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**If you have sold or transferred** all your shares in Wuling Motors Holdings Limited, you should at once hand this circular 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)*

**MAJOR TRANSACTION IN RELATION TO  
ESTABLISHMENT OF JOINT VENTURE  
AND  
MAJOR TRANSACTION IN RELATION TO  
DISPOSAL OF ASSETS RELATED TO EMISSIONS CONTROL SYSTEM**

**Financial adviser to the Company**



**Celestial Capital Limited**

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24 December 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:*

- “Ancillary Agreements” the ancillary agreements which shall be entered into between the JV Party(ies) and the JV Company after the establishment of the JV Company as detailed in the paragraph headed “Other transactions to be entered into by the JV Party(ies) and the JV Company” under the section headed “Principal Terms of the JV Agreement” set out in this circular
- “Assets” the assets to be disposed of by Wuling Industrial and/or its subsidiaries to the JV Company pursuant to the Sale and Purchase Agreement and as confirmed by the JV Parties in the final list of the Assets, which include (i) the machinery and equipment as listed out in the appendix to the Sale and Purchase Agreement which are currently owned by Wuling Industrial Group for the purpose of manufacturing and operating the automotive emissions control system products; and (ii) other assets owned by Wuling Industrial for the purpose of manufacturing and operating the automotive emissions control system products that, based on the fair discretion of both of Wuling Industrial and the JV Company, should be included in the Sale and Purchase Agreement (including but not limited to the tooling owned by the Vendor for the purpose of manufacturing and operating the automotive emissions control system products)
- “Board” the board of Directors
- “Business Day” any day (excluding Saturday, Sunday or public holiday) on which banks generally in Hong Kong are open for business
- “Car Seat JV Company” 佛吉亞（柳州）汽車座椅有限公司 (Faurecia Liuzhou Automotive Seating Co., Limited\*), a joint venture company established in the PRC on 26 September 2017, the equity interest of which is owned as to 50% by Wuling Industrial and 50% by Faurecia (China), pursuant to the joint venture agreement dated 3 July 2017 entered into between Wuling Industrial and Faurecia (China)

## DEFINITIONS

“Car Seat Sale JV Company”	佛吉亞（柳州）汽車座椅銷售有限公司 (Faurecia Liuzhou Automotive Seating Sales Co. Limited*), a joint venture company established in the PRC on 15 December 2017 with a registered capital of RMB1,000,000, which is owned as to 50% by Wuling Industrial and 50% by Faurecia (China) and which is intended to be responsible for the sale functions of the car seat, automotive interior parts and automotive emissions control system products manufactured by Car Seat JV Company, Interior JV Company and the JV Company respectively
“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)
“Closing”	completion of the sale and purchase of the Assets pursuant to the Sale and Purchase Agreement
“Consideration”	an amount of RMB53,713,177 (exclusive of VAT), being the consideration of the Assets under the Sale and Purchase Agreement
“Delivery Date”	the date of delivery of the Assets by Wuling Industrial Group to the JV Company pursuant to the Sale and Purchase Agreement, which should be a date within 90 days after the date of the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Equity Interest(s)”	equity interest(s) in the JV Company
“Guangxi Automobile”	廣西汽車集團有限公司 (Guangxi Automobile Holdings Limited*), a state-controlled enterprise established in the PRC, being the ultimate 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)
“Fair Market Value”	the fair market value of the Equity Interests as agreed between the JV Parties, or the fair market value as derived from the enterprise value and the net financial debt of the JV Company as appraised by an auditing firm jointly appointed by the JV Parties (or, if the JV Parties fail to agree on such appointment, an auditing firm to be appointed by the Secretary of the International Chamber of Commerce upon request of any JV Party)

## DEFINITIONS

“Faurecia”	Faurecia, the ultimate holding company of Faurecia (China), a leading manufacturer in the global automobile industry with headquarter in Nanterre, France
“Faurecia (China)”	Faurecia (China) Holding Co. Ltd., a wholly owned subsidiary of Faurecia established in the PRC in 2008
“Faurecia Group”	Faurecia and its subsidiaries, being a world renowned group of companies, engages in the automobile industry specialising in the business segments of automotive seating, interior systems and emissions control technologies
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Interior JV Company”	佛吉亞（柳州）汽車內飾系統有限公司（Faurecia (Liuzhou) Automotive Interior System Co., Limited*), a joint venture company established in the PRC on 5 February 2018, the equity interest of which is owned as to 50% by Wuling Industrial and 50% by Faurecia (China) pursuant to the joint venture agreement dated 29 November 2017 entered into between Wuling Industrial and Faurecia (China)
“JV Agreement”	the joint venture agreement entered into between Wuling Industrial and Faurecia (China) for the purpose of establishment of the JV Company on 24 October 2018
“JV Company”	佛吉亞（柳州）排氣控制技術有限公司 Faurecia (Liuzhou) Emission Control Technologies Co., Limited*), a joint venture company to be established in the PRC which shall be owned as to 50% by Wuling Industrial and 50% by Faurecia (China) pursuant to the JV Agreement
“JV Party(ies)”	a party/parties to the JV Agreement, namely Wuling Industrial and/or Faurecia (China), as the case maybe
“Latest Practicable Date”	20 December 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
“PRC”	the People’s Republic of China

## DEFINITIONS

“Previous Announcement(s)”	the announcements of the Company (i) dated 29 November 2017 relating to the establishment of the Interior JV Company pursuant to the joint venture agreement dated 29 November 2017 entered into between Wuling Industrial and Faurecia (China); (ii) dated 29 December 2017, 13 February 2018 and 14 March 2018 in relation to agreement (A) of the Previous Sale and Purchase Agreements; (iii) dated 30 May 2018 relating to, among other things, agreement (C) of the Previous Sale and Purchase Agreements; and (iv) dated 7 June 2018 relating to agreement (B) of the Previous Sale and Purchase Agreements
“Previous Sale and Purchase Agreements”	(A) the sale and purchase agreement dated 14 March 2018 entered into between Wuling Industrial and Car Seat JV Company relating to the sale of certain machinery and equipment for the production and operation of car seat product by Wuling Industrial to the Car Seat JV Company at a consideration of RMB24,300,096 (exclusive of VAT); (B) the sale and purchase agreement dated 7 June 2018 entered into between Wuling Industrial (Shandong branch office) and the Car Seat JV Company (Qingdao branch office) relating to the sale by Wuling Industrial (Shandong branch office) of the assets to the Car Seat JV Company (Qingdao branch office) at a consideration of RMB11,314,822 (exclusive of VAT); and (C) the sale and purchase agreements entered into between Wuling Industrial Group and the Interior JV Company on 30 May 2018, pursuant to which Wuling Industrial Group conditionally agreed to sell and the Interior JV Company conditionally agreed to purchase the necessary assets for the production of various automotive interior parts and accessories at a total consideration of RMB146,249,171 (exclusive of VAT)
“Purchaser”	the JV Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement to be entered into between Wuling Industrial and/or its subsidiaries and the JV Company upon its establishment relating to the sale by Wuling Industrial of the Assets to the JV Company, the final draft of which has been appended to the JV Agreement

## DEFINITIONS

“SGMW”	上汽通用五菱汽車股份有限公司 (SAIC-GM-Wuling Automobile Co., Limited*), a company established in the PRC and a joint venture formed among Shanghai Automobile Industry (Group) Company Limited, GM (China) Investment Co., Limited and Guangxi Automobile, and is currently a major customer of Wuling Industrial Group’s businesses in engines and automotive components
“Shareholder(s)”	holder(s) of the ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Report”	the valuation report dated 7 December 2018 issued by the Valuer in respect of the valuation of the Assets as at 31 October 2018
“Valuer”	廣西正德房地產土地資產評估有限公司 (Guangxi Zhengde Real Estate and Asset Appraisal Company Limited*), being an independent appraisal firm recognized by the relevant government authority(ies) and jointly engaged by the JV Parties
“VAT”	the value-added tax
“Vendor(s)”	Wuling Industrial and/or its subsidiaries
“Wuling HK”	Wuling (Hong Kong) Holdings Limited, a company incorporated in Hong Kong with limited liability and a controlling Shareholder beneficially interested in approximately 60.64% of the total number of issued shares of the Company as at the Latest Practicable Date and an indirect wholly-owned subsidiary of Guangxi Automobile
“Wuling Industrial”	柳州五菱汽車工業有限公司 (Liuzhou Wuling Motors Industrial Company Limited*), a company established in the PRC and a non-wholly owned subsidiary of the Company
“Wuling Industrial Group”	Wuling Industrial and its subsidiaries
“%”	per cent

*In this circular, unless otherwise specified, conversion of RMB into HK\$, is based on the exchange rate of RMB1 to HK\$1.134, for information purpose only. Such conversion should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.*

\* For identification purposes only



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, 24 December 2018

*To the Shareholders,*

Dear Sir or Madam,

**MAJOR TRANSACTION IN RELATION TO  
ESTABLISHMENT OF JOINT VENTURE  
AND  
MAJOR TRANSACTION IN RELATION TO  
DISPOSAL OF ASSETS RELATED TO EMISSIONS CONTROL SYSTEM**

**I. INTRODUCTION**

References are made to the announcement of the Company dated 24 October 2018 in relation to major transaction in relation to establishment of the JV Company and major transaction in relation to disposal of the Assets and the supplemental announcement of the Company dated 7 December 2018 in relation to the determination of the Consideration for the Assets.

On 24 October 2018 (after trading hours), Wuling Industrial, a non-wholly-owned subsidiary of the Company, entered into the JV Agreement with Faurecia (China) in relation to the establishment of the JV Company. Pursuant to the JV Agreement, the JV Company shall be owned as to 50% by each of Wuling Industrial and Faurecia (China), respectively. The total registered capital of the JV Company is RMB120 million (equivalent to approximately HK\$136.08 million), which shall be contributed as to RMB60 million (equivalent to approximately HK\$68.04 million) by each of Wuling Industrial and Faurecia (China) respectively.



## LETTER FROM THE BOARD

According to the terms of the JV Agreement, after the establishment of the JV Company, the JV Party(ies) and the JV Company shall enter into the Ancillary Agreements (which include the Sale and Purchase Agreement and final draft of which has been appended to the JV Agreement). Accordingly, Wuling Industrial, a non-wholly-owned subsidiary of the Company and/or its subsidiaries, will enter into the Sale and Purchase Agreement with the JV Company upon its establishment (which shall be a non-wholly-owned subsidiary of Faurecia (China)), pursuant to which Wuling Industrial Group shall conditionally agree to sell and the JV Company shall conditionally agree to purchase the Assets, which are currently owned by the Wuling Industrial Group and are required for the operation of the JV Company for the emissions control system business, at the Consideration (exclusive of VAT) which is equal to the final valuation of the Assets as at 31 October 2018. As disclosed in the announcement of the Company dated 7 December 2018, the JV Parties had confirmed the final list of the Assets to be disposed of by Wuling Industrial and/or its subsidiaries to the JV Company under the Sale and Purchase Agreement and the Valuer had released the Valuation Report and confirmed the final valuation of the Assets as at 31 October 2018 to be RMB53,713,177 (equivalent to approximately HK\$60,911,000). With reference to the said final valuation as confirmed by the Valuer in the Valuation Report, the Consideration of RMB53,713,177 (equivalent to approximately HK\$60,911,000) for the Assets was determined by the JV Parties.

As the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for (i) the aggregate contribution payable/paid by Wuling Industrial towards the Car Seat Sale JV Company, the Interior JV Company and the JV Company; and (ii) the aggregate consideration (not including VAT) of the transactions contemplated under the Sale and Purchase Agreement and the Previous Sale and Purchase Agreements are more than 25% but less than 75% and more than 25% but less than 100%, respectively, the entering into of the JV Agreement by Wuling Industrial and the disposal of the Assets by the Group under the Sale and Purchase Agreement each constitutes a major transaction of the Company and are both subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date and to the best of the Directors' knowledge, information and belief after making all reasonable enquiries, no Shareholder has any material interest in the transactions contemplated under the JV Agreement and the Sale and Purchase Agreement. Therefore, no Shareholder will be required to abstain from voting at the general meeting on the resolution(s) to approve the transactions contemplated thereunder the JV Agreement and the Sale and Purchase Agreement.

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

## LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the JV Agreement; (ii) further details of the Sale and Purchase Agreement and (iii) all other information as required under the Listing Rules.

### II. ESTABLISHMENT OF JOINT VENTURE

The principal terms of the JV Agreement are summarised below:

Date of the JV Agreement:	24 October 2018
JV Parties:	(a) Wuling Industrial; and (b) Faurecia (China)  each entered into the JV Agreement in the capacity of the proposed holder of 50% Equity Interests.
Proposed name of the JV Company:	English Name: Faurecia (Liuzhou) Emissions Control Technologies Co., Ltd.  Chinese Name: 佛吉亞（柳州）排氣控制技術有限公司
Scope of business of the JV Company:	The proposed scope of business of the JV Company shall include (i) development, manufacture, delivery and sales of automotive emissions control system products and related parts and components; (ii) agency and operation of import and export of the related technology and goods; and (iii) provision of after-sales and technical consultancy services.
Terms of business of the JV Company:	Twenty years from the date of the establishment of the JV Company unless early termination thereof.
Total investment and registered capital of the JV Company:	The total investment of the JV Company shall be RMB180 million (equivalent to approximately HK\$204.12 million). The registered capital of the JV Company will be RMB120 million (equivalent to approximately HK\$136.08 million), which shall be contributed as to RMB60 million (equivalent to approximately HK\$68.04 million and representing 50% of the registered capital of the JV Company) by each of Wuling Industrial and Faurecia (China) respectively.  The total amount of the registered capital and the respective capital contribution of the JV Parties were determined after arm's length negotiation between the JV Parties with references to the initial capital requirement of the JV Company and the intention of each JV Party in respect of its capital contribution to the JV Company.

