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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Wuling Motors Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

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

**(1) THIRD SUPPLEMENTAL AGREEMENT TO  
THE 2017–2019 MASTER AGREEMENT;  
AND  
(2) ADOPTION OF NEW ANNUAL CAPS**

**Financial adviser to the Company**



**Celestial Capital Limited**

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



A letter from the Board is set out on pages 6 to 18 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 19 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 20 to 29 of this circular.

A notice convening the SGM to be held at Unit 1901, 19/F, Beautiful Group Tower, 77 Connaught Road Central, Hong Kong on Thursday, 9 August 2018 at 10:00 a.m. is set out on pages 41 and 42 of this circular.

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

20 July 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:*

|                                     |   |
|-------------------------------------|---|
| “2017–2019 Master Agreement”        | the agreement dated 16 November 2016 entered into between Wuling Industrial and Guangxi Automobile in relation to the Sale Transactions and the Purchase Transactions for a term of three years from 1 January 2017 to 31 December 2019   |
| “Annual Cap(s)”                     | the annual caps of the Sale Transactions and the Purchase Transactions set out in the 2017–2019 Master Agreement for each of the three years ending 31 December 2019  |
| “associate(s)”                      | has the meaning ascribed to it under the Listing Rules  |
| “Board”                             | the board of Directors  |
| “Baomali”                           | 柳州五菱寶馬利汽車空調有限公司 (Liuzhou Wuling Baomali Automotive Air-Conditioner Co., Limited*), a company established in the PRC of which Guangxi Automobile is beneficially interested in approximately 42% of its total registered capital   |
| “Baomali Purchase Transactions”     | purchase of certain automotive air-conditioners-related parts and accessories by Wuling Industrial Group from Baomali   |
| “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)  |
| “connected person(s)”               | has the meaning ascribed to it under the Listing Rules  |
| “Continuing Connected Transactions” | means (i) GL Trading Transactions, GB Trading Transactions and Baomali Purchase Transactions under the 2017–2019 Master Agreement; (ii) GL Trading Transactions, GB Trading Transactions, Baomali Purchase Transactions and Outsourcing Services under the 2017–2019 Master Agreement as amended by the Supplemental Agreement; and (iii) Vehicle Sale Transactions under the 2017–2019 Master Agreement as amended by the Third Supplemental Agreement |
| “controlling Shareholder(s)”        | has the meaning ascribed to it under the Listing Rules  |
| “Director(s)”                       | the director(s) of the Company  |

## DEFINITIONS

|                            |   |
|----------------------------|---|
| “GB Purchase Transactions” | purchase of passenger mini-buses, primarily passenger coaches and mini-buses, and other related products by Wuling Industrial Group from Guilin Bus   |
| “GB Sale Transactions”     | sale of automotive parts, raw materials, consumables and materials by Wuling Industrial Group to Guilin Bus   |
| “GB Trading Transactions”  | the GB Purchase Transactions and GB Sale Transactions   |
| “GL Purchase Transactions” | purchase of automotive parts, raw materials, mould parts and other related products by Wuling Industrial Group from Guangling   |
| “GL Sale Transactions”     | sale of parts and raw materials by Wuling Industrial Group to Guangling   |
| “GL Trading Transactions”  | the GL Purchase Transactions and GL Sale Transactions   |
| “Group”                    | the Company and its subsidiaries  |
| “Guangling”                | 柳州廣菱汽車技術有限公司 (Liuzhou Guangling Moulds & Tools Technology Limited*), a company established in the PRC of which Guangxi Automobile is beneficially interested in approximately 50.1% of its total registered capital   |
| “Guangxi Automobile”       | 廣西汽車集團有限公司 (Guangxi Automobile Group Co., Limited*), a state-controlled enterprise established in the PRC, being the ultimate beneficial controlling Shareholder which is indirectly interested in approximately 60.64% of the total number of Shares in issue of the Company |
| “Guangxi Automobile Group” | Guangxi Automobile, its subsidiaries and associates (excluding the Group and including but not limited to Baomali, Guangling and Guilin Bus)  |
| “Guilin Bus”               | 桂林客車發展有限責任公司 (Guilin Bus Development Co., Limited*), a company established in the PRC of which Guangxi Automobile is beneficially interested in approximately 70% of its total registered capital   |
| “Hong Kong”                | the Hong Kong Special Administrative Region of the PRC  |

## DEFINITIONS

|   |   |
|---|---|
| “Independent Board Committee”                     | the independent board committee of the Company (which comprises all independent non-executive Directors) formed to consider the revised terms of the 2017–2019 Master Agreement as amended by the Third Supplemental Agreement and the adoption of New Annual Caps with respect to the Vehicle Sale Transactions  |
| “Independent Financial Adviser” or “Gram Capital” | Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the revised terms of the 2017–2019 Master Agreement as amended by the Third Supplemental Agreement and the adoption of New Annual Caps with respect to the Vehicle Sale Transactions |
| “Independent Shareholder(s)”                      | Shareholder(s) other than Guangxi Automobile and its associates   |
| “Independent Third Party(ies)”                    | Shareholder(s) other than Guangxi Automobile and its associates   |
| “Latest Practicable Date”                         | 17 July 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contain herein   |
| “Listing Rules”                                   | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “New Annual Caps”                                 | the proposed annual caps of the Vehicle Sale Transactions for each of the two years ending 31 December 2018 and 2019 under the 2017–2019 Master Agreement as amended by the Third Supplemental Agreement  |
| “Outsourcing Services”                            | provision of production outsourcing services by Wuling Industrial Group to Guangling under the 2017–2019 Master Agreement as amended by the Supplemental Agreement  |
| “PRC”   | the People’s Republic of China  |
| “Purchase Transactions”                           | the GL Purchase Transactions, GB Purchase Transactions and the Baomali Purchase Transactions pursuant to the 2017–2019 Master Agreement or the 2017–2019 Master Agreement as amended by the Second Supplemental Agreement, as appropriate   |

