation to the automotive interior system, its related parts and accessories, including cockpit, instrument panel, auxiliary instrument panel, door trim panel, acoustics and soft trim. Wuling Industrial considers the recent development of SGMW in expanding the production of passenger vehicles would provide business opportunities in the car seat and the interior system products and therefore looked for suitable business partner for enhancing and upgrading its production knowhow in these areas. The cooperation with Faurecia Group, being a global leading manufacturer in the business of

automotive parts and components would provide essential technical support to the Wuling Industrial in further promoting its business opportunities in the car seat and the interior system businesses for the existing customers as well as other new customers.

Notwithstanding the highly competitive market condition, the Group considers the competitive strength of its key customer, SGMW, in the market on the back of its successful models and the launch of new models, and the implementation of the appropriate strategic programmes, will continue to provide strong supports to the operation of the automotive components and other industrial services division in the years onwards.

### **Specialized Vehicles (Including New Energy Vehicles)**

Total revenue (based on external sales) of the specialized vehicles division undertaken by Wuling Industrial for the year ended 31 December 2017 was RMB2,833,277,000, representing an increase of 25.1% as compared to previous year. Operating profit for the year was RMB35,216,000, representing an increase of 5.8%.

During this year, Wuling Industrial sold approximately 74,600 specialized vehicles, representing an increase of 50% as compared to previous year, in which the sale volume of redecorated vans, non-road vehicles, minibuses (including school buses) were 68,400, 3,100 and 3,100 respectively, amongst which 830 vehicles were new energy vehicles (primarily electric vehicles). Despite the highly competitive business environment, proactive marketing strategies and continuous launches of new models benefited the business performance of the division from which the sale volume of redecorated vans increased impressively and continued to rank as the leading supplier in this market segment. Meanwhile, the Group achieved remarkable breakthroughs in the sale of the military vehicle and the electric vehicles in successfully obtaining sizable orders in this segment. Wuling's electric sight-seeing buses being selected as the designated transport vehicle in some national and international events also helped to upgrade its product image and provided positive feedback from the market.

Operating margin maintained at 1.2% for the year. High portion of low margin products, in particular the redecorated logistic vehicles, market competition and increasing production costs continued to be the primary concerns for the division to tackle. Meanwhile, increasing costs of transportation and warranty expenses also limited the profitability performance of this division. To enhance the profitability of this division, strategically, Wuling Industrial has continued to work towards the direction of reducing the production of those lower margin redecorated logistic vehicles so as to reserve more capacity to other more profitable models, such as mini-school buses, sight-seeing cars and electrical vehicles.

The specialized vehicles division operates a comprehensive car assembly line which covers the production processes of welding, painting and assembly. The division has capability to produce more than a hundred different types of specially designed vehicles which serves the particular needs of customers, such as sightseeing bus, golf cart, police car, mini fire engine, postal van, ambulance, container wagon, refrigerator vehicle, heat preservation vehicle, garbage truck and electrical vehicles, etc. The customers range from government departments, public institutes, private enterprises with different sizes of operation to private individuals. Products are mainly sold in the domestic market covering the major provinces and cities across the country and the overseas markets.



The capability of the specialized vehicles division in the car assembly industry is originated from the long standing industry experiences of Wuling. In fact, the models designed and developed by the Group are mainly branded as “Wuling”, which is itself a benchmark of quality products and services in the market. Wuling Industrial is also a qualified enterprise which possesses the capability for manufacturing new energy electric logistic vehicles in China. In line with the national policies relating to environment protection and the promotion of clean energy, the division aims at playing an important part in the new energy vehicle segment and is actively pursuing various development plans for market expansions and enhancement of research capability. Being the primary focus of development of the division, electrical vehicle product has recently reached a stage of breakthrough. Certain products, including an electric logistic vehicle, electric sight-seeing buses and other electric vehicles have obtained notifications of government approval in 2016 and 2017. Wuling Industrial planned to adopt the technical knowhow as developed from these electric vehicles products as the platform to explore and develop a series of electric specialized vehicles suitable for particular business segments.