## LETTER FROM THE BOARD

Subject to fulfilment (or waiver, as the case may be) of the conditions set out in the following part “conditions for payment of the capital contribution to the JV Company”, each JV Party should pay its capital contribution to the JV Company in cash within six months from the date of establishment of the JV Company. The capital contribution of Wuling Industrial to the JV Company in the amount of RMB60 million (equivalent to approximately HK\$68.04 million) will be funded by the internal resources of the Group.

Any increase or decrease in the registered capital of the JV Company shall be approved, by consensus, by the board of directors of the JV Company. In case of increase in the registered capital, (i) the increased registered capital (the “**Increased Capital**”) shall be contributed by the JV Parties on a pro rata basis according to their respective Equity Interests, or (ii) if a JV party has indicated its intention of not contributing to any Increased Capital, subject to the compliance of the relevant laws and regulations in Hong Kong and the PRC (including the Listing Rules), the other JV Party shall have the right to contribute to the full amount of the Increased Capital and the respective Equity Interests of the JV Parties should be adjusted thereafter.

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

The payment of the respective capital contribution to the JV Company by Wuling Industrial and Faurecia (China) is conditional upon satisfaction (or, if and when the relevant laws and regulations (including the Listing Rules) are not violated and where permissible, waiver in writing by the JV Parties) of the following conditions:

- (a) all documents relevant to the approval and filing process having been filed to or approved by the regulatory authorities as required;
- (b) all warranties and representation made by the JV Parties as set out in the JV Agreement having been true and accurate in all material respects;
- (c) as at the date of the JV Agreement, there having been no material changes in the rules, laws and regulations of the PRC which would materially impact any JV Party’s capability in sharing the economic benefit resulting from its investment in the JV Company, or on the business environment in which the JV Company shall commence its business under the JV Agreement;

## LETTER FROM THE BOARD

- (d) the JV Company having been established according to the terms and conditions of the JV Agreement, and having obtained a business license which reflects the relevant requirements under the JV Agreement;
- (e) the Company having duly performed and complied with its obligations pursuant to the Listing Rules which include the issue of the related announcement(s) and circular(s), and the obtaining of the relevant shareholders' approval where necessary;
- (f) each or both of the JV Parties (and/or relevant associated companies of them) and the JV Company having entered into the Ancillary Agreements; and
- (g) the JV Company having set up a bank account for receiving the capital contribution to it from the JV Parties.

If any of the above conditions precedent are not fulfilled, or agreed to be waived by the JV Parties within six months from the date of the JV Agreement, unless it is agreed by the JV Parties jointly, the JV Agreement shall forthwith be terminated and neither of the JV Parties shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

As mentioned above, to the extent that the relevant laws and regulations (including the Listing Rules) are not violated and where permissible, all the conditions precedent are waivable by the JV Parties in writing. As at the Latest Practicable Date, none of the conditions precedent has been satisfied and the Company has no intention to waive any of the conditions precedent.

Transfer of Equity Interests  
and related restriction:

Save for the transfer of Equity Interest between the two JV Parties and transfer to any relevant associated company of a JV Party pursuant to the terms of the JV Agreement and subject to the prior approval of the board of directors of the JV Company, a JV Party shall not dispose of its Equity Interest for a period of three years from the date of establishment of the JV Company. Upon expiry of such three year period, any disposal of by a JV Party of its Equity Interest to any third party purchaser should involve all but not only part of the Equity Interest held by such JV Party.

## LETTER FROM THE BOARD

During the term of the JV Agreement, (i) a JV Party shall have the pre-emptive right (the “**Pre-emptive Right**”, which is not transferrable) to purchase the other JV Party’s Equity Interest under the same conditions if a JV Party proposes to sell its Equity Interest; and (ii) a JV Party should not dispose of its Equity Interest to a competitor of the other JV Party.

A JV Party (the “**Selling JV Party**”), which proposes to sell its Equity Interest to a third party purchaser, must serve relevant notice (the “**Transfer Notice**”) to the other JV Party. The other JV Party shall within 60 days after receiving the Transfer Notice, inform the Selling JV Party in writing of its decision with regard to (i) exercise of its Pre-emptive Right to purchase all of the Selling JV Party’s Equity Interest pursuant to the terms set out in the Transfer Notice and at the Fair Market Value of the relevant Equity Interest or price set out in the Transfer Notice, whichever is the lowest; or (ii) its consent to the disposal by the Selling JV Party of its Equity Interest to third party purchaser pursuant to the terms set out in the Transfer Notice.

No Equity Interest should be transferred by a JV Party to the competitors of the other JV Party. Please refer to the paragraph “Respective Rights of the JV Parties upon occurrence of certain events” below for situation where a JV Party is acquired by a competitor of the other JV Party.

The relevant requirements under the Listing Rules will be required to be complied with before the exercise of any right (including but not limited to the transfer of Equity Interests and related restriction mentioned herein) conferred to any of the JV Parties by the JV Agreement and the Ancillary Agreements.

Non-competition with the JV  
Company:

A JV Party and its associated company(ies), during the period in which any of them is/are holder(s) of the Equity Interest and during the three year-period after it ceases/they cease to be holder(s) of the Equity Interest, should not, without the prior written consent of the other party, directly or indirectly enter into, carry on, be engaged or concerned or interested in any business which is in competition with the business of the JV Company.

## LETTER FROM THE BOARD

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

The board of directors of the JV Company shall comprise five directors, two of which shall be appointed by Wuling Industrial while the other three directors shall be appointed by Faurecia (China). The chairman and vice chairman of the board of directors shall be appointed by Wuling Industrial and Faurecia (China) respectively.

Each of the JV Parties is entitled to appoint one supervisor for a term of three (3) years. Supervisors may serve consecutive terms, if re-appointed. Directors and senior management personnel of the JV Company shall not concurrently serve as supervisor.

The senior management team of the JV Company shall comprise a general manager, a deputy general manager and other senior executives. The general manager shall be nominated by Faurecia (China), and the deputy general manager(s) shall be nominated by Wuling Industrial.

Both Wuling Industrial and Faurecia (China) further agree that the chief financial officer shall be nominated by Faurecia (China) and the deputy chief financial officer shall be nominated by Wuling Industrial.

Respective rights of the JV Parties upon occurrence of certain events:

Under the JV Agreement, a JV Party (the “**Relevant JV Party**”) should have the right to take the following actions upon occurrence of the following events by serving notice to the other JV Party (the “**Defaulting JV Party**”) pursuant to the terms set out in the JV Agreement:

- (A) if the Defaulting JV Party is acquired by the competitor of the Relevant JV Party, upon receiving written notice from the Defaulting JV Party which should be served 30 days before the occurrence of such acquisition (in any event not later than the date of occurrence of such acquisition), the Remaining JV Party may terminate the JV Agreement or, by issuing notice within 60 days thereafter, request for (i) acquisition of the Equity interest held by the Defaulting JV Party or (ii) disposal of the Equity Interest held by it to the Defaulting JV Party;

## LETTER FROM THE BOARD

- (B) if the Relevant JV Party is informed by the Defaulting JV Party in writing that the Defaulting JV Party has been subject to any unforeseen severe difficulty or force majeure event, and no agreement is reached by the parties within 90 days thereafter and the Defaulting JV Party do not request for the disposal of the Equity Interest held by it to the Relevant JV Party in the next 20 days, the Relevant JV Party will be entitled to request for termination of the JV Agreement or acquisition of the Equity Interest held by the Defaulting JV Party by serving written notice during a 10-day period; and
- (C) if notice in relation to the breach of the JV Agreement by the Defaulting JV Party (including but not limited to the declaration of winding up of the Defaulting JV Party) is issued within 90 days upon occurrence of the breach according to the terms of the JV Agreement, the Relevant JV Party will be entitled to request for (i) termination of the JV Agreement; or (ii) acquisition of the Equity Interest held by the Defaulting JV Party (which sales and purchase should be carried out at a price equals to 90% of the Fair Market Value); or (iii) disposal of the Equity Interest held by the Relevant JV Party to the Defaulting JV Party.

All sale and purchase of the Equity Interest mentioned above, save for (C) (ii), should be carried out at a price equals to the Fair Market Value.

Furthermore, should the board of directors of the JV Company be unable to pass a resolution on a matter which requires unanimous consent of all directors of the JV Company attending the relevant board meeting (for examples, the approval of financial budgets, increase or decrease of registered capital of the JV Company, change of the articles of association of the JV Company), and if such disagreement has had or will have a material adverse effect on the JV Company or its business (the “**Deadlock Event**”), a JV Party may give notice to the other JV Party a notice thereof (the “**Deadlock Notice**”). If no Deadlock Notice is served by any JV Party within thirty days from the occurrence of a Deadlock Event, each JV Party shall be deemed to have waived its right to serve a Deadlock Notice.

## LETTER FROM THE BOARD

During a period of ninety days following any such Deadlock Notice (the “**Deadlock Resolving Period**”), the members of the board of directors of the JV Company and the chief executive officers of the JV Parties shall use their best efforts to, in good faith, resolve the matter or issue in dispute. If there is no agreement reached on the matter or issue in dispute upon the expiration of the Deadlock Resolving Period, then

- (I) if the Deadlock Event is related to the approval of financial budgets, then
  - (a) if the Deadlock Event is related to the approval of financial budgets, then
    - (1) Faurecia (China) may, within thirty days after the expiration of the Deadlock Resolving Period, require Wuling Industrial to sell all its Equity Interest to Faurecia (China) by serving a written notice to Wuling Industrial; and
    - (2) if no written notice is served by Faurecia (China) during the thirty days period mentioned in (a)(1) above, Wuling Industrial should purchase all the Equity Interest of Faurecia (China) at the Fair Market Value.
  - (b) if a Deadlock Notice is served by Faurecia (China),
    - (1) Faurecia (China) may, within thirty days after the expiration of the Deadlock Resolving Period, require Wuling Industrial to sell all its Equity Interest to Faurecia (China) at the Fair Market Value by serving a written notice to Wuling Industrial; and



## LETTER FROM THE BOARD

- (2) if no written notice is served by Faurecia (China) during the thirty days period mentioned in (b)(1) above, Wuling Industrial may require Faurecia (China) to sell all its Equity Interest to Wuling Industrial at the Fair Market Value by serving a written notice to Faurecia (China) and in case Wuling Industrial does not acquire the entire Equity Interest from Faurecia (China), unless it is otherwise agreed between the JV Parties, the JV Agreement shall be terminated and the JV Company shall be dissolved in accordance with terms of the JV Agreement.
  - (c) if no written notice is served by any JV Party according to (a) and (b) above, unless it is otherwise agreed between the JV Parties, the JV Agreement shall be terminated and the JV Company shall be dissolved in accordance with terms of the JV Agreement.
- (II) if the Deadlock Event is not related to the approval of financial budgets, then
  - (a) if a Deadlock Notice is served by Wuling Industrial,
    - (1) Faurecia (China) may, within thirty days after the expiration of the Deadlock Resolving Period, require Wuling Industrial to sell all its Equity Interest to Faurecia (China) by serving a written notice to Wuling Industrial; and
    - (2) if no written notice is served by Faurecia (China) during the thirty days period mentioned in (a)(1) above, Wuling Industrial should purchase all the Equity Interest of Faurecia (China) at the Fair Market Value.
  - (b) if a Deadlock Notice is served by Faurecia (China),
    - (1) Wuling Industrial may, within thirty days after the expiration of the Deadlock Resolving Period, require Faurecia (China) to sell all its Equity Interest to Wuling Industrial at the Fair Market Value by serving a written notice to Faurecia (China); and

## LETTER FROM THE BOARD

(2) if no written notice is served by Wuling Industrial during the thirty days period mentioned in (b)(1) above, Faurecia (China) may require Wuling Industrial to sell all its Equity Interest to Faurecia (China) at the Fair Market Value by serving a written notice to Wuling Industrial.

(c) if no written notice is served by any JV Party according to (a) and (b) above, unless it is otherwise agreed between the JV Parties, the JV Agreement shall be terminated and the JV Company shall be dissolved in accordance with terms of the JV Agreement.

All sale and purchase of the Equity Interest mentioned above should be carried out at a price equals to the Fair Market Value.

Other transactions to be entered into by the JV Parties and the JV Company:

Pursuant to the JV Agreement, after the establishment of the JV Company, the JV Party(ies) and the JV Company shall enter into the Ancillary Agreements (which include the Sale and Purchase Agreement, and final draft of which has been appended to the JV Agreement) in relation to provision of management services, technical services and grant of technology licenses by the JV Party(ies) to the JV Company, and the acquisition by the JV Company of the existing assets and business of Wuling Industrial and its subsidiaries in Liuzhou, Chongqing and Qingdao, the PRC related to the emissions control system business for the purpose of facilitating the commencement of business and operation of the JV Company under the Sale and Purchase Agreement. For details of the Sale and Purchase Agreement, please refer to the section headed “III. Disposal of Assets Related to Emissions Control System” below.

### III. DISPOSAL OF ASSETS RELATED TO EMISSIONS CONTROL SYSTEM

The principal terms of the Sale and Purchase Agreement are summarised below:

Date: Being a date after the establishment of the JV Company.

Parties: The Vendor:

(a) Wuling Industrial and/or its subsidiaries; and

## LETTER FROM THE BOARD

The Purchaser:

(b) the JV Company.