## DEFINITIONS

|                                 |   |
|---------------------------------|---|
| “Revised Annual Caps”           | the proposed aggregate annual caps of the Sale Transactions for each of the two years ending 31 December 2018 and 2019 under the 2017–2019 Master Agreement as amended by the Third Supplemental Agreement  |
| “RMB”                           | Renminbi, the lawful currency of the PRC  |
| “Sale Transactions”             | the GL Sale Transactions, GB Sale Transactions and Vehicle Sale Transactions pursuant to the 2017–2019 Master Agreement or the 2017–2019 Master Agreement as amended by the Supplemental Agreement and the Third Supplemental Agreement, as appropriate   |
| “Second Supplemental Agreement” | the second supplemental agreement dated 17 May 2017 entered into between Wuling Industrial and Guangxi Automobile to further revise the Annual Caps for the GL Purchase Transactions and Baomali Purchase Transactions under the 2017–2019 Master Agreement and to rescind the revision of the Annual Caps of GB Purchase Transactions under the Supplemental Agreement |
| “SGM”                           | the special general meeting of the Company to be convened and held on 9 August 2018 to approve the Third Supplemental Agreement and the adoption of New Annual Caps for the Vehicle Sale Transactions   |
| “SGMW”                          | 上汽通用五菱汽車股份有限公司 (SAIC-GM-Wuling Automobile Co., Limited*), a company established in the PRC and a joint venture formed among Shanghai Automobile Industry (Group) Company Limited, GM (China) Investment Co., Limited and Guangxi Automobile and is currently a major customer of Wuling Industrial Group’s businesses in engines and automotive components              |
| “Share(s)”                      | ordinary share(s) of HK\$0.004 each in the share capital of the Company   |
| “Shareholder(s)”                | holder(s) of the ordinary share(s) in the share capital of the Company  |
| “Stock Exchange”                | The Stock Exchange of Hong Kong Limited   |

## DEFINITIONS

|                                |   |
|--------------------------------|---|
| “Supplemental Agreement”       | the supplemental agreement dated 28 April 2017 entered into between Wuling Industrial and Guangxi Automobile to amend certain terms of the 2017–2019 Master Agreement and revise the Annual Caps for GL Sale Transactions, GL Purchase Transactions, GB Purchase Transactions and Sale Transactions and to adopt an annual cap for the Outsourcing Services |
| “Supplemental Agreements”      | the collection of the Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement  |
| “Third Supplemental Agreement” | the supplemental agreement dated 15 June 2018 entered into between Wuling Industrial and Guangxi Automobile to amend certain terms of the 2017–2019 Master Agreement and to adopt the New Annual Caps in relation to the Vehicle Sale Transactions  |
| “Vehicle Sale Transactions”    | sale of various vehicle by Wuling Industrial Group to Guangxi Automobile Group  |
| “Wuling Industrial”            | 柳州五菱汽車工業有限公司 (Liuzhou Wuling Motors Industrial Company Limited*), a company established in the PRC and a non-wholly owned subsidiary of the Company   |
| “Wuling Industrial Group”      | Wuling Industrial and its subsidiaries  |
| “%”                            | per cent  |

\* *for identification purpose only*



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

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

**Executive Directors:**

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

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

Unit 1901  
19/F, Beautiful Group Tower  
77 Connaught Road Central  
Hong Kong

**Independent Non-executive Directors:**

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

**Registered office:**

Canon's Court  
22 Victoria Street  
Hamilton  
HM12  
Bermuda

Hong Kong, 20 July 2018

*To the Shareholders*

Dear Sir or Madam,

**(1) THIRD SUPPLEMENTAL AGREEMENT TO  
THE 2017–2019 MASTER AGREEMENT;  
AND  
(2) ADOPTION OF NEW ANNUAL CAPS**

**INTRODUCTION**

Reference is made to the announcements of the Company dated 15 June 2018, in relation to the Third Supplemental Agreement to amend certain terms of the 2017–2019 Master Agreement.

On 15 June 2018, the Company and Guangxi Automobile entered into the Third Supplemental Agreement to amend certain terms of the 2017–2019 Master Agreement. Besides, the Board also proposed to adopt the New Annual Caps for the Vehicle Sale Transactions for each of the two years ending 31 December 2018 and 2019 respectively, hence revision of the aggregate Annual Caps for the Sale Transactions for the corresponding period.

The purpose of this circular is to provide you with, among other things, (i) details of the Third Supplemental Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders giving its recommendations in respect of the terms of the Third Supplemental Agreement and the adoption of New Annual Caps for the Vehicle Sale



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Transactions; (iii) a letter from Gram Capital to the Independent Board Committee and the Independent Shareholders containing its advice in relation to the terms of Third Supplemental Agreement and the adoption of New Annual Caps for the Vehicle Sale Transactions; and (iv) a notice of the SGM.

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

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

- Date:
- 16 November 2016 for 2017–2019 Master Agreement
  - 28 April 2017 for Supplemental Agreement
  - 17 May 2017 for Second Supplemental Agreement
  - 15 June 2018 for Third Supplemental Agreement
- Parties:
- (a) Wuling Industrial, a non-wholly owned subsidiary of the Company; and
  - (b) Guangxi Automobile, being the controlling Shareholder, indirectly interested in approximately 60.64% of the total issued share capital of the Company and a connected person of the Company under the Listing Rules.
- Scope of products and services to be provided: *(Note)*
- Wuling Industrial Group agreed to supply certain raw materials (including but not limited to steel), consumables and materials, finished products (including but not limited to various motor vehicles) and semi-finished products (including but not limited to automotive parts and accessories) to Guangxi Automobile Group, collectively the “Sale Transactions” of the Group, which currently consist of:
- (i) GL Sale Transactions — sale of parts and raw materials, mainly steel, to Guangling for manufacturing of automotive parts and other related products including products under the scope of GL Purchase Transactions as below mentioned;

## LETTER FROM THE BOARD

- (ii) GB Sale Transactions — sale of automotive parts (comprising an extensive range of parts and components including but not limited to those applied for the manufacturing and assembly of chassis, engines, brakes, wheels, seat sets, various metal stamping and welding parts and various plastic injection parts and various other accessories), raw materials, consumables and materials to Guilin Bus for production of vehicles, primarily passenger coaches and mini-buses under the scope of GB Purchase Transactions as below mentioned; and
- (iii) Vehicle Sale Transactions — sale of specialized vehicles by Wuling Industrial Group to Guangxi Automobile Group (comprising an extensive range of vehicles including but not limited to sightseeing bus, golf cart, police car, mini fire engine, postal van, ambulance, container wagon, refrigerator vehicle, heat preservation vehicle, garbage truck and electric vehicles) to Guangxi Automobile Group.

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

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

- (i) GL Purchase Transactions — purchase of automotive components (comprising several types of metal stamping parts), mould parts and other related products from Guangling for resale, assembly into component units, as well as for manufacturing of vehicles;
- (ii) GB Purchase Transactions — purchase of passenger minibuses, primarily passenger coaches and mini-buses, and other related products from Guilin Bus for resale; and

## LETTER FROM THE BOARD

- (iii) Baomali Purchase Transactions — purchase of automotive air-conditioners-related parts and accessories from Baomali for production of automotive parts and accessories, some of which are resold to Guilin Bus for manufacturing of the passenger mini-buses.

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

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

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

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

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

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

## LETTER FROM THE BOARD

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

### Payment terms:

**Purchase Transactions** — payments for the products supplied by Guangxi Automobile Group will be settled by way of cash or such other manner as agreed by the parties and in accordance with the agreed timing and manners as specified in the actual product and service contracts to be entered into between Wuling Industrial Group and Guangxi Automobile Group.