Meanwhile, the Group had also unremittingly developed new models of passenger mini-buses with improved quality and added features in response to market demands and enhanced regulatory standards. The Group expects the business development of these new models will benefit the profitability performance of the division. Currently, production facilities of the specialized vehicles division of the Group are situated in Liuzhou and Qingdao with respective annual capacities of approximately 60,000 vehicles and 30,000 vehicles. Taking the advantages of having an existing operation in Chongqing, the Group has recently decided to establish a production plant for the assembly of specialized vehicles in the production facilities in Chongqing with planned annual capacity of approximately 15,000 vehicles, which will not only expand the capacity of the specialized vehicles division, but also facilitate geographical diversification which enables the benefits of quality services and cost effectiveness.

Going forward, the specialized vehicles division will continue to undertake research and development projects for new product, technical and capability improvement with specific focus on the new energy vehicles. Whilst the Group envisages the challenges facing this division, it remains confident in the long term business potential of this business segment.

As set out in the 2017 Annual Report, the Group’s audited net assets amounted to RMB2,487,860,000 as at 31 December 2017, which was increased by approximately 16.5% as compared to the audited net assets of RMB2,135,171,000 as recorded at 31 December 2016. Audited net assets attributable to the owners of the Company amounted to RMB1,442,682,000 as at 31 December 2017, representing an increase of approximately 22.7% as compared to the comparative audited figure of RMB1,176,145,000 as recorded at 31 December 2016. Meanwhile, as at 31 December 2017, the Group’s audited net current liabilities amounted to RMB1,356,534,000 which was increased by approximately 39.5% as compared to the audited net current liabilities of RMB972,575,000 as recorded at 31 December 2016.

Increases in the Group’s net assets and the net assets attributable to the owners of the Company were primarily attributable to the profits generated during the year ended 31 December 2017 and the issue of new Shares to Wuling HK upon conversion of the convertible

loan notes amounting the HK\$150,000,000 on 29 December 2017, whereas increases in net current liabilities were mainly attributable to the substantial capital expenditures of approximately RMB1.1 billion incurred in this year in relation to the acquisition cost of plant and machinery, construction in progress, prepaid lease payments, RMB75 million of the cost of investment in an associate due to the various expansion, upgrading and co-operation programmes and exercises undertaken by the Group.

As explained in the 2017 Annual Report, the economic environment in China continued to undergo certain structural adjustments during the year. As China's economy entered the stage of stable development, it was inevitable that enterprises would face intensifying competition and new challenges in their respective industries. Supported by the continuous growth in the local economy and increasing demands from the consumers, the automobile industry in China maintained its momentum of growth for year of 2017. Total number of motor vehicles sold in China increased moderately by approximately 3% and reached 28.9 million vehicles, in which the pace of growth of the segment of passenger vehicles was slowed down following consecutive years of impressive expansion.

In the past few years, in co-operation with customers and business partners, new products were continuously developed and launched in response to the dynamic market environment, some of which had become main drivers of revenue of the Group in the year 2017 and years ahead. Meanwhile, enhancement and upgrading projects were also initiated in the established facilities such as the Liuzhou Hexi Industrial Facilities and the Qingdao Facilities and the newly setup facilities such as the Liudong Facilities and the Chongqing Facilities to provide the required fundamental platforms for furthering our business potential and development strategies. Completion of these enhanced facilities empowered by the essential elements of automation and intelligent manufacturing systems would necessarily ensure our competitive strength in the market for future business development and other transformation projects.

Geographically, the Group has also been actively implementing the expansion programme of our first overseas production base located in Indonesia to develop our overseas businesses concurrently our key customer, which has commenced operation in the second half of 2017. In line with the specific business environment and the strategy of our key customer, the Group had undertaken certain strategic changes in our business operations recently. In particular for our engines and parts and automotive components and other industrial services divisions, our business focus had been gradually shifted from a high reliance on the mini-vehicles segment to a balanced mix of contribution from the mini-vehicles and the passenger vehicles segments. This strategic change had continued to work as the driving forces of the engines and parts and the automotive components and other industrial services divisions which would be beneficial to the profitability of the Group in future.