Assets which are subject of  
the sale and purchase:

The Assets include (i) the machinery and equipment as listed out in the appendix to the Sale and Purchase Agreement which are currently owned by Wuling Industrial Group for the purpose of manufacturing and operating the automotive emissions control system products; and (ii) other assets owned by Wuling Industrial Group for the purpose of manufacturing and operating the automotive emissions control system products that, based on the fair discretion of both of Wuling Industrial and the JV Company, should be included in the Sale and Purchase Agreement (including but not limited to the tooling owned by the Vendor for the purpose of manufacturing and operating the automotive emissions control system products). In case any asset being delivered to the JV Company (as purchaser) was determined to be ineffective, the JV Company may returned the such asset to Wuling Industrial and/or its subsidiaries at the original acquisition cost of the asset under the Sale and Purchase Agreement.

As disclosed in the announcement of the Company dated 7 December 2018, the JV Parties had confirmed the final list of the Assets to be disposed of by Wuling Industrial and/or its subsidiaries to the JV Company under the Sale and Purchase Agreement. The Assets, as confirmed by the JV Parties in the final list of the Assets, include 360 sets of machinery, which mainly comprise industrial robotic operating platforms, production lines and equipment, welding equipment, testing and control equipment, pressing and forming equipment and other assembly lines equipment and 286 sets of tooling.

## LETTER FROM THE BOARD

Conditions precedent:

Completion of the Sale and Purchase Agreement (i.e. Closing) is subject to the fulfilment by Wuling Industrial to the satisfaction of the JV Company (or, if and when the relevant laws and regulations (including the Listing Rules) are not violated and where permissible, waiver in writing by the JV Company or the Vendor) of the following conditions precedent (referred to as completion of the conditions precedent thereafter):

- (i) there having no occurrence or existence of any material adverse effect on, among other things, the Assets since the date of the Sale and Purchase Agreement, and the representations and warranties given by Wuling Industrial remaining true and accurate in all respects at the Delivery Date;
- (ii) there having been no threatened, instituted or pending any action or proceeding by any person which (a) may affect the ownership or operation by the JV Company of all or any material portion of the Assets or (b) may impose any limitation on the ability of the JV Company in exercising its rights relating to such ownership or use of the Assets in full after Closing;
- (iii) Wuling Industrial having provided the JV Company with the bank and wiring information relating to its receipt of the Consideration from the JV Company;
- (iv) the Assets (a) having been maintained in good condition as at the Delivery Date, which conditions are satisfied by the JV Company after having carried out all inspection of the Assets considered as necessary by the JV Company, and (b) having been delivered by Wuling Industrial Group and accepted by the JV Company on the Delivery Date;
- (v) Wuling Industrial (a) having obtained ownership certificates of the factory site and buildings thereon to be used by the JV Company for the purpose of carrying out the business and operation of the emission controls business upon Closing; and (b) having provided copies of such ownership certificates to the JV Company;

## LETTER FROM THE BOARD

- (vi) confirmation from the related parties of Wuling Industrial Group regarding the transfer of their respective rights relating to the ownership or use or handling of the Assets to the JV Company having been received by the JV Company;
- (vii) Wuling Industrial having resolved or listed out all currently known issues relating to quality and environment protection of its existing products produced by the Assets;
- (viii) all necessary procedures relating to approval, registration and other requirements (including evaluation and appraisal of the Assets by the Valuer regarding the sale and purchase of the Assets and completion of the necessary filing procedures of the relevant valuation report) and the execution of the Sale and Purchase Agreement pursuant to the applicable laws, rules and regulations in the PRC and Hong Kong, including but not limited to those relating to the supervision and administration of state-owned assets in Guangxi Zhuang Autonomous Region, the PRC having been completed; and
- (ix) the Company having duly performed and complied with its obligations pursuant to the Listing Rules which include the issue of the related announcement(s) and circular(s), and the obtaining of the relevant shareholders' approval where necessary.

The JV Company will promptly inform Wuling Industrial on the fulfilment (or waiver, as the case maybe) of all conditions precedent, as appropriate, to its satisfaction to facilitate completion of the transactions as contemplated under the Sale and Purchase Agreement.

**Consideration:**

The Consideration (exclusive of VAT) shall be RMB53,713,177 (equivalent to approximately HK\$60,911,000), which is equal to the final valuation of the Assets as at 31 October 2018 as confirmed and released by the Valuer in the Valuation Report.

The first payment installment, being not more than 60% of the Consideration, is to be paid by the JV Company to Wuling Industrial within seven (7) business days after the Closing Date, provided that Wuling has issued an invoice of the amount above to the JV Company.

## LETTER FROM THE BOARD

The remaining balance shall be paid by the JV Company to Wuling Industrial within three (3) months after the Closing Date.

The basis of determining the Consideration was agreed by Wuling Industrial (as vendor) and the JV Company (as purchaser) after arm's length negotiations and by taking into account the final valuation of the final list of the Assets conducted and finalised by the Valuer.

### Closing:

If the JV Company is satisfied in its sole discretion that all the conditions precedent of the Sale and Purchase Agreement have been duly completed, the JV Company shall forthwith inform Wuling Industrial of the same and the Closing shall take place within thirty days after the date on which all the conditions precedents have been fulfilled (the "**Closing Date**") (or on such later date to be mutually agreed by Wuling Industrial and the JV Company).

At the sole discretion of the JV Company, if any conditions precedent of the Sale and Purchase Agreement has not been fulfilled or waived before the 180th day from the date of the Sale and Purchase Agreement ("**Long-stop Date**"), then (i) the JV Company may terminate the Sale and Purchase Agreement; or (ii) the JV Company and Wuling Industrial may defer the Long-stop Date to such a later date as mutually agreed so that the conditions precedent can be fulfilled to the satisfaction of the JV Company.

### Termination:

The Sale and Purchase Agreement may be terminated:

- (i) by mutual agreement of the parties to the Sale and Purchase Agreement;
- (ii) by the Purchaser if the Closing has not been consummated on or before the Long-stop Date, unless one of the parties to the Sale and Purchase Agreement has reasonable evidence to prove that Closing could not be consummated was due to the intentional breach of any of the terms of the Sale and Purchase Agreement by the other party(ies) to the Sale and Purchase Agreement. In such event, such breaching party(ies) shall not be entitled to terminate the Sale and Purchase Agreement;

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- (iii) by either the Purchaser or the Vendor prior to the Closing Date or the Long Stop Date, whichever is earlier if consummation of the transactions contemplated under the Sale and Purchase Agreement would result in violation of any non-appealable final order, decree or judgment of any governmental authority having competent jurisdiction; and
- (iv) if an event of force majeure is lasting for a period in excess of 90 days and the parties to the Sale and Purchase Agreement have been unable to find an equitable solution.

Termination as set forth above may be effected by the terminating party giving the other parties a 7 days' prior written notice specifying the reason for such termination and shall become effective upon the expiration of such seven-day period, unless such notice of termination is withdrawn with the consent of the terminating party.

Upon termination of the Sale and Purchase Agreement, any amount paid by the Purchaser to the Vendors shall immediately be returned to the Purchaser and any Assets delivered by the Vendor to the Purchaser shall immediately be returned to the Vendor. Prior to issuing a notice to terminate the Sale and Purchase Agreement by any party to the Sale and Purchase Agreement, the parties agree to carry out negotiation for the purpose of considering the effect of such termination on the JV Agreement and to take any further action that considered necessary to ensure that the viability of the Purchaser will not be adversely affected.

#### **IV. INFORMATION ON THE GROUP, FAURECIA, FAURECIA (CHINA) AND THE JV COMPANY**

##### **The Group**

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

##### **Faurecia and Faurecia (China)**

Faurecia is a leading manufacturer in the global automobile industry headquartered in Nanterre, France, specializing in three main areas of automotive business including: (i) automotive seating; (ii) interior systems; and (iii) emissions control technologies. Founded in 1997, Faurecia Group has been actively expanding and progressing its businesses in the

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automobile industry and currently operates over 300 factories across 34 countries. Faurecia Group is currently recognized as the world's number one supplier of seat frames and mechanisms, emissions control technologies and vehicle interiors and the world's third largest supplier of complete seat systems.

Faurecia (China) was the operating arm of Faurecia Group in the PRC, which was established in Shanghai, the PRC in December 2008. Faurecia (China) is principally engaged in development, manufacture and sales of automotive seating, interior systems and emissions control systems.

### **The JV Company**

The JV Company is a joint venture company to be established pursuant to the JV Agreement. On 24 October 2018, Wuling Industrial, a non-wholly-owned subsidiary of the Company, entered into the JV Agreement with Faurecia (China) in relation to the establishment of the JV Company. Pursuant to the JV Agreement, the JV Company shall be owned as to 50% by each of Wuling Industrial and Faurecia (China), respectively. The total registered capital of the JV Company will be RMB120 million (equivalent to approximately HK\$136.08 million), which shall be contributed as to RMB60 million (equivalent to approximately HK\$68.04 million) by each of Wuling Industrial and Faurecia (China) respectively.

Save for the JV Company, three other joint venture companies, namely the Interior JV Company and the Car Seat Sale JV Company and the Car Seat JV Company, all owned as to 50% by each of the Company and Faurecia (China) have been established on 5 February 2018, 15 December 2017 and 26 September 2017 respectively. The Interior JV Company is principally engaged in (i) development, manufacture and sales of automotive interior system and related parts and accessories; (ii) agency and operation of import and/or export for the related automotive technology and goods; and (iii) provision of after sale and technical consultancy services for the automotive interior system and related parts and accessories. Meanwhile, the Car Seat JV Company is principally engaged in (i) development, manufacture and sales of automotive seating system and car seat-related parts and accessories; (ii) agency and operation of import and/or export for the related automotive technology and goods; and (iii) provision of after sale and technical consultancy services for the automotive seating system and car seat-related parts and accessories. As the majority members of the respective boards of directors of the Interior JV Company and Car Seat JV Company are nominated by Faurecia (China), both the Interior JV Company and Car Seat JV Company are classified as non-wholly-owned subsidiaries of, and their financial statements would be consolidated by, Faurecia (China). The Car Seat Sale JV Company is intended to be principally engaged in the trading of automotive parts which include car seats, automotive interior parts, automotive emissions control system products and their respective related parts and components. As the Car Seat Sale JV Company's financial statements would be consolidated by the Company, it is classified as a non-wholly-owned subsidiary of the Company. However, given the Car Seat Sale JV Company recorded no business revenue for the financial year ended 31 December 2017 and for the period from 1 January 2018 until the Latest Practicable Date after its establishment on 15 December 2017 and the total asset value of the Car Seat Sale JV Company as at 31 October 2018, based on its unaudited management account were below



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RMB66,100,000 (equivalent to approximately HK\$74.96 million), it is regarded as an insignificant subsidiary of the Group (where Faurecia (China) is a substantial shareholder of such insignificant subsidiary) as at the Latest Practicable Date. Pursuant to Rule 14A.09 of the Listing Rules, the respective transactions contemplated under the JV Agreement (entered into between Wuling Industrial and Faurecia (China)) and the Sales and Purchase Agreement (to be entered into between Wuling Industrial and the JV Company, being a subsidiary of Faurecia (China) upon its establishment), will be exempted from the relevant announcement, reporting and independent shareholder's approval requirements under Chapter 14A of the Listing Rules. Nevertheless, those transactions are subject to the requirements under Chapter 14 of the Listing Rules and details of which are further set out in the following section headed "VIII. Listing Rules Implications".

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for their interests in the Car Seat JV Company, the Car Seat Sale JV Company and the Interior JV Company (all of which are joint ventures of Wuling Industrial and Faurecia (China)) as detailed above, each of Faurecia (China) and its ultimate beneficial owner(s) is a third party independent of the Company or any of its subsidiaries or any of their respective directors, chief executive or substantial shareholder or any of their respective associates (which has the meaning ascribed thereto under the Listing Rules).

### **V. REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE JV COMPANY AND THE DISPOSAL OF THE ASSETS**

As disclosed in the interim report of the Company for the six months ended 30 June 2018, Wuling Industrial, the principal operating subsidiary of the Group in the business division of engines and related parts, and automotive components and other industrial services, has been actively undertaking certain expansion and upgrading projects in its production facilities so as to meet the customer demands in view of the anticipated growth of business of SGMW (which is a major customer of Wuling Industrial Group's businesses in engines and automotive components) from the existing vehicle models and the launches of new vehicle models. Over the recent years, SGMW has been shifting its focus from the commercial-type mini-vehicle market to the passenger vehicle market in the PRC. As such, Wuling Industrial Group, being the direct and indirect manufacturers of various automotive components for SGMW, is required to undertake certain technology improvement in order to satisfy such changes of SGMW and provide SGMW with high-end products. To expedite the processes, the Group has been actively exploring potential collaboration with various manufacturing powerhouses at home and abroad for its automotive component business with a view to improving its manufacturing capacity with advanced technologies imported from the international market.

Wuling Industrial currently supplies automotive emissions control system products to SGMW for the production of its low to mid-range vehicle models which business volume is expected to be contracted in future due to the shifting of the business focus of SGMW from the commercial-type mini-vehicle market to the passenger vehicle market in the PRC. In response to the increasing business volume of SGMW for its high-end vehicle models, Wuling

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Industrial considers it is necessary to upgrade its technical standard in order to meet the rising technical and quality requirements of SGMW's new and existing high-end vehicle models as well as other potential new customers in the high-end automotive market.

It is considered that the establishment of the JV Company will be able to (i) take advantage of the advanced technology and operating management from Faurecia Group when manufacturing automotive emissions control system products for SGMW and other automakers in the PRC; (ii) utilize Wuling Industrial's experience in the manufacturing and sales of automotive components in the PRC, for example in terms of cost-control, to meet the demands of the local automakers; and (iii) share the extensive resources and networks of Wuling Industrial in the automobile market in the PRC.