The payment terms will be on market terms which are no less favourable than those obtainable by the Group from Independent Third Parties, which would generally be settled within 180 days in cash or bills payables.

**Sale Transactions** — payments for the products supplied to Guangxi Automobile Group will be settled by way of cash or such other manner as agreed by the parties and in accordance with the agreed timing and manners as specified in the actual product and service contracts to be entered into between Wuling Industrial Group and Guangxi Automobile Group.

Payment for the raw material (including but not limited to steel), consumables and materials, and semi-finished products (including but not limited to automotive parts and accessories), which would generally be settled within 180 days in cash or bills receivables.

Payment for the finished products (including but not limited to various motor vehicles), which would generally be required to make payment prior to delivery by cash, wise transfer or bills receivables.

## LETTER FROM THE BOARD

The payment terms will be on market terms which are no more favourable than those offered by the Group to Independent Third Parties.

### **ADOPTION OF NEW ANNUAL CAPS UNDER THE THIRD SUPPLEMENTAL AGREEMENT**

Pursuant to the Third Supplemental Agreement, the Board also proposed to adopt the New Annual Caps for the Vehicle Sale Transactions for each of the two years ending 31 December 2018 and 2019 respectively, hence revision of the aggregate Annual Caps for Sale Transactions for the corresponding period.

### **HISTORICAL TRANSACTION RECORDS**

The Company confirms no historical Vehicle Sale Transactions prior to entering into the Third Supplemental Agreement and will not have any such transactions until after the Independent Shareholders approval has been obtained.

The respective aggregate amounts of the Sale Transactions and Purchase Transactions for the year ended 31 December 2017 and for the five months period ended 31 May 2018 did not exceed the respective Annual Caps for the corresponding period under the 2017–2019 Master Agreement as amended by the Supplemental Agreement and Second Supplemental Agreement, which were approved by the Independent Shareholders at their respective special general meeting held by the Company on 6 January 2017 and 30 June 2017. Please refer to pages 65–67 and 137 in the annual report 2017 of the Company dated 27 April 2018 for details of the historical transaction amounts of the GL Sale Transactions, GB Sale Transactions, GL Purchase Transactions, GB Purchase Transactions and Baomali Purchase Transactions for the year ended 31 December 2017.

### **ADOPTION OF NEW ANNUAL CAPS FOR VEHICLE SALE TRANSACTIONS**

The Board proposed to adopt the New Annual Caps for the Vehicle Sale Transactions for each of the two years ending 31 December 2018 and 2019 respectively, hence revision of the aggregate Annual Caps for the Sale Transactions for the corresponding period as demonstrated in the tables below:

|  | Annual Caps   |  |                                       | Revised Annual Caps                                 |  |                                       |
|--|---|--|---------------------------------------|---|--|---------------------------------------|
|  | Year ended<br>31 December<br>2017<br><i>RMB'000</i> | Year ending<br>31 December<br>2018<br><i>RMB'000</i> | 31 December<br>2019<br><i>RMB'000</i> | Year ended<br>31 December<br>2017<br><i>RMB'000</i> | Year ending<br>31 December<br>2018<br><i>RMB'000</i> | 31 December<br>2019<br><i>RMB'000</i> |
| (i) GL Sale Transactions                               | 170,000   | 175,000  | 175,000                               | 170,000   | 175,000  | 175,000                               |
| (ii) GB Sale Transactions                              | 360,000   | 460,000  | 570,000                               | 360,000   | 460,000  | 570,000                               |
| (iii) Vehicle Sale Transactions                        | —   | —  | —                                     | —   | 60,000   | 110,000                               |
| <b>Aggregate Annual Caps for<br/>Sale Transactions</b> | <u>530,000</u>                                      | <u>635,000</u>                                       | <u>745,000</u>                        | <u>530,000</u>                                      | <u>695,000</u>                                       | <u>855,000</u>                        |

## **LETTER FROM THE BOARD**

### **Basis of determination on New Annual Caps for Vehicle Sale Transactions**

The above New Annual Caps of the Vehicle Sales Transactions has been determined by reference to:

- (a) the projected volumes of 1,450 vehicles and 2,700 vehicles, comprising of 10 models of redecorated logistic vans, planned to be sold by Wuling Industrial Group to the automobile sales services shop located in the Tianjin District (as the authorized dealer), which majority shareholding interests is ultimately owned and controlled by Guangxi Automobile, respectively for each of the two years ending 31 December 2018 and 2019. The projections were based on the historical sale volumes for the year ended 31 December 2017 and five months ended 31 May 2018 in Tianjin district, taking into account of the favourable factor from the restrictions imposed by the local government on the medium and heavy trucks and lorries in driving through the roads inside the outer loop, from which the demands for the smaller size redecorated logistic vans for transportation purpose are expected to increase in the Tianjin district;
- (b) the respective selling prices of the related models currently offered to the other authorized dealers in the region nearby, ranging from RMB30,700 to RMB47,300 per vehicle; and
- (c) a buffer of approximately 5% to 7% adopted for any unforeseeable circumstance, in particular market fluctuations, changes in government policies on automobile industry, fluctuations in raw material costs and increase in transportation and labour costs.

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

### **INTERNAL CONTROL PROCEDURES IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS**

As stated under the section headed "INTERNAL CONTROL PROCEDURES IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS" in the circular of the Company dated 13 June 2017, Wuling Industrial Group has adopted and will continue to implement a set of standard internal control procedures on all Purchase Transactions and Sale Transactions covered under the Continuing Connected Transactions and ensure the payment terms and pricing basis of the Continuing Connected Transactions will be on market terms or on terms which are no less favourable than those available from/to Independent Third Parties. Please refer to pages 16 and 17 in the circular of the Company dated 13 June 2017 for details of standard internal control procedures on all Purchase Transactions and below for all Sale Transactions.

## LETTER FROM THE BOARD

### Sale Transactions

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

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

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

As for the pricing of the redecorated logistic vans under the Vehicle Sale Transactions, Wuling Industrial Group adopts a standard price list for the available models offered to the authorized dealers, in which the price of a particular model offered to the authorized dealers would be the same. Besides, all authorized dealers would also be subject to the standard business policy of Wuling Industrial Group applicable to the sale of redecorated vans, which set out the standard terms of marketing, pricing, settlement, discount, incentive, transportation, after-sale services and other related issues which would involve in the sale transactions.

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



## LETTER FROM THE BOARD

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

### **Independent Non-Executive Directors and Auditors' Review**

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

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

### **INFORMATION ON THE GROUP**

The Group, including Wuling Industrial and its subsidiaries, 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 electric vehicles), as well as the trading of raw materials, water and power supply services.