Looking into 2018, the automobile industry will continue to witness a trajectory of slow growth. Due to growing market uncertainties, the Group will continue to maintain the general keynote of "Pursuing Growth Amid Stability" by strengthening the adjustment of our industrial structure, promoting product transformation and upgrades and maintaining meticulous management to precisely identify customers' needs. In addition to expediting technological innovation and building core products, the Group will seize all market

opportunities to boldly explore, optimize and expand development potential for the purposes of the development of all businesses as a whole. As described in the 2017 Annual Report, the major work and related measures in 2018 are as follows:

1. The Group will further carry out the joint venture cooperation with Faurecia and other prominent companies, such as AAM, by facilitating the implementation of business targets of the joint venture projects, with a view to materializing the objective that the processing technique for automotive components meets the requirements of medium-end and high-end passenger vehicles. Furthermore, the Group will also seek cooperation with reputable manufacturers of automotive components at home and abroad to expedite our expansion into the industry of medium-end and high-end automotive components for passenger vehicles.
2. To satisfy the demands required for continuing custom product upgrades, as well as controlling and enhancing human resources, the Group will revamp its existing and new production capacity projects through the implementation of digitized workshops and smart manufacturing factories based on the approved development plan for smart manufacturing. To this end, the Group will focus on promoting digitization research and development and manufacturing, improving the automation and smart application of the Group, and advancing into the field of lightweight reduction, electrification and smart application. By doing so, the Group will enhance its market competitiveness and promote its business sustainability.
3. By keeping up with the pace of restructuring and strategic transformation and riding on the development opportunities of the new energy vehicle industry, the Group will continue deploying and implementing countermeasures in emerging energy-related industries. On the basis of developing the two major technological capabilities of electric motors and vehicle control, the Group will achieve new business transformation and upgrades. Meanwhile, we formulate target-driven marketing strategies to expedite the market-oriented development of pure electric vehicles based on our extensive analysis over the unique features of each market segment and the actual needs of individual customers. In addition, the Group is exploring the creation of smart and connected vehicles and new engines by connecting the business-university research cooperation model to the cost-effective and high-quality smart manufacturing model. These actions will lay a strong foundation for our strategic development targets in emerging industries next five to ten years.

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

will continue to expand. Rising income of the general public attributable to the sustained economic growth will necessarily encourage demands for motor vehicles and provide promising business opportunities

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

## 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*

<u>Name of Director</u>	<u>Capacity</u>	<u>Number of Shares held</u>	<u>Approximate % of the total number of Shares in issue*</u>
Mr. Lee Shing (“Mr. Lee”)	Interest in controlled corporation <sup>(Note)</sup>	281,622,914	13.74%
	Beneficial owner	3,090,900	0.15%
	Interest held by spouse	<u>1,648,480</u>	<u>0.08%</u>
	Sub-total	<u>286,362,294</u>	<u>13.97%</u>
Ms. Liu Yaling	Beneficial owner	<u>2,060,600</u>	<u>0.10%</u>
Mr. Ye Xiang	Beneficial owner	<u>1,030,300</u>	<u>0.05%</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 a total of 2,050,107,555 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, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

### *Long Position*

<u>Name of Shareholder</u>	<u>Capacity</u>	<u>Nature of interest</u>	<u>Number of Shares held</u>	<u>Approximate % of the total number of Shares in issue*</u>
Dragon Hill <sup>(Note 1)</sup>	Beneficial owner	Corporate	281,622,914	13.74%
Mr. Lee Shing	Interest in controlled corporation <sup>(Note 1)</sup>	Corporate	281,622,914	13.74%
	Beneficial owner <sup>(Note 2)</sup>	Personal	3,090,900	0.15%
	Interest held by spouse <sup>(Note 2)</sup>	Family	1,648,480	0.08%
	Sub-total		<u>286,362,294</u>	<u>13.97%</u>

<u>Name of Shareholder</u>	<u>Capacity</u>	<u>Nature of interest</u>	<u>Number of Shares held</u>	<u>Approximate % of the total number of Shares in issue*</u>
Wuling (Hong Kong) Holdings Limited (“Wuling HK”) (Notes 3 and 4)	Beneficial owner	Corporate	1,243,132,520	60.64%
		Unlisted derivatives	357,142,857	17.42%
		Sub-total	<u>1,600,275,377</u>	<u>78.06%</u>
Wuling Motors (Hong Kong) Company Limited (“Wuling Motors”) (Notes 3 and 4)	Interest in controlled corporation	Corporate	1,243,132,520	60.64%
		Unlisted derivatives	357,142,857	17.42%
		Sub-total	<u>1,600,275,377</u>	<u>78.06%</u>
Guangxi Automobile (Notes 3 and 4)	Interest in controlled corporation	Corporate	1,243,132,520	60.64%
		Unlisted derivatives	357,142,857	17.42%
		Sub-total	<u>1,600,275,377</u>	<u>78.06%</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 357,142,857 Shares (conversion shares) issuable to Wuling HK upon exercise in full of the conversion rights attaching to the outstanding convertible notes issued to Wuling HK amounting to HK\$250,000,000 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 a total of 2,050,107,555 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. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) have been entered into by the members of the Group within two years preceding the date of this circular and are or may be material:

- (i) the JV Agreement;
- (ii) On 12 January 2018, Wuling Industrial entered into an equipment purchase agreement with 濟南二機床集團有限公司 (JIER Machine-Tool Group Co. Limited\*) (“**JIER Machine-Tool**”), pursuant to which Wuling Industrial agreed to purchase and JIER Machine-Tool agreed to sell certain equipment at the consideration of RMB54,330,000 (exclusive of VAT) (the “**2nd JIER Equipment Purchase Agreement**”). Details of the 2nd JIER Equipment Purchase Agreement were fully described in the Company’s announcement dated 12 January 2018;
- (iii) On 30 November 2017, Wuling Liuji entered into an equipment purchase agreement with 長春美格專用設備有限公司 (Changchun MAG Special Machine Tool Co., Limited\*) (“**Changchun MAG**”), pursuant to which Wuling Liuji agreed to purchase and Changchun MAG agreed to sell certain equipment at the gross consideration of RMB170,000,000 (inclusive of VAT), and the net consideration of RMB145,299,145 (exclusive of VAT) (the “**Changchun MAG Equipment Purchase Agreement**”). Details of the Changchun MAG Equipment Purchase Agreement were fully described in the Company’s announcement dated 30 November 2017;



- (iv) On 29 November 2017, Wuling Industrial entered into a joint venture agreement with Faurecia (China) Holding Co. Ltd. (“**Faurecia (China)**”) in relation to the establishment of a joint venture company (the “**Faurecia Interior Parts JV Agreement**”). Pursuant to the Faurecia Interior Parts JV Agreement, the joint venture company shall be owned as to 50% by each of Wuling Industrial and Faurecia (China), respectively. The total registered capital of the joint venture company is RMB300 million (equivalent to approximately HK\$354.6 million), which shall be contributed as to RMB150 million (equivalent to approximately HK\$177.3 million) by each of Wuling Industrial and Faurecia (China) respectively. Details of the Faurecia Interior Parts JV Agreement were fully described in the Company’s announcement dated 29 November 2017;
- (v) On 28 September 2017, Wuling Liuji entered into an equipment purchase agreement with Anwha (Shanghai), pursuant to which Wuling Liuji agreed to purchase and 昂華(上海)自動化工程股份有限公司 (Anwha (Shanghai) Automation Engineering Company Limited\*) (“**Anwha (Shanghai)**”) agreed to sell certain equipment at the net consideration of RMB80,341,880 (exclusive of VAT) and gross consideration of RMB94,000,000 (inclusive of VAT) (the “**Anwha (Shanghai) Equipment Purchase Agreement**”). Details of the Anwha (Shanghai) Equipment Purchase Agreement were fully described in the Company’s announcement dated 28 September 2017;
- (vi) the 3rd, 4th and 5th Shanghai Yipu Equipment Purchase Agreements (as described and defined below);
- (vii) On 20 September 2017, Liuzhou Zhuotong (as the originator) entered into a construction agreement with 廣西建工集團第五建築工程有限責任公司 (Guangxi Construction Engineering Group No.5 Construction Engineering Co., Ltd.\*) (“**Guangxi Construction Group**”) (as the contractor) in relation to the construction of factory premises and auxiliary workshops located at Hualing, Liudong New District in Liuzhou, the PRC at the consideration of RMB97,591,083 (inclusive of VAT of RMB9,671,188) (the “**Guangxi Construction Group Construction Agreement**”). Details of the Guangxi Construction Group Construction Agreement were fully described in the Company’s announcement dated 20 September 2017;
- (viii) the Compensation Agreements (as defined and described below);
- (ix) the Equity Transfer Agreement (as defined and described below);