The terms of the JV Agreement, including the total amount of the registered capital of the JV Company of RMB120 million (equivalent to approximately HK\$136.08 million) and the contribution thereof by each JV Party (as to RMB60 million (equivalent to approximately HK\$68.04 million and representing 50% of the registered capital of the JV Company), were determined after arm's length negotiation between the JV Parties with references to, among other things, the initial capital requirement of the JV Company and the intention of each JV Party in respect of its capital contribution to the JV Company. In view of the above, the Directors consider that the terms of the JV Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In light of the establishment of the JV Company in the coming future, Wuling Industrial Group and Faurecia (China) are of the opinion that it would be in the interest of all parties to speed up the forthcoming operation of the JV Company by utilising the machinery, equipment and other assets which are currently owned by Wuling Industrial Group for the automotive emissions control system products manufacturing and operation. On that basis and after arm's length negotiation between Wuling Industrial Group and Faurecia Group for the disposal of the Assets to the JV Company by making reference to the final valuation of the Assets as assessed by the Valuer, the parties agreed that Wuling Industrial Group (as vendor) and the JV Company (as purchaser) should enter into the Sale and Purchase Agreement upon establishment of the JV Company. It is also expected by the parties that by taking over the Assets relating to the business and production of automotive emissions control system products from Wuling Industrial Group, the JV Company will be able leverage on the experience of Wuling Industrial Group and its industry knowhow as well as the relevant resources and networks of Wuling Industrial Group in the manufacturing of automotive emissions control system products.

Having considered (a) the factors and benefits in respect of the establishment of the JV Company as set out above; (b) the opinion of the parties that the transfer of the Assets relating to the production of automotive emissions control system products would facilitate a smooth commencement of the business and operation of the JV Company, which in turn would be in the interest of the JV Company and the owners of the Equity Interest (each of Wuling Industrial and Faurecia (China) owns 50% of the Equity Interest); (c) the terms of the Sale and Purchase Agreement have been determined after arm's length negotiation between the JV Parties; and (d) the Consideration has been determined after taking into account the final valuation of the Assets as confirmed by the Valuer, the Directors consider that the respective

## LETTER FROM THE BOARD

terms of the Sale and Purchase Agreement, including the basis of determination of the Consideration and the payment terms thereof, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### VI. POSSIBLE FINANCIAL IMPACT ON THE GROUP

#### Establishment of the JV Company

The registered capital of the JV Company shall be RMB120 million (equivalent to approximately HK\$136.08 million), which shall be contributed as to RMB60 million (equivalent to approximately HK\$68.04 million and representing 50% of the registered capital of the JV Company) by each of Wuling Industrial and Faurecia (China) respectively. The Group will finance its contribution to the JV Company by internal resources. Upon the establishment of the JV Company, the JV Company will be treated as a jointly controlled entity of the Company. As such, the JV Company will be equity accounted for in the financial statements of the Group and its financial results and financial position will not be consolidated into financial statements of the Group. Accordingly, upon establishment of the JV Company, (i) there will be no impact on the consolidated revenue of the Group; (ii) any profit/loss of the JV Company will be shared by the Group as a jointly controlled entity; and (iii) there will be no impact on the Group's total assets and liabilities save that the working capital will be decreased by the payment of the Group's capital contribution to the JV Company of RMB60 million (equivalent to approximately HK\$68.04 million and representing 50% of the registered capital of the JV Company) on one hand, and the Group will record an interest in a jointly controlled entity at the equivalent amount on the other hand. Wuling Industrial and Faurecia (China) will be entitled to share the profit or loss of the JV Company in proportion to their respective equity interests in the JV Company.

#### Disposal of Assets Related to Emissions Control System

The following is a summary of the financial information relating to the Assets based on the management information prepared for analyses purposes:

	<b>For the year ended 31 December 2016 (unaudited) RMB'000</b>	<b>For the year ended 31 December 2017 (unaudited) RMB'000</b>
Revenue	358,809	442,761
Profit before tax	38,973	38,312
Profit after tax	29,230	28,734

Based on (i) the unaudited total net book values of the final list of Assets of RMB53,713,164 (equivalent to approximately HK\$60,911,000) as at 31 October 2018 as recorded in the management accounts of Wuling Industrial for the ten-month period ended 31 October 2018 and (ii) the Consideration of RMB53,713,177 (equivalent to approximately HK\$60,911,000); and (iii) the costs and expenses of approximately RMB200,000 (equivalent to approximately HK\$226,800) in total incurred by the Group in relation to the Sale and Purchase Agreement, it is expected by the Group that a loss of approximately RMB200,000

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(equivalent to approximately HK\$226,800) will be recognized by the Group. After completion of the disposal of the Assets, the total non-current assets of the Group will be decreased by RMB53,713,164 (equivalent to approximately HK\$60,911,000), and the total current assets of the Group will be increased by RMB53,713,177 (equivalent to approximately HK\$60,911,000), whereas, there will not be any change in the total liabilities of the Group. Besides, the revenue, gross and net earnings from the manufacturing business activities of the Assets (i.e., for the production of the automotive emissions control system products) would be transferred to the JV Company, in which the Group, through Wuling Industrial, will be entitled to share the profit and loss of the JV Company on equity accounting basis.

As disclosed in the announcement of the Company dated 7 December 2018, due to the changes and exclusions of certain machinery and equipment (as compared to the preliminary list of Assets) as agreed by the JV Parties for transferring by the Wuling Industrial Group to the JV Company under the Sale and Purchase Agreement for the purpose of manufacturing and operating the automotive emissions control system products, and the final valuation of the Assets as assessed by the Valuer as at 31 October 2018, a reduction in the total valuation of the Assets was recorded which gave rise to the abovementioned expected loss of approximately RMB200,000 from the disposal, as compared to an expected gain of approximately RMB4,791,000 as disclosed in the Company's announcement dated 24 October 2018.

Given the disposal of the Assets would speed up the forthcoming operation of the JV Company and the Consideration was determined after arm's length negotiation between the JV parties by making reference to the final valuation of the Assets as assessed by the Valuer as mentioned in the section headed "Reasons for and benefits of the establishment of the JV Company and the disposal of the Assets" above, the Directors consider the expected loss of approximately RMB200,000, mainly caused by the professional expenses to be incurred by the Group in relation to the Sale and Purchase Agreement, to be recognized by the Group is reasonable.

### VII. USE OF PROCEEDS

The Group currently intends to use the net proceeds from the disposal of the Assets for general working capital to satisfy the daily operating expenses of the Group's principal business activities in the manufacturing and trading of engines and parts, automotive components and accessories, specialized vehicles, as well as the trading of raw materials, water and power supply services.

## **VIII. LISTING RULES IMPLICATIONS**

### **Establishment of the JV Company**

References are made to the Previous Announcements. The Car Seat Sale JV Company and the Interior JV Company, all owned as to 50% by each of Wuling Industrial and Faurecia (China), have been established on 15 December 2017 and 5 February 2018 respectively. Pursuant to their respective joint venture agreements, the registered capitals of the Car Seat Sale JV Company and the Interior JV Company are RMB1 million (equivalent to approximately HK\$1.134 million) and RMB300 million (equivalent to approximately HK\$340.2 million) respectively and each of Wuling Industrial and Faurecia (China) shall contribute RMB0.5 million (equivalent to approximately HK\$0.567 million) and RMB150 million (equivalent to approximately HK\$170.1 million) to the registered capitals of the Car Seat Sale JV Company and the Interior JV Company, respectively.

Pursuant to Rule 14.22 and Rule 14.23 of the Listing Rules for the purpose of classification of the transactions, as the JV Agreement and the two joint venture agreements in relation to the respective establishment of the Car Seat Sale JV Company and the Interior JV Company (which were established on 15 December 2017 and 5 February 2018 respectively) were entered into between Wuling Industrial and Faurecia (China) or completed within a 12-month period, all transactions respectively contemplated under the three agreements hereabove mentioned are considered and aggregated as one transaction.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the aggregate contribution payable/paid by Wuling Industrial towards the Car Seat Sale JV Company, the Interior JV Company and the JV Company is more than 25% but less than 100%, the entering into of the JV Agreement by Wuling Industrial constitutes a major transaction of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

### **Disposal of Assets Related to Emissions Control System**

References are made to the Previous Announcements. The Sale and Purchase Agreement and the Previous Sale and Purchase Agreements, all involving the disposal by Wuling Industrial Group of assets to subsidiaries of Faurecia (China) (being the JV Company upon its establishment, as well as the Car Seat JV Company and the Interior JV Company), have been/ will be entered into or completed within a 12-month period. Pursuant to Rule 14.22 and Rule 14.23 of the Listing Rules for the purpose of classification of the transactions, all transactions respectively contemplated under the Sale and Purchase Agreement and the Previous Sale and Purchase Agreements are considered and be aggregated as one transaction. Having taken into account the highest of the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) of the aggregate consideration (not including VAT) of the transactions contemplated under the Sale and Purchase Agreement and the Previous Sale and Purchase Agreements is more than 25% but less than 75%, the disposal of the Assets by the Group under the Sale and Purchase Agreement constitutes a major transaction of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

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### IX. WRITTEN SHAREHOLDER'S APPROVAL

As at the Latest Practicable Date and to the best of the Directors' knowledge, information and belief after making all reasonable enquiries, no Shareholder has any material interest in the transactions contemplated under the JV Agreement and the Sale and Purchase Agreement. Therefore, no Shareholder will be required to abstain from voting at the general meeting on the resolution(s) to approve the transactions contemplated thereunder the JV Agreement and the Sale and Purchase Agreement

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

### X. RECOMMENDATION

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

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

### ADDITIONAL INFORMATION

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

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

## 1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial information of the Group for the three years ended 31 December 2015, 2016 and 2017, respectively, had been set out in the annual reports of the Company for the three years ended 31 December 2015 (from pages 64 to 140), 31 December 2016 (from pages 73 to 144) and 31 December 2017 (from pages 70 to 152). The unaudited consolidated financial information of the Group for the six months ended 30 June 2018 had been set out in the interim report of the Company for the six months ended 30 June 2018 (from page 35 to 86).

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

- annual report of the Company for the year ended 31 December 2015:  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0426/LTN20160426850.pdf>
- annual report of the Company for the year ended 31 December 2016:  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0424/LTN20170424805.pdf>
- annual report of the Company for the year ended 31 December 2017:  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0426/LTN201804261249.pdf>
- interim report of the Company for the six months ended 30 June 2018:  
<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0919/LTN20180919394.pdf>

## 2. WORKING CAPITAL STATEMENT

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

### 3. STATEMENT OF INDEBTEDNESS

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

	<i>Notes</i>	<b>As at 31 October 2018</b> <i>RMB'000</i>
Secured bank borrowings	(i)	764
Unsecured bank borrowings		848,567
Secured advances drawn on bills receivables discounted with recourse	(ii)	828,894
Unsecured convertible loan notes	(iii)	<u>175,705</u>
		<u><u>1,853,930</u></u>

*Notes:*

- (i) The amounts are secured by an investment property of the Group.
- (ii) The amount represents the Group's other borrowings secured by the bills receivables discounted to banks with recourse.
- (iii) The outstanding unsecured convertible loan notes with an aggregate principal sum of HK\$250,000,000 include a host debt liability component classified as financial liabilities at amortised cost and a derivative component classified as financial liabilities at fair value through profit or loss. The unsecured convertible loan notes of RMB175,705,000 shown above represent the carrying value of host debt liability component of the unsecured convertible loan notes as at 31 October 2018.

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

### 4. MATERIAL ADVERSE CHANGE

References are made to the profit warning announcement of the Company dated 17 December 2018 (the “**Profit Warning Announcement**”) and the interim report of the Company for the six months ended 30 June 2018, which stated that the economic environment in China experienced a series of tough challenges from both inside and outside of China during 2018, which had adversely affected the automobile industry in China and in turn, the business performance of the Group during the same period. For the six months ended 30 June 2018, due to the substantial reduction in the volume of businesses of the engines and related parts division and a decrease in the revenue of the automotive components and other industrial services division, the total revenue of the Group recorded an overall decrease of



approximately 26.9% as compared to the corresponding period in last year. As a result of such decline in Group's revenue, coupled with the prevailing high raw materials prices (especially steel price) and the continuous operating losses incurred in the newly setup plant in Indonesia, gross profits and net profits of the Group and profit attributable to the owners of the Company had all experienced certain extent of decreases during the six months ended 30 June 2018, which amounted to 32.3%, 48.3% and 39.1% respectively. It was further announced in the Profit Warning Announcement that the difficult market and operation conditions experienced by the Group continued to adversely affect the Group in the second half of 2018 and based on the Board's preliminary assessment after reviewing the unaudited consolidated management accounts of the Group for the ten months ended 31 October 2018 and the Board's assessment for the remaining two months of the year ending 31 December 2018, the Group's revenue, gross profits and net profits of the Group and profit attributable to the owners of the Company for the year ending 31 December 2018 are all expected to be substantially decreased as compared to the corresponding results achieved during the year ended 31 December 2017.

Save as disclosed above and as at the Latest Practicable Date, 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 consolidated financial statements of the Group had been made up) up to the Latest Practicable Date.

## 5. FINANCIAL AND TRADING PROSPECTS

As set out in the 2018 Interim Report, the first half of 2018 was tough and full of challenges for the Group. Nevertheless, the pliable and valuable experiences amassed by the Group from both favourable and adverse conditions in the automobile industry continued to guide it forward and bestow upon its people the conscientious and hardheaded attitude in pursuing the long term business goals of the Group under a tough and challenging environment. Adhering to the Group's operating policies of "Pursuing Growth Amid Stability, Optimizing Business Structure, Promoting Sustainable Development", the Group managed to enhance quality and efficiency, continued to adjust its enterprise structure and promoted business transformation, unremittingly identifying new business goals for strategic development without compromising the long-standing scale of operation and healthy growth. For the six months ended 30 June 2018, despite a steady growth in the specialized vehicles division, as a result of the substantial reduction in the volume of businesses of the engines and related parts division and a decrease in the revenue of the automotive components and other industrial services division, total revenue of the Group was RMB6,310,419,000, representing an overall decrease of 26.9% as compared to the corresponding period in 2017.