### **INFORMATION ON GUANGXI AUTOMOBILE**

Guangxi Automobile, through its direct and indirect wholly owned subsidiaries, is interested in 1,243,132,520 Shares, representing approximately 60.64% of the total number of Shares in issue of the Company, and is the ultimate controlling Shareholder of the Company as at the date of this announcement. Guangxi Automobile is currently a state-controlled company established in the PRC with the State-owned Assets Supervision and Administration Commission of the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府國有資產監督管理委員會), being the registered shareholder empowered by the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府). Guangxi Automobile, together with its subsidiaries, including the Group, is mainly engaged in the trading, manufacturing and design of (i) various types of vehicles, primarily passenger coaches and mini-buses, automotive components and accessories; (ii) various types of machinery, moulds and tools for production of automobiles, engines, and other relevant parts; (iii) the provision of related services, including the technical advisory, information, production, after sales services and the supply of power and water services, etc, in relation to the aforementioned products and equipment; and (iv) rental of property and other related services.



## **LETTER FROM THE BOARD**

### **REASONS FOR AND BENEFITS ON ENTERING INTO THE VEHICLE SALE TRANSACTIONS UNDER THE THIRD SUPPLEMENTAL AGREEMENT**

The reason for Wuling Industrial entered into the Vehicle Sale Transactions under the Third Supplemental Agreement is determined in response to the marketing strategy of the Group in actively promoting its specialized vehicles to different regions in the PRC.

As disclosed in the annual report of the Company for the year ended 31 December 2017, facing the highly competitive business environment, the Group had proactively adjusted its marketing strategy by actively promoting its existing and new models through various marketing campaigns, such as North-South linkage tour and the Spring Breeze Action, etc. Such active marketing programmes were proved to be successful from which the sale volume of specialized vehicles, comprising primarily redecorated vans, achieved an impressive growth in volume of approximately 50% for the year ended 31 December 2017.

Being the leading supplier in this niche market segment, i.e. the redecorated logistic vans, the Group considers the maintenance of a prominent market share and the continuous momentum of growth is essential to withstand any potential competition from the market and to further improving the profitability of the products, and therefore is always seeking opportunities for further expansion its marketing network, especially for the northern region in the PRC, where Group's products have a lower penetration rate as compared to the other regions in the PRC.

Guangxi Automobile, through its indirect non-wholly-owned subsidiary (approximately 74.36% indirectly owned by Guangxi Automobile and approximately 25.64% owned by an Independent Third Party) located in Tianjin, operates an automobile sales services shop, which is currently the authorized dealer of the passenger vehicles manufactured by SGMW. It is considered with the support of the valuable marketing experiences and existing local connections of Guangxi Automobile in the Tianjin region, the engagement of the automobile sales services shop of Guangxi Automobile would be beneficial to the Group in actively launching various types of marketing campaigns and effectively increasing the market penetration of the Group's products in this region.

In view of the above, the Directors (excluding the Directors who have abstained from voting in this regard, and the independent non-executive Directors after considering the advice from Gram Capital) are of the view that the terms of the Third Supplemental Agreement and the New Annual Caps with respect to the Vehicle Sale Transactions are on an arm's length basis and on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, Guangxi Automobile, through its direct and indirect wholly owned subsidiaries, is interested in approximately 60.64% of the total number of Shares in issue of the Company, and is the ultimate controlling Shareholder of the Company. In this regard, Guangxi Automobile is a connected person of the Company under the Listing

## LETTER FROM THE BOARD

Rules. The Vehicle Sale Transactions contemplated under the Third Supplemental Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Given Guangxi Automobile is a connected person of the Company under the Listing Rules, the Annual Caps for the Sale Transactions has been aggregated for the purpose of calculating the percentage ratios under Listing Rules 14A.82.

As the highest of the applicable percentage ratios for the Revised Annual Caps of the Sale Transactions contemplated under the Third Supplemental Agreement, on an annual basis, is higher than 5% and the annual consideration is more than HK\$10 million, such transactions constitute continuing connected transactions for the Company and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In the event that the Company could not obtain Shareholders' approval as required under the Listing Rules, the Third Supplemental Agreement will not become effective.

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

### THE SGM

A notice convening the SGM to be held at Unit 1901, 19/F, Beautiful Group Tower, 77 Connaught Road Central, Hong Kong on Thursday, 9 August 2018 at 10:00 a.m., at which an ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Third Supplemental Agreement and the adoption of New Annual Caps for the Vehicle Sale Transactions.

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

The register of members of the Company will be closed from Monday, 6 August 2018 to Thursday, 9 August 2018 (both dates inclusive), for the purpose of determining the Shareholders' eligibility to attend and vote at the SGM and during which period no transfer of the Share(s) will be effected. In order to qualify for attendance of the SGM, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 3 August 2018.

## LETTER FROM THE BOARD

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

In view of their interests in the Third Supplemental Agreement, Guangxi Automobile and its associates, holding or being interested in 1,243,132,150 Shares, representing approximately 60.64% of Shares in issue of the Company, in aggregate, will abstain from voting on the resolution in relation to the Third Supplemental Agreement and the adoption of New Annual Caps for the Vehicle Sale Transactions at the SGM.

Saved as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder is required to abstain from voting at the SGM in respect of the Third Supplemental Agreement and the adoption of New Annual Caps for the Vehicle Sale Transactions.

### RECOMMENDATION

The Independent Board Committee, comprising all independent non-executive Directors, has been established to advise the Independent Shareholders the revised terms of the 2017–2019 Master Agreement as amended by the Third Supplemental Agreement and the adoption of New Annual Caps for the Vehicle Sale Transactions. Your attention is drawn to the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders on page 19 of this circular.

The Independent Board Committee, after taking into account the advice and recommendations of Gram Capital, considers that the revised terms of the 2017–2019 Master Agreement as amended by the Third Supplemental Agreement and the adoption of New Annual Caps for the Vehicle Sale Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group, which are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the SGM to approve the Third Supplemental Agreement and the adoption of New Annual Caps for the Vehicle Sale Transactions. The Directors consider that the revised terms of the 2017–2019 Master Agreement as amended by the Third Supplemental Agreement and the adoption of New Annual Caps for the Vehicle Sale Transactions are on normal commercial terms or better and fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution, in relation to the Third Supplemental Agreement and the adoption of New Annual Caps for the Vehicle Sale Transactions, to be proposed at the SGM.