- (x) On 3 July 2017, Wuling Industrial entered into a JV agreement with Faurecia (China) in relation to the establishment of a joint venture company (the “**Faurecia Car Seat JV Agreement**”). Pursuant to the Faurecia Car Seat JV Agreement, the joint venture company shall be owned as to 50% by each of Wuling Industrial and Faurecia (China), respectively. The total registered capital of the joint venture company is RMB150 million (equivalent to approximately HK\$172.50 million). Wuling Industrial and Faurecia (China) will each contribute cash in the amount of RMB75 million (equivalent to approximately HK\$86.25 million), respectively. Details of the Faurecia Car Seat JV Agreement were fully described in the Company’s announcement dated 3 July 2017;
- (xi) On 13 June 2017, Wuling Industrial (as the originator) entered into a construction agreement with 機械工業第四設計研究院有限公司 (SCIVIC Engineering Corporation\*), (“**SCIVIC Engineering**”) (as the contractor), pursuant to which, Wuling Industrial has appointed SCIVIC Engineering for the construction of the new Qingdao factory premises located in the production base of Wuling Industrial Shandong Branch situated at Qingdao, Shandong, the PRC at the consideration of RMB85,500,000 (the “**SCIVIC Engineering Construction Agreement**”). Details of the SCIVIC Engineering Construction Agreement were fully described in the Company’s announcement dated 13 June 2017;
- (xii) On 26 May 2017, Wuling Industrial entered into an equipment purchase agreement with JIER Machine-Tool, pursuant to which Wuling Industrial agreed to purchase and JIER Machine-Tool agreed to sell certain equipment at the consideration of RMB53,670,000 (exclusive of VAT) (the “**1st JIER Equipment Purchase Agreement**”). Details of the 1st JIER Equipment Purchase Agreement were fully described in the Company’s announcement dated 26 May 2017;
- (xiii) the Supplemental Agreements (as defined and described below);
- (xiv) the 1st and 2nd Shanghai Yipu Equipment Purchase Agreements (as defined and described below);
- (xv) the Master Agreement (as defined and described below);
- (xvi) the Capital Increase Agreement (as defined and described below);
- (xvii) the Subscription Agreement (as defined and described below); and
- (xviii) a conditional placing agreement dated 13 October 2016 entered into between the Company, China Industrial Securities International Capital Limited (as the arranger) and China Industrial Securities International Capital Limited, Essence International Securities (Hong Kong) Limited, GF Securities (Hong Kong) Brokerage Limited and CCB International Capital Limited (as the joint placing agents) (the “**Placing Agreement**”) in relation to the private placing of a 4.0% convertible notes in an aggregate principal amount of up to HK\$300,000,000 to be issued by the Company which was subsequently terminated as the condition precedents of the Placing Agreement were not able to be fulfilled on or before the long stop date.

## 5. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO 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 the Subscription Agreement were 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 would be contributed to the registered capital of Wuling Industrial and RMB310,398,827 would be contributed to the capital reserves of Wuling Industrial, and upon completion, the registered capital of Wuling Industrial would be increased by approximately 26.82% and the Company’s equity interest in Wuling Industrial on an enlarged basis would be increased by approximately 9.55% to approximately 64.41% and the remaining 35.59% would be owned by Guangxi Automobile (the “**Capital Increase Agreement**”). Details of Capital Increase Agreement were 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 as described above 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 has increased by approximately 6.04% to approximately 60.90% and the remaining 39.10% is owned by Guangxi Automobile. On 29 December 2017, the Company announced that as the conditions precedents of the second instalment of capital injection of RMB250,000,000 into Wuling Industrial were not expected to be fulfilled on or before 31 December 2017, i.e. the long stop date in respect of the second instalment, the second instalment was lapsed on 31 December 2017.

On 16 November 2016, Wuling Industrial entered into the 2017-2019 master agreement with Guangxi Automobile to renew the continuing connected transactions for a term of three years from the effective date to 31 December 2019 to govern the continuing connected transactions between the Wuling Industrial Group and Guangxi Automobile Group (the “**Master Agreement**”). Details of the Master Agreement were fully described in the Company’s announcement dated 16 November 2016 and the Company’s circular dated 15 December 2016.

On 25 January 2017 and 31 March 2017, Wuling Industrial entered into two equipment purchase agreements with 上海詣譜自動化裝備有限公司 (Shanghai Yipu Automatic Equipment Co., Limited\*) (“**Shanghai Yipu**”), pursuant to which Wuling Industrial agrees to purchase and Shanghai Yipu agrees to sell certain equipment at the total net consideration of RMB37,905,983 (exclusive of VAT) and the total gross consideration of RMB44,350,000 (inclusive of VAT) (collectively, the “**1st and 2nd Shanghai Yipu Equipment Purchase Agreements**”). Details of the 1st and 2nd Shanghai Yipu Equipment Purchase Agreements were fully described in the Company’s announcements dated 25 January 2017 and 31 March 2017.