Gross profit for the six months ended 30 June 2018 was RMB582,983,000, representing a decrease of 32.3%. Apart from the overall decline in the Group's revenue, the prevailing high raw materials prices (especially steel price) during the period kept the cost of production at a high level which resulted in a decrease in the gross profit margin to 9.2% as compared to the 10.0% as recorded in corresponding period in last year. In addition, the operating losses incurred in the newly setup plant in Indonesia had also adversely affected the profitability of the Group.

The adverse impact from the decline in gross profit margin was slightly alleviated by a decrease in the selling and distribution expenses, the general and administrative expenses and the research and development expenses of the Group due to certain tightening cost control and strategic measures. Taking into account of an income tax credit amounting to RMB29,088,000 resulting from the reversal of overprovision in prior years, net profit of the Group for the six months ended 30 June 2018 was RMB71,611,000, representing a decrease of 48.3% as compared to corresponding period in 2017.

Profit attributable to the owners of the Company for the six months ended 30 June 2018 was RMB46,344,000, representing a decrease of approximately 39.1%, while the profit attributable to the owners of the Company netting off of the related effective interest expenses incurred, the related foreign exchange loss and the effect of changes in fair value from the convertible loan notes for the purpose of computation of the earnings per share on a fully diluted basis, was RMB32,211,000, representing a decrease of approximately 59.9% as compared to corresponding period in 2017.

The operating results of the Group's three main business segments namely (1) engines and related parts; (2) automotive components and other industrial services; and (3) specialized vehicles for the six months ended 30 June 2018 are summarized below:

### **Engines and Related Parts**

Total revenue (based on external sales) of the engines and related parts division for the six months ended 30 June 2018 was RMB700,475,000, representing a substantial decrease of 59.0% as compared to the corresponding period in 2017. Operating profit for the respective period was RMB24,195,000, representing a decrease of 68.5% as compared to the corresponding period in 2017.

Total number of engines sold by the subsidiary, Liuzhou Wuling Liuji Motors Company Limited (“**Wuling Liuji**”), for the first half of 2018 was approximately 71,000 units, representing a substantial decrease of approximately 60.6% as compared to corresponding period in 2017.

During the six months ended June 2018, sales to SGMW, our core customer, amounted to approximately RMB460,000,000, representing a significant drop of 66.9% as compared to corresponding period in 2017, which was resulted from a substantial reduction in the sale volume of the NP18 model supplied to SGMW for their Capacity 1.8L vehicle models. During the six months ended June 2018, due to the shift of the marketing focus of SGMW in intensively promoting the vehicle models installed with their in-house produced 1.5T engine (Capacity 1.5L), sale volume of the NP18 model experienced a drastic decrease since the second half of 2017. Despite a gradual alleviation of the situation since the second quarter of 2018, a significant decrease in the total sale volume for the first half of 2018 was recorded as compared to the corresponding period in 2017, which resulted in a substantial decrease in the revenue of the engines and related parts division during the period.

Operating margin decreased to 3.5% as compared to the corresponding period in 2017. A decrease in warranty expenses incurred and the continuous improvement of the operations of the foundry facilities and a higher gross profit margin helped to offset the negative impact from the drastic reduction in sale volume and total revenue of this division.

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

Total revenue (based on external sales) of the automotive components and other industrial services division for the six months ended 30 June 2018 was RMB4,199,135,000, representing a decrease of 24.7% as compared to the corresponding period in 2017. Operating profits for the respective period was RMB23,296,000, representing a decrease of 83.4% as compared to the corresponding period in 2017.

The automotive components and other industrial services division, undertaken by Wuling Industrial, continued to be the key supplier for supplying a majority portion of the key automotive components to SGMW. During the six months ended 2018, total sales to SGMW, comprised the range of products including the brake and the chassis assembly components, seat sets, various plastic and welding parts and other automotive accessories, continued to be driven by the strong market demands of the key products of SGMW such as Wuling Hongguang (五菱宏光) and the Baojun series (宝骏) benefited the business performance of this division during the period. Meanwhile, the shift of the car seat products businesses and the automotive interior parts and accessories to the joint venture companies formed between Wuling Industrial and the renowned Faurecia Group, namely the Car Seat JV Company and the Interior JV Company, resulted in a decrease in the respective revenue in this division.

Operating margin further declined to 0.6% as compared to the corresponding period in 2017. Apart from the decrease in revenue, prevailing high raw materials prices (especially steel price) which kept the cost of production at a high level resulted in a decrease in the gross profit margin to a greater extent during the period under review. In addition, the operating losses incurred in the newly setup plant in Indonesia also adversely affected the profitability of the Group. The adverse impact from the decline in gross profit margin was slightly alleviated by a decrease in the general and administrative expenses and the research and development expenses of the Group due to certain tightening cost control and strategic measures.

### **Specialized Vehicles**

Total revenue (based on external sales) of the specialized vehicles division undertaken by Wuling Industrial for the six months ended 30 June 2018 was RMB1,410,809,000, representing an increase of 4.8% as compared to the corresponding period in last year. Operating profit for the respective period was RMB27,736,000, representing an increase of 71.6%.

During this period, Wuling Industrial sold approximately 35,000 specialized vehicles, representing an increase of 20.7% as compared to the corresponding period in last year. in which the sale volume of redecorated vans, non-road vehicles, minibuses (including school buses) were 32,500, 1,600 and 800 respectively, amongst which 450 vehicles were new energy vehicles (primarily electric vehicles). Despite the highly competitive business environment,

proactive marketing strategies and continuous launches of new models benefited the business performance of the division from which the sale volume of redecorated vans increased impressively and continued to rank as the leading supplier in this market segment. Meanwhile, the Group achieved remarkable breakthroughs in the sale of the military vehicle and the electric vehicles in successfully obtaining sizable orders in this segment. The Group's electric sight-seeing buses being selected as the designated transport vehicle in some national and international events also helped to upgrade its product image and provided positive feedback from the market.

Operating margin increased to 2.0% for the period. High portion of low margin products, in particular the redecorated logistic vehicles, market competition and increasing production costs continued to be the primary concerns for the division to tackle. Meanwhile, increasing costs of transportation and warranty expenses also limited the profitability performance of this division.

### **Performance of Joint Ventures**

Liuzhou Lingte Motor Technology Company Limited (“**Liuzhou Lingte**”), which was established for the purpose of developing the businesses of the Group's owned proprietary V6 cylinder engine products, continued to making progress as planned during the six months ended 30 June 2018. Due to its initial operation, Liuzhou Lingte operated at a net loss for the six months ended 30 June 2018, in which RMB964,000 was attributable to the Group. As at 30 June 2018, the carrying value of the Group's interests in Liuzhou Lingte amounted to RMB79,990,000.

Guangxi Weixiang Machinery Company Limited (“**Guangxi Weixiang**”), which engages in the businesses of engineering machinery and other industrial vehicles products, had been facing tough business environment in its initial stage of operation. The business environment was hence improved in the second half of 2017 in which the net operating profits were achieved during the period. Due to the continuous recovery of businesses, the business performance of Guangxi Weixiang continued to improve during the six months ended 30 June 2018, from which a net operating profits of RMB6,815,000 was achieved for the period, in which RMB3,408,000 was attributable to the Group. In view of the continuous improvement in profitability, a reversal of impairment amounting to RMB8,000,000 was recorded for the six months ended 30 June 2018 and, as at 30 June 2018, the carrying value of the Group's interests in Guangxi Weixiang amounted to RMB16,597,000.

Car Seat JV Company which is owned as to 50% each by Wuling Industrial and Faurecia Group and established on 26 September 2017 for pursuing the business of car seat products in the PRC has commenced operation in January 2018. Wuling Industrial considers the recent development of SGMW in expanding the production of passenger vehicles would provide business opportunities in the car seat products, and therefore looks for suitable business partner for enhancing and upgrading its production knowhow in this area. The co-operation with Faurecia Group, being a global leading manufacturer in the business of automotive parts and components will provide essential technical support to the Wuling Industrial in further promoting its business opportunities in the car seat businesses for the existing customers as well as other new customers. The initial operation of Car Seat JV Company is primarily

facilitated by the transfer of machinery and equipment of Wuling Industrial which were used for the production of car seat products located in Liuzhou and Qingdao, the re-designation of certain employees of Wuling Industrial and the leasing of certain production premises and facilities of Wuling Industrial located in Liuzhou and Qingdao. During the six months ended 30 June 2018, Car Seat JV Company achieved a net operating profits of RMB4,899,000, in which RMB2,449,000 was attributable to the Group. As at 30 June 2018, the carrying value of the Group's interests in Car Seat JV Company amounted to RMB73,986,000.

Interior JV Company which is owned as to 50% each by Wuling Industrial and Faurecia Group and established on 5 February 2018 for pursuing the business of automotive interior system, its related parts and accessories, including cockpit, instrument panel, auxiliary instrument panel, door trim panel, acoustics and soft trim in the PRC has commenced operation in April 2018. Wuling Industrial considers the co-operation with Faurecia Group will provide essential technical support to the Wuling Industrial in further promoting its business opportunities in these types of products from SGMW as well as other new customers. The initial operation of Interior JV Company is primarily facilitated by the transfer of machinery and equipment of Wuling Industrial which were used for the production of automotive interior products located in Liuzhou and Qingdao, the re-designation of certain employees of Wuling Industrial and the leasing of certain production premises and facilities of Wuling Industrial located in Liuzhou and Qingdao. During the six months ended 30 June 2018, Interior JV Company achieved a net operating losses of RMB2,432,000, in which RMB1,216,000 was attributable to the Group. As at 30 June 2018, the carrying value of the Group's interests in Interior JV Company amounted to RMB148,784,000.

As set out in the 2018 Interim Report, the Group's unaudited net assets amounted to RMB2,471,196,000 as at 30 June 2018, which was slightly decreased as compared to the audited net assets of RMB2,487,860,000 as recorded at 31 December 2017. Unaudited net assets attributable to the owners of the Company amounted to RMB1,448,456,000 as at 30 June 2018, representing a slight increase of approximately 0.4% as compared to the comparative audited figure of RMB1,442,682,000 as recorded at 31 December 2017. Meanwhile, as at 30 June 2018, the Group's unaudited net current liabilities amounted to RMB1,610,299,000 which was increased by approximately 18.7% as compared to the audited net current liabilities of RMB1,356,534,000 as recorded at 31 December 2017.

Decrease in the Group's net assets and increase in the net assets attributable to the owners of the Company were primarily attributable to the profits generated during the six months ended 30 June 2018 less the dividends paid by the Company and its subsidiaries, whereas increases in net current liabilities were mainly attributable to the capital expenditures of approximately RMB372.8 million incurred in this six months period in relation to the acquisition cost of plant and machinery, construction in progress, prepaid lease payments, RMB70 million of the cost of investment in an associate due to the various expansion, upgrading and co-operation programmes and exercises undertaken by the Group.

As explained in the 2018 Interim Report, the economic environment in China confronted with series of tough challenges arising from both internal and external during 2018, in which total number of motor vehicles sold in China had experienced a slowdown since the third quarter of 2018. After a relatively prolonged period of swift and extensive growth in different

segments in the economy, when the economy entered the stage of stable development, it was inevitable that enterprises would face intensifying competition and new challenges in their respective industries. New products were continuously developed and launched in response to the dynamic market environment in co-operation with customers and business partners and the Group is confident some of which would become the next growth drivers of revenue of the Group in the years ahead. In addition, enhancement and upgrading projects were continued in the Group's established facilities in Liuzhou and Qingdao and the newly setup facilities in Liudong and Chongqing to provide the required fundamental platforms for furthering our business potential and development strategies. Completion of these enhanced facilities empowered by the essential elements of automation and intelligent manufacturing systems would necessarily ensure the Group's competitive strength in the market for future business development and other transformation projects.

In line with the specific business environment and the strategy of the Group's key customer, the Group continued to undertake certain strategic changes in its business operations recently. In particular for the Group's engines and parts and automotive components and other industrial services divisions, its business focus had been gradually shifted from a high reliance on the mini-vehicles segment to a balanced mix of contribution from the mini-vehicles and the passenger vehicles segments. This strategic change had continued to work as the driving forces of the engines and parts and the automotive components and other industrial services divisions which would be beneficial to the profitability of the Group in future.

In view of the overall slowdown in the growth of the passenger vehicle segment following consecutive years of impressive expansion, to maintain the growth of business volume, the Group had proactively adjusted our marketing strategy in expanding its car assembly business, i.e. the specialized vehicles division. In response to the solid market demand of the Group's products which themselves having long and established standing in their respective niche market, the Group actively promoted different types of existing and new models through various campaigns, such as North-South linkage tour and the Spring Breeze Action since the second half of 2017. The total sales volume of specialized vehicles in the first half of 2018 amounted to approximately 35,000 units, representing a year-on-year increase of approximately 20%, while sales of redecorated vehicles reached 32,500 units, representing a year-on-year increase of 31%. Mini-redecorated vehicles accounted for approximately 60% of the total market share, continued to rank 1st in the industry. Despite a decline in sales due to the market recession, non-road vehicles, such as sightseeing vehicles, mini-passenger buses, including buses and school buses, were able to maintain a stable market share for the first half of 2018.