**LETTER FROM THE BOARD**

**ADDITIONAL INFORMATION**

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

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

\* *for identification purpose only*



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

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

20 July 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) THIRD SUPPLEMENTAL AGREEMENT  
TO THE 2017–2019 MASTER AGREEMENT; AND  
(2) ADOPTION OF NEW ANNUAL CAPS**

We refer to the circular of the Company dated 20 July 2018 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We, being the independent non-executive Directors, have been appointed by the Company as members of the Independent Board Committee to advise the Independent Shareholders in respect of the revised terms of the 2017–2019 Master Agreement as amended by the Third Supplemental Agreement and the adoption of New Annual Caps for the Vehicle Sale Transactions. Gram Capital has been appointed to advise the Independent Shareholders and us in this regard. Details of the advice and recommendations from Gram Capital, together with the principal factors and reasons taken into consideration by it in arriving at such advice and recommendations, are set out in the “Letter from Gram Capital” on pages 20 to 29 of the Circular.

Having considered, among other things, the factors and reasons considered by, and the advice and recommendations of Gram Capital, we are of the opinion that the revised terms of the 2017–2019 Master Agreement as amended by the Third Supplemental Agreement and the adoption of New Annual Caps for the Vehicle Sale Transactions, are on normal commercial terms or better and in the ordinary and usual course of business of the Group, which is fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Third Supplemental Agreement in relation to the revision of certain terms of the 2017–2019 Master Agreement (as amended by the Supplemental Agreement and the Second Supplemental Agreement) and the adoption of New Annual Caps for the Vehicle Sale Transactions.

Yours faithfully  
For and on behalf of the  
Independent Board Committee  
**Ye Xiang Wang Yuben Mi Jianguo**  
*Independent non-executive Directors*

## LETTER FROM GRAM CAPITAL

*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Third Supplemental Agreement and the transactions contemplated thereunder (including the adoption of the New Annual Caps) for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong  
20 July 2018

*To: The independent board committee and the independent shareholders of Wuling Motors Holdings Limited*

Dear Sir/Madam,

**(1) THIRD SUPPLEMENTAL AGREEMENT TO  
THE 2017–2019 MASTER AGREEMENT;  
AND  
(2) ADOPTION OF NEW ANNUAL CAPS**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Third Supplemental Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 20 July 2018 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the announcements and circular of the Company dated 28 April 2017, 17 May 2017 and 13 June 2017 respectively, in relation to, among other things, the Supplemental Agreement and Second Supplemental Agreement to 2017–2019 Master Agreement and the revision of Annual Caps.

On 15 June 2018, the Company and Guangxi Automobile entered into the Third Supplemental Agreement to amend certain terms of the 2017–2019 Master Agreement. Besides, the Board also proposed to adopt the New Annual Caps for the Vehicle Sale Transactions for each of the two years ending 31 December 2018 and 2019 respectively. Hence, there is revision of the aggregate Annual Caps for the Sale Transactions for the corresponding period.

## LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Third Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The approval of the Independent Shareholders will be sought at the SGM by way of poll in respect of the Third Supplemental Agreement and the adoption of New Annual Caps for the Vehicle Sale Transactions.

The Independent Board Committee comprising Mr. Ye Xiang, Mr. Wang Yuben and Mr. Mi Jianguo (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the revised terms of the 2017–2019 Master Agreement as amended by the Third Supplemental Agreement and the adoption of New Annual Caps for the Vehicle Sale Transaction are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Third Supplemental Agreement and the adoption of New Annual Caps for the Vehicle Sale Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Third Supplemental Agreement and the adoption of New Annual Caps for the Vehicle Sale Transactions at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Continuing Connected Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.



## LETTER FROM GRAM CAPITAL

The 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 as contained in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Wuling Industrial, Guangxi Automobile, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Third Supplemental Agreement and the adoption of the New Annual Caps. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Third Supplemental Agreement and the adoption of the New Annual Caps, we have taken into consideration the following principal factors and reasons:

#### **1. Background of and reasons for the Third Supplemental Agreement**

##### ***Information on the Group***

With reference to the Board Letter, the Group, including Wuling Industrial and its subsidiaries, 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 electric vehicles), as well as the trading of raw materials, water and power supply services.



## LETTER FROM GRAM CAPITAL

Set out below are the audited consolidated financial information of the Group for the two years ended 31 December 2017 as extracted from the Company's annual report for the year ended 31 December 2017 (the "2017 Annual Report"):

|   | <b>For the year<br/>ended<br/>31 December<br/>2017</b> | <b>For the year<br/>ended<br/>31 December<br/>2016</b> | <b>Change from<br/>2016 to 2017</b> |
|---|--|--|-------------------------------------|
|   | <i>RMB'000</i>   | <i>RMB'000</i>   | <i>%</i>                            |
| Revenue   | 16,123,895   | 16,677,695   | (3.32)                              |
| Gross profit                                    | 1,603,669  | 1,879,505  | (14.68)                             |
| Profit attributable to owners of<br>the Company | 173,158  | 140,462  | 23.28                               |

As depicted from the table above, the revenue of the Group for the year ended 31 December 2017 ("FY2017") was approximately RMB16,124 million, representing a decrease of approximately 3.32% as compared to that for the year ended 31 December 2016 ("FY2016"). Gross profit of the Group for FY2017 decreased by approximately 14.68% as compared to FY2016 and amounted to approximately RMB1,604 million during FY2017.

With reference to the 2017 Annual Report, growth of businesses in the passenger vehicles segment from the new products of the automotive components and other industrial services division and the impressive growth in the business volume in the specialized vehicles division helped to maintain a stable business volume of the Group for FY2017, despite slowdown of the businesses in the engines and parts division. The profit attributable to owners of the Company for FY2017 increased by approximately 23.28% as compared to that for FY2016 due to positive factors of the reversal of bad debt provision made in previous years, one-off compensation income received on relocation and demolition of certain old plants and facilities, a reduction in the research and development expenses and the other gain from the effect of changes in fair value of the convertible loan notes issued by the Company.

With reference to the 2017 Annual Report, the Group will continue to maintain the general keynote of "Pursuing Growth Amid Stability" by strengthening the adjustment of its 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.

## LETTER FROM GRAM CAPITAL

### *Information on Guangxi Automobile*

With reference to the Board Letter, Guangxi Automobile, is the ultimate controlling Shareholder as at the Latest Practicable Date. Guangxi Automobile is a state-controlled company established in the PRC with the State-owned Assets Supervision and Administration Commission of the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府國有資產監督管理委員會), being the registered shareholder empowered by the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府). Guangxi Automobile, together with its subsidiaries, including the Group, is mainly engaged in the trading, manufacturing and design of (i) various types of vehicles, primarily passenger coaches and mini-buses, automotive components and accessories; (ii) various types of machinery, moulds and tools for production of automobiles, engines, and other relevant parts; (iii) the provision of related services, including the technical advisory, information, production, after sales services and the supply of power and water services, etc., in relation to the aforementioned products and equipment; and (iv) rental of property and other related services.