On 28 April 2017 and 17 May 2017, the Company and Guangxi Automobile entered into the supplemental agreements to amend certain terms, including the annual caps, of the Master Agreement (the “**Supplemental Agreements**”). Details of the Supplemental Agreements agreement were fully described in the Company’s announcements dated 28 April 2017 and 17 May 2017; and the Company’s circular dated 13 June 2017.

On 18 August 2017, Wuling Industrial entered into an 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 青島五菱汽車科技有限公司 (Qingdao Wuling Automobile Technology Limited\*) (“**Qingdao Wuling**”) from Guangxi Automobile and Wuling Motors at a consideration of RMB71,857,500 and RMB69,873,200, respectively (the “**Equity Transfer Agreement**”). Qingdao Wuling is the registered owner of 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), with the total site area of the land and the total floor area of the buildings are approximately 48,919 sq.m. and 21,722 sq.m. respectively, and are currently leased to Wuling Industrial as offices and production plants. Details of the Equity Transfer Agreement and the transactions contemplated thereunder are fully described in the Company’s announcement dated 18 August 2017 and the Company’s circular dated 30 September 2017. Completion of the Equity Transfer Agreement was taken place on 1 January 2018.

On 13 September 2017, Wuling Industrial and Guangxi Automobile entered into two compensation agreements, pursuant to which, 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 two pieces of land owned by Guangxi Automobile and located in Liuzhou to facilitate the surrender of such pieces of land 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 situated thereon and invested by in the amount of RMB7,820,000 (the “**Compensation Agreements**”). Details of the Compensation Agreements and the transactions contemplated thereunder are fully described in the Company’s announcement dated 13 September 2017.

On 22 September 2017 and 13 October 2017, Wuling Industrial and Shanghai Yipu further entered into three equipment purchase agreements in respect of sale and purchase of certain equipment at a total net consideration of RMB38,379,060 (exclusive of VAT) and a total gross consideration of RMB44,899,990 (inclusive of VAT) (collectively, the “**3rd, 4th**

and 5th Shanghai Yipu Equipment Purchase Agreements”). Details of the 3rd, 4th and 5th Shanghai Yipu Equipment Purchase Agreements were fully described in the Company’s announcements dated 22 September 2017 and 13 October 2017; and the Company’s circular dated 31 October 2017.

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

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 2017 (being the date to which the latest published consolidated audited financial statements of the Group 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.

## 6. 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, which is the Group’s largest customer and largest supplier for the year ended 31 December 2017, 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 currently and 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 Latest Practicable Date, 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.

## 7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

**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, 24/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong up to and including the date falling on 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the JV Agreement;
- (c) the annual reports of the Company for the three financial years ended 31 December 2015, 2016 and 2017;
- (d) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” of this circular;
- (e) the material contracts referred to in the section headed “Material Contracts” in this Appendix; and
- (f) this circular.

**9. MISCELLANEOUS**

- (a) The registered office of the Company is situated at Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda;
- (b) The head office and principal place of business of the Company is Unit 2403, 24/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong;
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong;
- (d) The secretary of the Company is Mr. Lai Shi Hong, Edward, a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Association of the Chartered Certified Accountants;
- (e) The correspondence and registered address of Wuling HK is Room 2404, 24/F., Worldwide House, 19 Des Voeux Road Central, Hong Kong;
- (f) The principal bankers of the Company are Bank of China (Hong Kong) Limited, situated at 1 Garden Road, Hong Kong, Hang Seng Bank Limited, situated at 83 Des Voeux Road Central, Hong Kong and OCBC Wing Hang Bank Limited, situated at 161 Queen’s Road Central, Hong Kong;
- (g) The legal advisers to the Company is Sidley Austin, situated at Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong;



- (h) The auditors to the Company is Deloitte Touche Tohmatsu, situated at 35/F, One Pacific Place, 88 Queensway, Hong Kong;
- (i) The authorized representatives of the Company are Mr. Lee Shing and Ms. Liu Yaling, both of them are the executive Directors, with correspondence address at Unit 2403, 24/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong; and
- (j) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.