The Group actively explored potential collaboration with various manufacturing powerhouses at home and abroad for its automotive component business with a view to improving its manufacturing capacity with advanced technologies imported from the international market. In July 2017, Wuling Industrial entered into a joint venture agreement with France-based Faurecia, a global 500 enterprise, pursuant to which, the Car Seat JV Company was co-founded in September 2017. This collaboration extensively integrated market resources and technical capabilities of both parties to facilitate the transformation and upgrade of the Group's automotive seating products. In November 2017, Wuling Industrial and France-based Faurecia strengthened their collaboration by entering into a joint venture agreement

with respect to automotive interior systems, as a result of which, their partnership further expanded to automotive interior products. With the full support from the co-operating partners, both joint venture companies have swiftly commenced operations and delivered set of solid results for the first half of 2018.

Meanwhile, to enable faster improvement in the processing technique of vehicle axles to meet the requirements of medium-end and high-end passenger vehicles, in April 2018, Wuling Industrial further entered into a joint venture agreement with an indirect wholly-owned subsidiary of American Axle & Manufacturing, Inc. (美國車橋製造國際有限公司) (“AAM”) with respect to the joint establishment of Liuzhou AAM Automotive Transmission System Co., Ltd.\* (柳州美橋汽車傳動系統有限公司) (“AAM JV Company”), which shall be owned as to 50% by Wuling Industrial and 50% by AAM International pursuant to the joint venture agreement, for the purpose of engaging in the development, manufacture and sales of driveline products business. Wuling Industrial considers the co-operation with AAM will enable faster improvement in the processing technique of vehicle axles to meet the requirements of medium-end and high-end passenger vehicles, from which the joint venture company could serve as a platform to cooperate on and operate vertical rear axles, transmission axles and other business, furthering the technology development of vehicle axle products. The AAM JV Company has been formally established in July 2018 and is now proceeding its initial stage of operation following the completion of the production facilities in November 2018.

The Group is confident that cooperation with leading international enterprises will enable faster improvement in processing techniques of the Group’s various components. By virtue of the Group’s practical and local experience in operations and product upgrade plans of its existing customers, the Group will achieve complementary results with respect to exploring medium-end and high-end products of new customers. The management of the Group anticipates that the above joint venture will, in terms of automotive components, operate as an enterprise with leading technologies and competitive edges in southwestern China.

Looking into the years ahead, the automobile industry will continue to witness a trajectory of slow growth. Due to growing market uncertainties, the Group will continue to maintain the general keynote of “Pursuing Growth Amid Stability” by strengthening the adjustment of our industrial structure, promoting product transformation and upgrades and maintaining meticulous management to precisely identify customers’ needs. In addition to expediting technological innovation and building core products, the Group will seize all market opportunities to boldly explore, optimize and expand development potential for the purposes of the development of all businesses as a whole. As described in the 2018 Interim Report, the major work and related measures in the years ahead are as follows:

1. The Group will further carry out the joint venture cooperation with Faurecia and other prominent companies, such as AAM, by facilitating the implementation of business targets of the joint venture projects, with a view to materializing the objective that the processing technique for automotive components meets the requirements of medium-end and high-end passenger vehicles. Furthermore, the Group will also seek cooperation with reputable manufacturers of automotive components at home and abroad to expedite our expansion into the industry of medium-end and high-end automotive components for passenger vehicles.

2. To satisfy the demands required for continuing custom product upgrades, as well as controlling and enhancing human resources, the Group will revamp its existing and new production capacity projects through the implementation of digitized workshops and smart manufacturing factories based on the approved development plan for smart manufacturing. To this end, the Group will focus on promoting digitization research and development and manufacturing, improving the automation and smart application of the Group, and advancing into the field of lightweight reduction, electrification and smart application. By doing so, the Group will enhance its market competitiveness and promote its business sustainability.
3. By keeping up with the pace of restructuring and strategic transformation and riding on the development opportunities of the new energy vehicle industry, the Group will continue deploying and implementing countermeasures in emerging energy-related industries. On the basis of developing the two major technological capabilities of electric motors and vehicle control, the Group will achieve new business transformation and upgrades. Meanwhile, the Group formulates target-driven marketing strategies to expedite the market-oriented development of pure electric vehicles based on our extensive analysis over the unique features of each market segment and the actual needs of individual customers. In addition, the Group is exploring the creation of smart and connected vehicles and new engines by connecting the business-university research cooperation model to the cost-effective and high-quality smart manufacturing model. These actions will lay a strong foundation for the Group's strategic development targets in emerging industries next five to ten years.

The Group envisages business environment in China to be highly competitive and challenging in this year and the years ahead. Keen competitive business environment will continue to pressurize the automobile related enterprises in formulating appropriate business and market strategies responding to the dynamic market situation. Meanwhile, cyclical fluctuations in the local economy will continue to cause market sentiments to be more conservative and selective. However, being the world largest automobile market, the Group is full of confidence and considers the existing challenges can be overcome by effective strategies and will be beneficial to the industry in the long run. Despite the challenges and difficulties faced under the current market environment, the Group expects the China economy will continue to expand. Rising income of the general public attributable to the sustained economic growth will necessarily encourage demands for motor vehicles and provide promising business opportunities.

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



*The following is an English translation of the main text of the Valuation Report. The Valuation Report is prepared in Chinese and translated into English. In case of inconsistency, the Chinese version shall prevail.*

**THE ASSET APPRAISAL REPORT ON THE VALUE OF THE MACHINERY AND TOOLING PROPOSED TO BE PURCHASED BY THE JOINT VENTURE ESTABLISHED BY LIUZHOU WULING MOTORS INDUSTRIAL COMPANY LIMITED AND FAURECIA (CHINA) HOLDING CO., LTD. (THE PARENT OF FAURECIA EMISSION CONTROL TECHNOLOGIES DEVELOPMENT (SHANGHAI) CO., LTD.)**

Liuzhou Wuling Motors Industrial Company Limited:

Faurecia Emission Control Technologies Development (Shanghai) Co., Ltd.:

Having been entrusted by both parties, Guangxi Zhengde Real Estate and Asset Appraisal Company Limited appraised the subject machinery and tooling for their marketable value on 31 October 2018. The principle of “independent, objective and just”, the cost approach and necessary appraisal procedure were adopted. Details of the asset appraisal report are as follows:

**I. GENERAL INFORMATION OF THE PRINCIPAL, THE SUBJECT COMPANY OF APPRAISAL AND OTHER USERS OF THE ASSET APPRAISAL REPORT STIPULATED IN THE ASSET APPRAISAL ENTRUSTMENT CONTRACT**

**(1) Principal**

1. Name: Liuzhou Wuling Motors Industrial Company Limited

Unified Social Credit Code: 91450200794328218E

Type: Limited Liability Company (Sino-foreign joint venture)

Address: No. 18, Hexi Rd., Liuzhou

Legal representative: WEI Hongwen

Registered capital: RMB1,203,706,750

Scope of business: Automotive design, manufacture and sales of civil modified vehicles, sales of commercial vehicles and nine-seater passenger vehicles and manufacture and sales of sightseeing vehicles; design, manufacture, sales and services of automotive accessories, metallic machined products and tools; design, manufacture, installment, sales and services of automotive production line and equipment; water, electricity, gas and steam supply services; technical consultancy and services, after-sales services; import and export of goods and techniques, tenancy; recycling and sales of used resources in Wuling and sales of steel; Road transport of normal goods, maintenance of vehicles (Class I); and installment (maintenance and testing) of power facilities.

2. Name: Faurecia Emission Control Technologies Development (Shanghai) Co., Ltd.

Unified Social Credit Code: 913100007687714352

Type: Limited liability company (solely invested by a foreign legal person)

Address: No. 2 and No. 2, Lane 863, Jinhui Rd., Minhang Dist., Shanghai

Legal representative: JIANG Yongwei

Registered capital: EUR5,600,000

Scope of business: Providing the technical support and the R&D services of vehicle emission system; corporate investment consulting, corporate management consulting, information technology consulting; wholesale, import and export, commission agency (auction excluded) and relevant supporting services of the equipment and tools for manufacturing automotive parts and components and emission system. Such equipment and tools do not pertain to the goods that are subject to the state-run trade administration. In terms of equipment and tools pertaining to the goods that are subject to quotas and authorisation, applications should be carried out pursuant to relevant national provisions. For projects that are subject to legal approval, the operation shall not begin until the approval from relevant authorities has been obtained.

## **(2) the Subject Company of Appraisal**

1. Name: Liuzhou Wuling Motors Industrial Company Limited

Unified Social Credit Code: 91450200794328218E

Type: Limited Liability Company (Sino-foreign joint venture)

Address: No.18, Hexi Rd., Liuzhou

Legal representative: WEI Hongwen

Registered capital: RMB1,203,706,750

Scope of business: Automotive design, manufacture and sales of civil modified vehicles, sales of commercial vehicles and nine-seater passenger vehicles and manufacture and sales of sightseeing vehicles; design, manufacture, sales and services of automotive accessories, metallic machined products and tools; design, manufacture, installment, sales and services of automotive production line and equipment; water, electricity, gas and steam supply services; technical consultancy and services, after-sales services; import and export of goods and techniques, tenancy; recycling and sales of used resources in Wuling and sales of steel; road transport of normal goods, maintenance of vehicles (Class I); and installment (maintenance and testing) of power facilities.

2. Name: Chongqing Zhuotong Motors Industrial Company Limited

Unified Social Credit Code: 91500000304895114H

Type: Limited liability company (legal person sole investment)

Address: No. 19, Yinlong Rd., Longxing Town, Yubei Dist., Chongqing

Legal representative: WEI Mingfeng

Registered capital: RMB150,000,000

Scope of business: Manufacture and sales of automotive parts and components (engines excluded) and vehicles. For projects that are subject to legal approval, the operation shall not begin until the approval from relevant authorities has been obtained.

3. Name: Liuzhou Zhuotong Automotive Parts and Components Company Limited

Unified Social Credit Code: 914502000836422864

Type: Limited liability company (solely invested by a foreign legal person)

Address: No. 226, the ancillary office building of Liudong Standard Factory Building Block 2, No. 2, Shuiwan Rd., Liudong New Area, Liuzhou

Legal representative: WEI Mingfeng

Registered capital: RMB10,000,000

Scope of business: Manufacture and sales of automotive parts and components (manufacture is carried out only by branch institutes) and import and export of goods and techniques.

Both Chongqing Zhuotong Motors Industrial Company Limited and Liuzhou Zhuotong Automotive Parts and Components Company Limited are the controlling subsidiaries of Liuzhou Wuling Motors Industrial Company Limited.

- (3) Other Users of the Asset Appraisal Report Stipulated in the Asset Appraisal Entrustment Contract: The competent authorities in charge of Liuzhou Wuling Motors Industrial Company Limited and Faurecia Emission Control Technologies Development (Shanghai) Co., Ltd. and parties in action.

## II. PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to present the value of the machinery and tooling proposed to be purchased by the principals' affiliated company for references.

## III. THE SUBJECT AND THE SCOPE OF APPRAISAL

- (1) The subject of appraisal: (the marketable value of) the machinery declared by Liuzhou Wuling Motors Industrial Company Limited and Faurecia Emission Control Technologies Development (Shanghai) Co., Ltd.
- (2) The scope of appraisal: A total of 360 categories of machinery (360 units/sets) and a total of 286 categories of tooling (2,243 units/sets) owned by Liuzhou Wuling Motors Industrial Company Limited, Chongqing Zhuotong Motors Industrial Company Limited and Liuzhou Zhuotong Automotive Parts and Components Company Limited.
- (3) The gross book value of the subject of the present appraisal is RMB84,393,106.07, and net book value is RMB53,713,164.32 (the gross book value of machinery is RMB73,889,986.63, and the net book value is RMB53,713,164.32; the gross book value of tooling is RMB10,503,119.44; tooling is taken as consumables in the accounting procedure of relevant corporates, and net value is not available).
- (4) Property right:

According to the on-the-spot inquiries made by appraisers about the subject company, most machinery has purchase contracts and invoices. Tooling was made by corporates themselves.

- (5) Information on assets-in-kind:

**Machinery:** The machinery appraised mainly consists of arc-welding robots, robot operating platforms, MA1900 robot system, welding fume controlling system, covering 360 categories. The machinery is used for the manufacture of automotive muffler and emission systems, and it is distributed in every shop of the factory. Such machinery was purchased from 2002 to 2018. According to the spot investigation, the machinery generally operates well, and the maintenance of them is not bad.

**Tooling:** The tooling appraised mainly consists of CN180C exhaust pipe welding assembly, W121000135S150NG catalytic converter welding sets, front muffler welding assembly welding jigs, exhaust pipe assembly air-tight testing jigs, covering 286 categories. The tooling is used for manufacturing automotive muffler and emission systems, and it is distributed in every shop of the factory. Such tooling was purchased and self-manufactured from 2000 to 2018. According to a spot investigation, the tooling generally works well, and the maintenance of which is not bad.

#### IV. VALUE TYPE

The appraisal results herein represent the open market value of the subject asset of appraisal on 31 October 2018 (the appraisal reference date) with appraisal assumptions and the description of special items.

Marketable value refers to the estimated value of appraisal subjects in a normal and fair transaction on the appraisal reference date with parties of the transaction acting voluntarily, rationally and uncompellingly. Details of marketable value are as follows:

- (1) Voluntary purchaser refers to the party who has purchase intention without duress. The purchaser will act according to the status quo and the forecast of the market with composure. No above-market price will be paid;
- (2) Voluntary seller refers to the party who is in no hurry to sell or compelled to sell. Voluntary sellers hold assets without expectation to sell at an above-market price. Voluntary sellers sell at the highest price available in the open market after some necessary marketing activities;
- (3) Appraisal reference date refers to the date on which the appraisal is performed. Marketable value is the value on a specific date, and the value is a reflection of only the status quo and conditions of the market on the appraisal reference date rather than those on a date before or after the appraisal reference date;
- (4) Currency units. Marketable value is denominated in currency units in the open market. The asset prices are denominated in local currencies;
- (5) Fair trade refers to the trade between parties who act independently and have no special relations with each other;
- (6) Assets shall be shown to the market for a certain amount of time. Assets shall be shown to the market in the most appropriate manner. The length of the showing time varies according to asset attributes and market conditions, and the showing time shall be long enough to attract the attention of an enough number of potential purchasers;
- (7) Both parties act wisely and cautiously. Both voluntary purchaser and voluntary seller have a clear understanding of the attributes, actual use, potential use and the market conditions on the appraisal reference date. It is assumed that they act cautiously for their self-interest based on the above-mentioned information, aiming at reaching the most favourable price for each party.