### *Reasons for and benefits on entering into the Vehicle Sale Transactions under the Third Supplemental Agreement*

With reference to the Board Letter, the reason for Wuling Industrial entering into the Vehicle Sale Transactions under the Third Supplemental Agreement is determined in response to the marketing strategy of the Group in actively promoting its specialized vehicles to different regions in the PRC.

As disclosed in the 2017 Annual Report, facing the highly competitive business environment, the Group had proactively adjusted its marketing strategy by actively promoting its existing and new models through various marketing campaigns, such as North-South linkage tour and the Spring Breeze Action, etc. Such active marketing programmes were proved to be successful from which the sale volume of specialized vehicles, comprising primarily redecorated vans, achieved an impressive growth in volume of approximately 50% for the FY2017.

Being the leading supplier in this niche market segment, i.e. the redecorated logistic vans, the Group considers the maintenance of a prominent market share and the continuous momentum of growth is essential to withstand any potential competition from the market and to further improving the profitability of the products, and therefore is always seeking opportunities for further expansion its marketing network, especially for the northern region in the PRC, where Group's products have a lower penetration rate as compared to the other regions in the PRC.

Guangxi Automobile, through its indirect non-wholly-owned subsidiary located in Tianjin, operates an automobile sales services shop, which is currently the authorized dealer of the passenger vehicles manufactured by SGMW. It is considered with the support of the valuable marketing experiences and existing local connections of Guangxi Automobile in the Tianjin region, the engagement of

## LETTER FROM GRAM CAPITAL

the automobile sales services shop of Guangxi Automobile would be beneficial to the Group in actively launching various types of marketing campaigns and effectively increasing the market penetration of the Group's products in this region.

We noted from the Group's annual reports for the five years ended 31 December 2017 that segment revenue of the Group's specialized vehicles segment grew for each of the five years ended 31 December 2017. Besides, the segment revenue of the Group's specialized vehicles segment represented approximately 18% of the Group's total revenue for FY2017. The above demonstrated the importance of the Group's specialized vehicles segment.

Having considered the above, we concur with the Directors that the Vehicle Sale Transactions under the Third Supplemental Agreement are beneficial to the Group and are in the interests of the Company and the Shareholders as a whole.

### 2. Principal terms of the Third Supplemental Agreement

**Date:** 15 June 2018

**Parties:** (a) Wuling Industrial; and  
(b) Guangxi Automobile

**Terms amended:** Original term under the 2017–2019 Master Agreement as amended by the Supplemental Agreement and Second Supplemental Agreement:

- Wuling Industrial Group agreed to supply certain raw materials (including but not limited to steel), consumables and materials, finished products and semi-finished products (including but not limited to automotive parts and accessories) to Guangxi Automobile Group, collectively the “Sales Transactions” of the Group.

New term under the 2017–2019 Master Agreement as amended by the Third Supplement Agreement:

- Wuling Industrial Group agreed to supply certain raw materials (including but not limited to steel), consumables and materials, finished products (including but not limited to various motor vehicles) and semi-finished products (including but not limited to automotive parts and accessories) to Guangxi Automobile Group, collectively the “Sales Transactions” of the Group.

## LETTER FROM GRAM CAPITAL

Save as disclosed above, all existing terms and conditions under the 2017–2019 Master Agreement (which incorporated the Supplemental Agreement and Second Supplemental Agreement) remain unchanged.

With reference to the Board Letter, the pricing for the products supplied by or to Guangxi Automobile Group will be determined on terms which are no less/more favourable than those available from/to Independent Third Parties to/from the Group and after arm's length negotiation between Wuling Industrial and Guangxi Automobile on the following principles in order of priority: (i) the market prices which are offered to or by Independent Third Parties in the ordinary and usual course of business; and (ii) the agreed prices based on the actual cost incurred thereof plus a reasonable profit margin.

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

As for the pricing of the redecorated logistic vans under the Vehicle Sale Transactions, Wuling Industrial Group adopts a standard price list for the available models offered to the authorized dealers, in which, the price of a particular model offered to the authorised dealers would be the same. Besides, all authorized dealers would also be subject to the standard business policy (the “**Standard Business Policy**”) of Wuling Industrial Group applicable to the sale of redecorated vans, which set out the standard terms of marketing, pricing, settlement, discount, incentive, transportation, after-sale services and other related issues which would involve in the sale transactions.

For our due diligence purpose, we obtained a copy of the Standard Business Policy. We consider the pricing of the Vehicle Sale Transactions to be fair and reasonable as Wuling Industrial Group adopts a standard price list for the available models offered to the authorized dealers and all authorized dealers would also be subject to the same Standard Business Policy.

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

## LETTER FROM GRAM CAPITAL

We are of the view that the effective implementation of the aforesaid internal control procedures can ensure that the Vehicle Sale Transactions are conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders.

In light of the above, we are of the view that the terms of the Vehicle Sale Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### 3. Adoption of New Annual Caps for Vehicle Sale Transactions

The Board proposed to adopt the New Annual Caps for the Vehicle Sale Transactions for each of the two years ending 31 December 2018 and 2019 respectively, hence revision of the aggregate Annual Caps for the Sale Transactions for the corresponding period as demonstrated in the tables below:

|  | Annual Caps  |   |   | Revised Annual Caps  |   |   |
|--|--|---|---|--|---|---|
|  | For the year<br>ended<br>31 December<br>2017<br><i>RMB'000</i> | For the year<br>ending 31<br>December<br>2018<br><i>RMB'000</i> | For the year<br>ending 31<br>December<br>2019<br><i>RMB'000</i> | For the year<br>ended 31<br>December<br>2017<br><i>RMB'000</i> | For the year<br>ending 31<br>December<br>2018<br><i>RMB'000</i> | For the year<br>ending 31<br>December<br>2019<br><i>RMB'000</i> |
| (i) GL Sale Transactions                           | 170,000  | 175,000   | 175,000   | 170,000  | 175,000   | 175,000   |
| (ii) GB Sale Transactions                          | 360,000  | 460,000   | 570,000   | 360,000  | 460,000   | 570,000   |
| (iii) Vehicle Sale Transactions                    | —  | —   | —   | —  | 60,000  | 110,000   |
| <b>Aggregate Annual Caps for Sale Transactions</b> | <u>530,000</u>   | <u>635,000</u>  | <u>745,000</u>  | <u>530,000</u>   | <u>695,000</u>  | <u>855,000</u>  |

With reference to the Board Letter, the above New Annual Caps of the Vehicle Sales Transactions has been determined by reference to:

- (a) The projected volumes of 1,450 vehicles and 2,700 vehicles, comprising of 10 models of redecorated logistic vans, planned to be sold by Wuling Industrial Group to the automobile sales services shop located in the Tianjin district (as the authorized dealer), majority shareholding interests of which is ultimately owned and controlled by Guangxi Automobile, respectively for each of the two years ending 31 December 2018 and 2019;
- (b) the respective selling prices of the related models currently offered to the other authorized dealers in the region nearby (the “**Selling Prices**”); and
- (c) a buffer of approximately 5% to 7% (the “**Buffer**”) adopted for any unforeseeable circumstance, in particular market fluctuations, changes in government policies on automobile industry, fluctuations in raw material costs and increase in transportation and labour costs.

For our due diligence purpose, we obtained the calculation for the New Annual Caps (the “**Calculation**”) and noted the above basis under the Calculation.

## LETTER FROM GRAM CAPITAL

Upon our enquiry, we were advised by the Directors that the Group recorded sales of redecorated logistic vans of approximately RMB18 million for FY2017 and approximately RMB15 million for the five months ended 31 May 2018 in Tianjin district. Such sales were mainly conducted by two existing authorised dealers in the region whose scale of operation are relatively small. Moreover, due to the restrictions imposed by the local government on the medium and heavy trucks and lorries in driving through the roads inside the outer loop, it is expected that the demands of the smaller size redecorated logistic vans for transportation purpose would be increased and would provide favourable business opportunities to the Group in promoting its products in the Tianjin district.

Given (i) the above sales improvement (the Group's sales of redecorated logistic vans in Tianjin district which were mainly conducted by two existing authorised dealers for the five months ended 31 May 2018 represents approximately 83% of the sales for FY2017); (ii) the Vehicles Sale Transactions are serving the purpose of increasing the market penetration of the Group's products in Tianjin district (for avoidance of doubt, the sales conducting by the Group's existing authorised dealers will not be shifted to Guangxi Automobile); and (iii) Guangxi Automobile, through its indirect non-wholly-owned subsidiary located in Tianjin, operates an automobile sales services shop, which possesses valuable marketing experiences and existing local connections of Guangxi Automobile in the Tianjin district, it is reasonable to set a higher sales target for Guangxi Automobile (i.e. New Annual Caps of RMB60 million and RMB110 million (including Buffer) respectively for each of the two years ending 31 December 2018 and 2019.)

Besides, we obtained the price list which demonstrates the Selling Prices and noticed that the Selling Prices are consistent with those adopted in the Calculation.

We also consider the Buffer to be reasonable.

In light of the above, we consider that the New Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned.

#### **4. Listing Rules implication regarding the Vehicles Sale Transactions**

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Vehicles Sale Transactions must be restricted by their respective proposed annual cap for the period concerned under the Third Supplemental Agreement; (ii) the terms of the Vehicles Sale Transactions (including the New Annual Caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Vehicles Sale Transactions must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Vehicles Sale Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material

## LETTER FROM GRAM CAPITAL

respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded their respective New Annual Caps. In the event that the total amounts of the Vehicles Sale Transactions are anticipated to exceed their respective New Annual Caps, or that there is any proposed material amendment to the terms of the Vehicles Sale Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Vehicles Sale Transactions and thus the interest of the Independent Shareholders would be safeguarded.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Third Supplemental Agreement (including the New Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Vehicle Sale Transactions under the Third Supplemental Agreement are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Third Supplemental Agreement and the adoption of New Annual Caps and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**David Kwan**  
*Director*



## 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 positions*

| Name of Director             | Capacity   | Number of Shares held | Approximate % of the total number of Shares in issue* |
|------------------------------|--|-----------------------|---|
| Mr. Lee Shing<br>(“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 the total number of Shares in issue of the Company as at the Latest Practicable Date.



**(ii) Substantial Shareholders**

Save as disclosed below, as at the Latest Practicable Date, so far as it was known to the Directors and chief executive of the Company, no other persons had an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO, or who (other than a member of the Group was) was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

*Long positions*

| Name of Shareholder   | Capacity  | Nature of interest   | Number of Shares held | Approximate % of the total number of Shares in issue* |
|---|---|----------------------|-----------------------|---|
| Dragon Hill <sup>(Note 1)</sup>   | Beneficial owner                                      | Corporate            | <u>281,622,914</u>    | <u>13.74%</u>   |
| Mr. Lee Shing   | Interest in controlled corporation <sup>(Note1)</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>   |
| Wuling (Hong Kong) Holdings Limited (“ <b>Wuling HK</b> ”) <sup>(Notes 3 and 4)</sup> | 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>   |

| Name of Shareholder  | Capacity                           | Nature of interest   | Number of Shares held | Approximate % of the total number of Shares in issue* |
|--|------------------------------------|----------------------|-----------------------|---|
| Wuling Motors (Hong Kong) Company Limited (“Wuling Motors”) <sup>(Notes 3 and 4)</sup> | 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   | 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 number of Shares in issue as at the Latest Practicable Date.

### 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into a service contract with any member of the Group which does not expire or which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

#### 4. 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) On 7 June 2018, Wuling Industrial entered into a sale and purchase agreement with 佛吉亞(柳州)汽車座椅有限公司 (Faurecia Liuzhou Automotive Seating Co., Limited\*) (“**Faurecia Car Seat JV Company**”), a joint venture company established in the PRC which is owned as to 50% by Wuling Industrial and 50% by Faurecia (China), pursuant to which Wuling Industrial Group conditionally agreed to sell and Faurecia Car Seat JV Company conditionally agreed to purchase the second batch of necessary plant and equipment (in addition to the first batch of relevant assets purchased under a previous sale and purchase agreement), which were owned by the Wuling Industrial Group and were required for the operation of Faurecia Car Seat JV Company for the car seat products manufacturing and operation, at the total consideration of RMB11,314,822 (exclusive of VAT) (“**Car Seat Assets Disposal Agreement**”). Details of the Car Seat Assets Disposal Agreement were fully described in the Company’s announcement dated 7 June 2018;
- (ii) On 30 May 2018, Wuling Industrial and three other subsidiary companies of Wuling Industrial entered into three sets of sale and purchase agreements with 佛吉亞(柳州)汽車內飾系統有限公司 (Faurecia (Liuzhou) Automotive Interior System Co., Limited\*) (“**Faurecia Interior JV Company**”), a joint venture company established in the PRC which is owned as to 50% by Wuling Industrial and 50% by Faurecia (China), pursuant to which Wuling Industrial and its subsidiaries conditionally agreed to sell and Faurecia Interior JV Company conditionally agreed to purchase the necessary plant and equipment, which were owned by the Wuling Industrial Group and were required for the production of various automotive interior parts and accessories by Faurecia Interior JV Company, at the total consideration of RMB146,249,171 (exclusive of VAT) (“**Interior Parts Assets Disposal Agreements**”). Details of the Interior Parts Assets Disposal Agreements were fully described in the Company’s announcement dated 30 May 2018;
- (iii) On 3 April 2018, Wuling Industrial entered into the JV Agreement with AAM International S.à.r.l., (“**AAM International**”) in relation to the establishment of the JV Company (“**JV Agreement**”). Pursuant to the JV Agreement, the JV Company shall be owned as to 50% by each of Wuling Industrial and AAM International, respectively. Details of the JV Agreement were fully described in the Company’s announcement dated 3 April 2018 and the Company’s circular dated 28 May 2018;
- (iv) 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;
- (v) 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;
- (vi) 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 Faurecia Interior JV Company (the “**Faurecia Interior Parts JV Agreement**”). Pursuant to the Faurecia Interior Parts JV Agreement, Faurecia Interior JV Company shall be owned as to 50% by each of Wuling Industrial and Faurecia (China), respectively. The total registered capital of Faurecia Interior JV 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;
- (vii) 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;
- (viii) the 3rd, 4th and 5th Shanghai Yipu Equipment Purchase Agreements (as described and defined below);
- (ix) 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;