**V. APPRAISAL REFERENCE DATE**

The appraisal reference date of the present appraisal is 31 October 2018.

All appraisal criteria used in the present appraisal are the effective pricing criteria on the appraisal reference date. The above-mentioned date has been adopted as the appraisal reference date for the present appraisal due to the following reasons: (1) the appraisal results can serve the purpose of the appraisal effectively; (2) to minimise or even eliminate the adjustment after appraisal reference date; (3) assets are to be appraised in a precise and efficient way; and (4) appraisal basis, pricing criteria, appraisal approaches and appraisal parameters can be appropriately chosen.

**VI. APPRAISAL BASIS****(1) Legal basis**

1. The Company Law of the People's Republic of China;
2. Asset Appraisal Law of the People's Republic of China issued under the Order of the President of the People's Republic of China (No. 46);

**(2) Standard basis**

1. the Basic Rules for Asset Appraisal (No. 43 2017 of the Ministry of Finance);
2. Professional Code of Ethics for the Appraisal of Assets (No. 30 2017 of China Appraisal Society);
3. Practicing Standards for the Appraisal of Assets — Procedures of Asset Appraisal (No. 31 2017 of the China Appraisal Society);
4. Practicing Standards for the Appraisal of Assets — Reporting of Asset Appraisal (No. 32 2017 of the China Appraisal Society);
5. Practice Guidelines for Asset Valuation — Machinery and Equipment (No. 39 2017 of the China Appraisal Society);
6. Guiding Opinions on Types of Value for the Appraisal of Assets (No. 47 2017 of the China Appraisal Society);
7. Guiding Opinions on the Legal Titles of the Appraisal Objects for the Appraisal of Assets (No. 48 2017 of the China Appraisal Society);
8. the Guidelines for the Appraisal Reports of State-owned Assets of Enterprises (No. 42 2017 of the China Appraisal Society).

**(3) Documents of Economic Behaviour**

None.

**(4) Property Right Basis**

Documents provided by the principal (e.g. lists, contracts and invoices).

**(5) Appraisal Basis**

1. Information obtained by appraisers from their spot investigation and inquiries and investigation information on nearby markets;
2. The Interim Regulations of the People's Republic of China on Value Added Tax (issued under the PRC State Council Order 134 on 13 December 1993; amended and adopted by the 34th executive meeting of the State Council on 5 November 2008, effective from 1 January 2009);
3. The contracts and other documents in relation to the obtainment and the use of the assets within the scope of appraisal;
4. Asset price indexes of China;
5. Information on the depreciation terms of fixed assets enacted by relevant authorities in China;
6. Information obtained from the managerial personnel, technical personnel, and financial personnel;
7. Records from spot investigation, market research and other information gathered by appraisers.

**VII. APPRAISER APPROACHES**

The three most frequently used approaches of asset appraisal are the market approach, the cost approach, and the income approach.

**(1) Selective Analysis Using the Market Approach**

The market approach has two prerequisites: (1) a mature, fair and energetic asset market is needed for selecting some similar references, which are used for comparison, analysis and appraisal; and (2) references, the comparable indexes and the parameters of the subject assets of the appraisal and some other information are available.

Similar asset trading in Guangxi trading market is not lively, and we have no access to the trading prices of relevant trading cases. Thus, the market approach is not applicable to the present appraisal.

**(2) Selective Analysis Using the Income Approach**

The income approach quantifies the expected profitability of assets. The expected profitability of assets is what the approach emphasises.

Most of the subject assets of the present appraisal fall into the category of machinery. Taking the purpose of the present appraisal, it is hard to separate the income generated from the machinery from the corporate income. It is impossible to quantify the income of relevant assets. Thus, the income approach is also not applicable to the appraisal of relevant assets.

**(3) Selective Analysis Using Cost Approach**

The present asset appraisal is a meticulous analysis of the information provided by the principal based on the spot investigation. All objective parameters for figuring out the composition of appraisal assets on the appraisal reference date are available. Thus, the replacement cost approach is applicable to appraising assets.

The cost approach is also known as the replacement cost approach. The cost approach is an appraisal approach that determines the reappraisal value by deducting the tangible and intangible wear and tear and its depreciation of the subject asset of appraisal from its replacement cost or update cost. In other words, taking many factors (e.g. the change of asset functions) into consideration, such approach determines the appraisal value by deducting the accumulated depreciation during the years of use calculated based on replacement cost of the asset from the marketable price or replacement cost as if it was new.

***(1) Replacement Cost***

The replacement cost adopted in the present appraisal is the renewal replacement cost. Renewal replacement cost refers to the present cost of manufacturing or purchasing new assets that are similar in function with their predecessors. Such new assets are made of new materials with modern standards, design, and specifications.

- a. The determination of the purchase price of machinery: the determination of the purchase price is based on the product quotation handbook and the latest strike price of relevant machinery.
- b. For the machines that have operated beyond their original design life, an approach using similar machines for comparison is applied to determine the replacement price if the former has quitted the market.
- c. Part of the machinery having been operating for a long period of time is taken as second-hand machinery when being appraised.
- d. The appraisal of the machinery to be scrapped is based on its cash realisable value.



**(2) Residue Ratio**

The residue ratio is a ratio of the present value of the subject of appraisal to the subject's replacement cost as if it is new.

- a. For the residue ratio of the machinery with a greater value, the calculation of its residue value will be based on its remaining working life and determined with reference to the following aspects: (1) the design life of the machinery; (2) spot investigation and information on the operation, maintenance and management records of the machinery; and (3) machinery condition check. The calculation formula is as follows:

The residue ratio = the theoretical residue ratio × 40% + the investigation residue ratio × 60%

While the theoretical residue ratio = (1 – Duration of service/design working life) × 100%

The duration of service = nominal duration of service × utilisation ratio

- b. For machinery with a smaller value, the duration approach is adopted to calculate its residue ratio. The calculation formula is as follows:

The residue ratio = (1 – Duration of service/design working life) × 100%

**(3) The determination of appraisal value**

The appraisal value = the replacement cost × the residue ratio

**VIII. THE PROCESS AND THE STATE OF APPRAISAL**

According to the appraisal provisions stipulated by the relevant authorities of China and the asset appraisal, pursuant to the entrustment contract entered into by the Company and the principal, the Company has checked the legal documents provided by the principal and relevant data. The asset list provided by the principal has been checked, analysed spot-investigated. Market research, price comparison and other necessary asset appraisal procedures, have been conducted. Details of the present asset appraisal are as follows:

**(1) Pre-appraisal Meetings**

The meetings determined the purpose, the subject and the scope of the present appraisal. According to the requirements of the present appraisal, some relevant personnel from the asset owners were arranged to fill in the asset declaration forms, and training and guidance were given to them. Information for asset appraisal was collected. An asset appraisal plan was then formulated. Professional appraisers were designated.

**(2) Spot Investigation and Appraisal**

This was a stage that the subject assets were checked and appraised. Information for asset appraisal was collected at this stage. The value of the subject asset of appraisal was calculated with reference to such information, the Practicing Standards for the Appraisal of Assets and the usual practice of appraisal.

**(3) Summary**

The results of the present asset appraisal were collected, proofread and analysed to show their underlying pattern. The appraisal approaches, the reasonableness of the parameters and the preciseness of calculation were examined. Adjustments were then made according to analysis results.

**(4) Report Submission**

An appraisal report was drafted based on the appraisal results generated from the above-mentioned three stages. The first draft of the appraisal report was passed to the principal for opinions. Some adjustments were made pursuant to law, regulations and appraisal standards. Having been examined and approved by three levels of the relevant appraisal institutes, a formal asset appraisal report was submitted to the principal.

**IX. APPRAISAL ASSUMPTIONS****(1) Assumptions in relation to Appraisal Conditions**

1. The laws, regulations, and policies that the present asset appraisal abides by have not changed significantly as at the appraisal reference date;
2. The social environment of the subject asset of appraisal has not changed significantly as at the appraisal reference date.

**(2) Assumptions in relation to the Utilisation Ratio of Assets.**

The present appraisal assumes that the use, scale, frequency of use, conditions and other aspects of the subject asset of appraisal remain the same.

**(3) The Open Market Assumption**

The open market refers to a mature, well-established and competitive market where voluntary purchasers and sellers are equal in status. Both of them have enough opportunities and time to gather the market information they need. The trade between both parties is on a voluntary, rational and uncompelling basis.

**(4) Other Assumptions**

The present appraisal does not take the impact of force majeure on the value of the subject asset of appraisal into consideration.

**X. APPRAISAL CONCLUSION****(1) Appraisal Conclusion**

After the above-mentioned appraisal approaches and procedures, the marketable value of the subject asset of appraisal declared by Liuzhou Wuling Motors Industrial Company Limited and Faurecia Emission Control Technologies Development (Shanghai) Co., Ltd. on 31 October 2018 (the appraisal reference date) is RMB53,713,177.00.

**Summary Table of Fixed Assets Subject to Valuation**

Ref	Particulars	Quantity (Sets)	Book Values		Appraised Values		Change in Values	
			Gross Value (RMB)	Net Value (RMB)	Gross Value (RMB)	Net Value (RMB)	Gross Value (RMB)	Net Value (RMB)
1	Fixed Assets — Plant and Machinery	360	73,889,986.63	53,713,164.32	68,779,500.00	52,791,112.00	-5,110,486.63	-922,052.32
2	Fixed Assets — Tools	286	10,503,119.44	—	3,989,100.00	922,065.00	-6,514,019.44	922,065.00
	Fixed Assets — Total	646	84,393,106.07	53,713,164.32	72,768,600.00	53,713,177.00	-11,624,506.07	12.68

*Note:* Full details of the fixed assets and the results of the valuation are illustrated in the appendices — Summary of Fixed Assets Appraisal, Fixed Assets — The Detail List of Machinery Appraisal and Fixed Assets — The Detail List of Tooling Appraisal.

(2) The “XI. Description of Special Items” and “XII. Description of the Limitations on the Use of the Asset Appraisal Report” are essential parts of the appraisal conclusion. They shall be read and used in conjunction with the report.

**XI. DESCRIPTION OF SPECIAL ITEMS**

- (1) The values obtained from the present appraisal are exclusive of the value-added tax.
- (2) The laws-relating documents in the report and the data in relation to the subject asset of appraisal are provided by the principal. The principal is responsible for the authenticity, integrity and validity of the information. Our appraisal was conducted with the assumption that the information provided by the principal is authentic, complete and legitimate. We spot-investigated and appraised the subject asset of appraisal according to the declaration forms provided by the principal and the subject company of appraisal, but we did not determine the actual ownership of the subject asset of appraisal.

- (3) The present appraisal is mainly based on the spot investigation of the appearance of the assets in kind and the experience of our appraisers, and no technical measurement of changes in internal structure and quality was conducted for the following two reasons: (1) the amount of data provided by the principal is limited; (2) the limitations of the nature of the present appraisal.
- (4) The present appraisal appraises the subject asset only. Necessary attention shall be paid to the ownership of the subject asset. No comments are to be given on the property right, source of funds and outstanding debts. The ownership of the subject asset is defined by relevant authorities.
- (5) For the “Flaw Items” that may have an impact on assets, appraisal institutes and appraisers assume no responsibilities when (1) no special descriptions for appraisal was given by the principal; and (2) the appraisers with limited professional experience were not informed enough by the principal.
- (6) Major events after the appraisal reference date.

The asset value shall be adjusted according to the original appraisal approach if the asset quantity changes before the valuation report expires. The asset owner shall engage an appraisal institute to re-appraise if the change of asset pricing criteria has a significant impact on the appraisal.

The change of asset quantity and pricing criteria occurred after the appraisal reference date shall be taken into serious consideration and adjusted accordingly.

## **XII. DESCRIPTION OF THE LIMITATIONS ON THE USE OF THE ASSET APPRAISAL REPORT**

- (1) Users of the Report:
  1. Liuzhou Wuling Motors Industrial Company Limited and Faurecia Emission Control Technologies Development (Shanghai) Co., Ltd.;
  2. The competent authorities in charge of Liuzhou Wuling Motors Industrial Company Limited and Faurecia Emission Control Technologies Development (Shanghai) Co., Ltd. and the parties of relevant economic activities.
- (2) The principal and other users of the asset appraisal report are subject to laws, administrative regulations and the scope of usage set out in the report. The asset appraisal institute and other professional asset appraisers assume no responsibilities if the principal and other users of the asset appraisal report violate the above-mentioned provisions.
- (3) The asset appraisal report shall be used only by the principal, users stipulated in the asset appraisal entrustment contracts and users stipulated in relevant laws and administrative regulations. Any other institute or individual shall not be the user of the asset appraisal report.

- (4) Users of the asset appraisal report shall be aware of that the appraisal conclusion is not the equivalent of the realisable value of the subject of appraisal. The conclusion shall not be regarded as a guarantee of the realisable value of the subject of appraisal.
- (5) The conclusion of the report is effective from 31 October 2018 to 30 October 2019.

**XIII. DATE OF ASSET APPRAISAL REPORT**

The date of the present asset appraisal report is 7 December 2018.

**XIV. SIGNATURES AND STAMPS**

Asset Appraiser: Luo Huatao

Asset Appraiser: Lei Bingshou

Guangxi Zhengde Real Estate and Asset Appraisal Company Limited

Date: 7 December 2018

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement in this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (i) Directors and chief executive of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company held any interest or short positions in the Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of part XV of the Securities Future Ordinance (the “SFO”) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange:

#### *Long Position*

Name of Director	Capacity	Number of Shares held	Approximate % of the total number of Shares in issue*
Mr. Lee Shing (“Mr. Lee”)	Interest in controlled corporation ( <i>Note</i> )	281,622,914	13.74%
	Beneficial owner	3,090,900	0.15%
	Interest held by spouse	<u>1,648,480</u>	<u>0.08%</u>
	Sub-total	<u>286,362,294</u>	<u>13.97%</u>
Ms. Liu Yaling	Beneficial owner	<u>2,060,600</u>	<u>0.10%</u>
Mr. Ye Xiang	Beneficial owner	<u>1,030,300</u>	<u>0.05%</u>

*Note:* This represents the Shares held by Dragon Hill Development Limited (“**Dragon Hill**”), a company wholly-owned by Mr. Lee.

\* The percentage has been adjusted (if any) based on a total of 2,050,107,555 Shares in issue as at the Latest Practicable Date.

**(ii) Substantial Shareholders**

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

***Long Position***

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Nature of interest</b>	<b>Number of Shares held</b>	<b>Approximate % of the total number of Shares in issue*</b>
Dragon Hill ( <i>Note 1</i> )	Beneficial owner	Corporate	<u>281,622,914</u>	<u>13.74%</u>
Mr. Lee	Interest in controlled corporation ( <i>Note 1</i> )	Corporate	281,622,914	13.74%
	Beneficial owner ( <i>Note 2</i> )	Personal	3,090,900	0.15%
	Interest held by spouse ( <i>Note 2</i> )	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> ”) ( <i>Notes 3 and 4</i> )	Beneficial owner	Corporate	1,243,132,520	60.64%
		Unlisted derivatives	357,142,857	17.42%
	Sub-total		<u>1,600,275,377</u>	<u>78.06%</u>
Wuling Motors (Hong Kong) Company Limited (“ <b>Wuling Motors</b> ”) ( <i>Notes 3 and 4</i> )	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>

Name of Shareholder	Capacity	Nature of interest	Number of Shares held	Approximate % of the total number of Shares in issue*
Guangxi Automobile Holdings Limited* (“Guangxi Automobile”) (Notes 3 and 4)	Interest in controlled corporation	Corporate	1,243,132,520	60.64%
		Unlisted derivatives	357,142,857	17.42%
	Sub-total		<u>1,600,275,377</u>	<u>78.06%</u>

*Notes:*

- (1) Mr. Lee is beneficially interested in 281,622,914 Shares, which interests are held by Dragon Hill, a company wholly-owned by Mr. Lee. This parcel of Shares has also been disclosed as long position of Mr. Lee under the above section.
- (2) These represent the Shares held by Mr. Lee and his spouse as beneficial owners, respectively.
- (3) The entire issued share capital of Wuling HK is currently held by Wuling Motors, whereas the entire issued share capital of Wuling Motors is currently held by Guangxi Automobile. Accordingly, Wuling Motors and Guangxi Automobile are deemed to be interested in the Shares in which Wuling HK is interested under the SFO.
- (4) The unlisted derivatives referred to the 357,142,857 Shares (conversion shares) issuable to Wuling HK upon exercise in full of the conversion rights attaching to the outstanding convertible loan notes issued to Wuling HK amounting to HK\$250,000,000, details of which may refer to the Company’s announcement dated 13 October 2016 and 23 May 2017 and 29 December 2017 and the Company’s circular dated 28 November 2016.

\* The percentage has been adjusted (if any) based on a total of 2,050,107,555 Shares in issue as at the Latest Practicable Date.

### 3. DIRECTORS’ SERVICE CONTRACTS

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

### 4. MATERIAL ACQUISITION AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS

On 3 April 2018, Wuling Industrial entered into a joint venture agreement (“**AAM JV Agreement**”) with AAM International S.à.r.l., (“**AAM International**”) in relation to the establishment of the AAM JV Company. The scope of business of the AAM JV Company includes (i) development, manufacture and sale of independent drive axles, propshafts and other driveline products, driveheads for high-end Salisbury axles or banjo axles, e-drive units



for new energy vehicles, and other driveline components for motor vehicles; (ii) provision of after-sale services, technical support and other customer services; and (iii) import, export and sale (by means of wholesale and retail) of products and technology.

Pursuant to the AAM JV Agreement, the registered capital of the JV Company shall be RMB138 million (equivalent to approximately HK\$169.74 million), which shall be contributed as to RMB69 million (equivalent to approximately HK\$84.87 million and representing 50% of the registered capital of the AAM JV Company) by each of Wuling Industrial and AAM International respectively. The AAM JV Company was established on 2 July 2018 and the Company has contributed RMB10 million (out of the RMB69 million as agreed in the AAM JV Agreement) to the registered share capital of the AAM International in accordance with the terms of the AAM JV Agreement. Such contribution was funded by the internal resources of the Group. Details of the AAM JV Agreement were fully described in the Company's announcement dated 3 April 2018 and the Company's circular dated 28 May 2018;

The aggregate of the remuneration payable to and benefits in kind receivable by the directors of the AAM JV Company will not be varied in consequence of the above acquisition.

Save as disclosed above, since 31 December 2017 (the date which the latest published audited consolidated financial statements of the Group have been made up), no member of the Group has acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditor's report or next published audited consolidated financial statements of the Group.

## 5. MATERIAL CONTRACTS

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

- (i) the JV Agreement;
- (ii) the Previous Sale and Purchase Agreements;
- (iii) the Master Tenancy Agreement (as defined and described below);
- (iv) On 26 November 2018, Wuling Industrial Group and 上海詣譜自動化裝備有限公司 (Shanghai Yipu Automatic Equipment Co., Limited\*) ("**Shanghai Yipu**") entered into seven equipment purchase agreements in respect of sale and purchase of certain equipment at a total net consideration of RMB26,071,286.20 (exclusive of VAT) and a total gross consideration of RMB30,242,692 (inclusive of VAT) (collectively, the "**6th to 12th Shanghai Yipu Equipment Purchase Agreements**"). Details of the 6th to 12th Shanghai Yipu Equipment Purchase Agreements were fully described in the Company's announcement dated 26 November 2018;
- (v) the Loan Agreements (as define and described below);

- (vi) the AAM JV Agreement;
- (vii) 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;
- (viii) On 30 November 2017, 柳州五菱柳機動力有限公司 (Liuzhou Wuling Liuji Motors Company Limited\*) (“**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;
- (ix) On 29 November 2017, Wuling Industrial entered into a joint venture agreement with Faurecia (China) in relation to the establishment of the Interior JV Company (the “**Interior JV Agreement**”). Pursuant to the Interior JV Agreement, the Interior JV Company shall be owned as to 50% by each of Wuling Industrial and Faurecia (China), respectively. The total registered capital of the Interior JV Company is RMB300 million (equivalent to approximately HK\$340.2 million), which shall be contributed as to RMB150 million (equivalent to approximately HK\$170.1 million) by each of Wuling Industrial and Faurecia (China) respectively. Details of the Interior JV Agreement were fully described in the Company’s announcement dated 29 November 2017;
- (x) 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;
- (xi) On 22 September 2017 and 13 October 2017, Wuling Industrial and Shanghai Yipu 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;

- (xii) On 20 September 2017, Liuzhou Zhuotong Automotive Components Company Limited\* (柳州卓通汽車零部件有限公司) (“**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;
- (xiii) 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;
- (xiv) 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;

- (xv) On 3 July 2017, Wuling Industrial entered into a joint venture agreement with Faurecia (China) in relation to the establishment of Car Seat JV Company (the “**Car Seat JV Agreement**”). Pursuant to the Car Seat JV Agreement, the Car Seat JV Company shall be owned as to 50% by each of Wuling Industrial and Faurecia (China), respectively. The total registered capital of Car Seat JV Company is RMB150 million (equivalent to approximately HK\$170.1 million). Wuling Industrial and Faurecia (China) will each contribute cash in the amount of RMB75 million (equivalent to approximately HK\$85.05 million), respectively. Details of the Car Seat JV Agreement were fully described in the Company’s announcement dated 3 July 2017;
- (xvi) 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;
- (xvii) 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;
- (xviii) the Supplemental Agreements (as defined and described below);
- (xix) On 25 January 2017 and 31 March 2017, Wuling Industrial entered into two equipment purchase agreements with 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; and
- (xx) the 2017-2019 Master Agreement (as defined and described below).

## 6. 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 (the “**Subscription Agreement**”). The convertible loan

notes which bear interest at 4% per annum would be eligible to be converted into a total number of 571,428,571 fully paid up Shares at an initial conversion price of HK\$0.70 per Share (subject to adjustments) on any business day commencing from 22 November 2017 up to the fifth business days prior to the maturity date (being 23 May 2020). 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.

On 29 December 2017, the convertible loan notes of a principal amount of HK\$150,000,000 were converted by Wuling HK into a total number of 214,285,714 Shares. Subsequent to the this conversion, the aggregate principal amount of convertible loan notes remained outstanding was HK\$250,000,000, which would be eligible to be converted into a total number of 357,142,857 Shares according to the abovementioned terms and conditions.

On 16 November 2016, Wuling Industrial entered into an agreement with Guangxi Automobile to renew the continuing connected transactions for a term of three years from the effective date to 31 December 2019 to govern the continuing connected transactions between the Wuling Industrial Group and Guangxi Automobile Group (the "**2017-2019 Master Agreement**"). 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 28 April 2017, 17 May 2017 and 15 June 2018, the Company and Guangxi Automobile entered into the supplemental agreements (the "**Supplemental Agreements**") to amend certain terms, including the annual caps, of the 2017-2019 Master Agreement. Details of the Supplemental Agreements were fully described in the Company's announcements dated 28 April 2017, 17 May 2017 and 15 June 2018; and the Company's circulars dated 13 June 2017 and 20 July 2018.

On 23 November 2018, Wuling Industrial, as borrower and Guangxi Automobile as lender, entered into a loan agreement for a loan in a maximum amount (calculated as the aggregate amount of drawdowns) of RMB3,000,000,000, RMB3,300,000,000 and RMB3,600,000,000 respectively for the year ending 31 December 2019, 2020 and 2021 each drawdown for a term of not more than six (6) months from the date of each drawdown granted by Guangxi Automobile to Wuling Industrial. On the same day, Wuling Liuji, as borrower and Guangxi Automobile as lender, entered into a loan agreement for a loan in a maximum amount (calculated as the aggregate amount of drawdowns) of RMB1,600,000,000, RMB1,800,000,000 and RMB2,000,000,000 respectively for the year ending 31 December 2019, 2020 and 2021 each drawdown for a term of not more than six (6) months from the date of each drawdown granted by Guangxi Automobile to Wuling Liuji (collectively, the "**Loan Agreements**"). Details of the Loan Agreements were fully described in the Company's announcement dated 23 November 2018.

On 7 December 2018, Wuling Industrial, as tenant and Guangxi Automobile, as landlord, entered into a master tenancy agreement (i) in respect of the lease of the certain properties in Liuzhou, Gaungxi Zhuang Autonomous Region, the PRC; and (ii) to set out a framework of terms governing the leases of other properties by Wuling Industrial from Guangxi Automobile, both for a term of three years commencing from 1 January 2019 and expiring on 31 December 2021. (the “**Master Tenancy Agreement**”) Details of the Master Tenancy Agreement were fully described in the Company’s announcement dated 7 December 2018.

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

Save as disclosed herein, as at the Latest Practicable Date, (i) none of the Directors had any interest in any assets which had been since 31 December 2017 (being the date to which the latest published consolidated audited financial statements of the Group were made up) acquired or disposed of by or leased to, any member of the Group, or were proposed to be acquired or disposed of by or leased to, any member of the Group; and (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

## **7. 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.

## **8. MATERIAL 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.

## 9. 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>
廣西正德房地產土地資產評估有限公司 (Guangxi Zhengde Real Estate and Asset Appraisal Company Limited*), the Valuer	Independent professional valuer

As at the Latest Practicable Date, the Valuer 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, the Valuer 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.

The Valuer has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the Valuation Report and references to its name in the form and context in which they are included in this circular.

## 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 up to and including the date falling on 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 December 2015, 2016 and 2017;
- (c) the interim report of the Company for the six months ended 30 June 2018;
- (d) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” of this circular;
- (e) the material contracts referred to in the section headed “Material Contracts” in this Appendix;
- (f) the Valuation Report, the text of which is set out in Appendix II to this circular;

- (g) the circulars of the Company dated 28 May 2018 and 20 July 2018; and
- (h) this circular.

#### 11. MISCELLANEOUS

- (a) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda;
- (b) The head office and principal place of business of the Company is Unit 1901, 19/F, Beautiful Group Tower, 77 Connaught Road Central, Hong Kong;
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong;
- (d) The secretary of the Company is Mr. Lai Shi Hong, Edward, a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Association of the Chartered Certified Accountants;
- (e) The correspondence and registered address of Wuling HK is Room 2404, 24/F., Worldwide House, 19 Des Voeux Road Central, Hong Kong;
- (f) The authorized representatives of the Company are Mr. Lee Shing and Ms. Liu Yaling, both of them are the executive Directors, with correspondence address at Unit 1901, 19/F, Beautiful Group Tower, 77 Connaught Road Central, Hong Kong; and
- (g) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

\* *For identification purpose only*