- (x) the Compensation Agreements (as defined and described below);
- (xi) the Equity Transfer Agreement (as defined and described below);
- (xii) On 3 July 2017, Wuling Industrial entered into a JV agreement with Faurecia (China) in relation to the establishment of Faurecia Car Seat JV Company (the **“Faurecia Car Seat JV Agreement”**). Pursuant to the Faurecia Car Seat JV Agreement, Faurecia Car Seat JV Company shall be owned as to 50% by each of Wuling Industrial and Faurecia (China), respectively. The total registered capital of Faurecia Car Seat JV 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;
- (xiii) 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;
- (xiv) 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;
- (xv) the Supplemental Agreement and the Second Supplemental Agreement;
- (xvi) the 1st and 2nd Shanghai Yipu Equipment Purchase Agreements (as defined and described below);
- (xvii) the 2017–2019 Master Agreement;
- (xviii) the Capital Increase Agreement (as defined and described below);
- (xix) the Subscription Agreement (as defined and described below); and

(xx) 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. Details of the 2017–2019 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 Agreement and the Second Supplemental Agreement to amend certain terms, including the annual caps, of the 2017–2019 Master Agreement. Details of the Supplemental Agreement and the Second Supplemental 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.

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.

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**

Mr. Yuan Zhijun, the chairman of the Board and an executive Director, is also a director of SGMW. SGMW is principally engaged in the manufacturing and trading businesses of motor vehicles and engines, which may have direct or indirect competition to the businesses of the Group. Although Mr. Yuan is taken to have competing interests in SGMW by virtue of their common directorships, he 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. CONSENT AND QUALIFICATION OF EXPERT

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

| <b>Name</b>  | <b>Qualification</b>   |
|--------------|--|
| Gram Capital | A corporation licensed to carry out Type 6 (advising on corporate finance) of the regulated activities under the SFO |

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

As at the Latest Practicable Date, Gram Capital did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2017, being the date to which the latest published consolidated audited financial statements of the Group were made up.

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

## 9. MATERIAL ADVERSE CHANGE

Reference is made to the profit warning announcement dated 16 July 2018 which stated that, based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2018 and information currently available, the Group's net profit and profit attributable to the owners of the Company for the six months ended 30 June 2018 are both expected to be decreased by approximately 60% as compared with the respective figures for the six months ended 30 June 2017 (subject to the completion and confirmation of the related review work and procedures), which was mainly attributable to

(i) a decrease in the Group's total revenue during the six months ended 30 June 2018 as compared to the corresponding period in last year; and (ii) a decrease in the gross profit margin as compared to the corresponding period in last year.

Save as disclosed above, the Directors are not aware of any 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 financial statements of the Group were made up.

## 10. 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 1901, 19/F, Beautiful Group Tower, 77 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the SGM of the Company to be held on 9 August 2018:

- (a) the letter from the Independent Board Committee to the Independent Shareholders giving its recommendations in respect of the terms of the Third Supplemental Agreement and the transactions contemplated thereunder, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;
- (b) the letter from Gram Capital containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders regarding the Third Supplemental Agreement and the transactions contemplated thereunder, the text of which is set out in the section headed "Letter from Gram Capital" in this circular;
- (c) the written consent of Gram Capital referred to in the paragraph headed "CONSENT AND QUALIFICATION OF EXPERT" in this appendix;
- (d) the 2017–2019 Master Agreement, the Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement; and
- (e) this circular.

NOTICE OF THE SGM



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

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

**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “SGM”) of Wuling Motors Holdings Limited (the “Company”) will be held at Unit 1901, 19/F, Beautiful Group Tower, 77 Connaught Road Central, Hong Kong on Thursday, 9 August 2018 at 10:00 a.m., for the purpose of considering and, if thought fit, passing, with or without modification, the following ordinary resolution:

**ORDINARY RESOLUTION**

“**THAT** the Third Supplemental Agreement dated 15 June 2018 (copies of which have been produced to this meeting signed by the Chairman of the meeting for the purpose of identification) in relation to the revision of certain terms of the 2017–2019 Master Agreement (as amended by the Supplemental Agreement and the Second Supplemental Agreement) and the adoption of New Annual Caps for the Vehicle Sale Transactions and are hereby approved, confirmed and ratified.”

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

Hong Kong, 20 July 2018

*Registered Office:*  
Canon’s Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

*Head office and principal place of  
business in Hong Kong:*  
Unit 1901, 19/F  
Beautiful Group Tower  
77 Connaught Road Central  
Hong Kong

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

*Notes:*

1. Unless otherwise defined in this notice or context requires otherwise, terms defined in the Circular shall have the same meanings when used in this notice.

## NOTICE OF THE SGM

2. Any member entitled to attend and vote at the SGM (or at any adjournment thereof) is entitled to appoint one or more proxies to attend and, in the event of poll, vote instead of him. A proxy need not be a member of the Company.
3. Where there are joint holders of any Share(s), any one of such persons may vote at the SGM, either personally or by proxy, in respect of such Share(s) as if he were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the registers of members of the Company in respect of such Share(s) will alone be entitled to vote in respect thereof.
4. The register of members of the Company will be closed from Monday, 6 August 2018 to Thursday, 9 August 2018 (both dates inclusive), for the purpose of determining the Shareholders' eligibility to attend and vote at the SGM and during which period no transfer of the Share(s) will be effected. In order to qualify for attendance of the SGM, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 3 August 2018.
5. A form of proxy for use in connection with the SGM is enclosed and such form is also published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).
6. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM (or at any adjournment thereof). Completion and return of the forms of proxy will not preclude a member from attending the SGM and voting in person if he so wishes. In this event that a member attends the SGM after having lodged his form of proxy, his form of proxy will be deemed to have been revoked.
7. Shareholders are advised to read the Circular which contains information concerning the resolutions to be proposed in this notice.
8. The ordinary resolution to be proposed at the SGM shall be decided by way of poll.