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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 and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities 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)

**CONTINUING CONNECTED TRANSACTIONS
LOAN AGREEMENTS**

**Independent financial adviser to
the Independent Board Committee and Independent Shareholders of the Company**



Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 13 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 25 of this circular.

A notice convening the special general meeting of the Company to be convened at Unit 1901, 19/F., Beautiful Group Tower, 77 Connaught Road Central, Hong Kong on Thursday, 31 January 2019 at 10:00 a.m. is set out on pages 32 and 33 of this circular.

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

2 January 2019

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DEFINITIONS

In this circular, unless the context otherwise requires, the following words and expressions have the following meanings:

“Announcement”	the announcement of the Company dated 23 November 2018 in relation to, among other things, the Loans
“Board”	the board of Directors
“Company”	Wuling Motors Holdings Limited, a company incorporated under the laws of Bermuda with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 305)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Loan Agreements and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Guangxi Automobile”	廣西汽車集團有限公司 (Guangxi Automobile Group Co., Limited*), a state-controlled company 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
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Loan Agreements and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Shareholders who are required by the Listing Rules to abstain from voting in respect of the resolutions relating to the Loan Agreements and the transactions contemplated thereunder at the SGM

DEFINITIONS

“Latest Practicable Date”	27 December 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contain therein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreements”	the loan agreements dated 23 November 2018 entered into between (i) Guangxi Automobile as lender and Wuling Industrial as borrower and (ii) Guangxi Automobile as lender and Wuling Liuji as borrower respectively
“Loans”	the Wuling Industrial Loans and Wuling Liuji Loans
“PRC”	the People’s Republic of China and for the purpose of this circular, exclude Hong Kong, the Special Administrative Region of the People’s Republic of China and Taiwan and Macau
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held on 31 January 2019 for the purpose of considering the Loan Agreements and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	the value-added tax
“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 (including Wuling Liuji)

DEFINITIONS

“Wuling Industrial Loans”	the loans in a maximum aggregate 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 years ending on 31 December 2019, 2020 and 2021 with a term for each loan of not more than six (6) months from the date of each drawdown granted by Guangxi Automobile to Wuling Industrial
“Wuling Liuji”	柳州五菱柳機動力有限公司 (Liuzhou Wuling Liuji Motors Company Limited*), a company established in the PRC and a wholly-owned subsidiary of Wuling Industrial
“Wuling Liuji Loans”	the loans in a maximum aggregate 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 years ending on 31 December 2019, 2020 and 2021 with a term for each loan of not more than six (6) months from the date of each drawdown granted by Guangxi Automobile to Wuling Liuji
“%”	per cent.

* For identification purpose only



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

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

Executive Directors:

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

Independent non-executive Directors:

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

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

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

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

2 January 2019

To the Shareholders,

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS
LOAN AGREEMENTS**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Loan Agreements.

On 23 November 2018, each of Wuling Industrial and Wuling Liuji, subsidiaries of the Company, as borrowers, entered into a Loan Agreement with Guangxi Automobile, the controlling Shareholder as lender. The obligations of each of the Wuling Industrial and Wuling Liuji under the respective Loan Agreements will be secured by the bill receivables of Wuling Industrial and Wuling Liuji.

The purpose of this circular is to provide you with information on, among other things, (i) further details about the Loans; (ii) the recommendations of the Independent Board Committee; (iii) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM.

LETTER FROM THE BOARD

The principal terms of the Loan Agreements are summarized below.

Date:	23 November 2018
Parties:	(a) Wuling Industrial Loans Guangxi Automobile as the lender and Wuling Industrial as the borrower (b) Wuling Liuji Loans Guangxi Automobile as the lender and Wuling Liuji as the borrower
Facility amount of the Wuling Industrial Loans:	Maximum limits of RMB3,000,000,000, RMB3,300,000,000 and RMB3,600,000,000 respectively for the year ended 31 December 2019, 2020 and 2021 respectively, subject to the fulfilment of the condition precedent (as appropriate) and the approval of Guangxi Automobile (as the lender) from time to time. The maximum limits were determined by reference to the estimated bill receivables of Wuling Industrial to be utilised as the collateral of the Wuling Industrial Loan in 2019, 2020 and 2021 and the estimations were made based on the total amount of bill receivables obtained from customers and the amount utilized for bills discounted activities by Wuling Industrial for the financial year ended 31 December 2017 and the 10 months ended 31 October 2018
Facility amount of the Wuling Liuji Loans:	Maximum limits of RMB1,600,000,000, RMB1,800,000,000 and RMB2,000,000,000 respectively for the year ended 31 December 2019, 2020 and 2021 respectively, subject to the fulfilment of the condition precedent (as appropriate) and the approval of Guangxi Automobile (as the lender) from time to time. The maximum limits were determined by reference to the estimated bill receivables of Wuling Liuji to be utilised as the collateral of the Wuling Liuji Loan in 2019, 2020 and 2021 and the estimations were made based on the total amount of bill receivables obtained from customers and the amount utilized for bills discounted activities by Wuling Liuji for the financial year ended 31 December 2017 and the 10 months ended 31 October 2018
Usage:	General working capital
Types of facilities:	Loans and advances pledged with bill receivables

LETTER FROM THE BOARD

Interest rate and payment:	The lowest interest rate offered by banks as obtained by Wuling Industrial and Wuling Liuji, respectively, for similar type of facilities pledged with bill receivables at the time of drawdown. Interest will be accrued on a monthly basis and payment of which will be made by Wuling Industrial or Wuling Liuji to Guangxi Automobile within 10 days in the following month upon presentation of the relevant VAT invoice by Guangxi Automobile
Term:	Not more than six (6) months from the date of each drawdown
Availability period:	From 1 January 2019 to 31 December 2021
Conditions Precedent:	The Company having duly performed and complied with its obligations under to the Listing Rules which include the issue of the related announcement(s) and circular(s) and the obtaining of the Independent Shareholder's approval with respect to the Loan Agreements and the transactions contemplated thereunder
Security:	The drawdown amount of the Wuling Industrial Loan and the Wuling Liuji Loan will be secured by the same amount of bill receivables of Wuling Industrial and Wuling Liuji to be assign

INTEREST RATE, PROPOSED CAPS OF ANNUAL INTEREST PAYMENT AND INTERNAL CONTROL PROCEDURES IN RELATION TO THE APPLICATION AND DRAWDOWN OF LOANS

Financing Activities Of The Wuling Industrial Group

Wuling Industrial, a non-wholly-owned subsidiary of the Company, is currently the principal operating subsidiary of the Group in the business segments of (i) automotive components and other industrial services and (ii) specialized vehicles, whereas, Wuling Liuji, a wholly-owned subsidiary Wuling Industrial, is currently the principal operating subsidiary of the Group in the business segment of (iii) engines and related parts. In addition, as a crucial part to their daily operations, the finance department of Wuling Industrial and Wuling Liuji also act as the centralized department responsible for arranging and executing the financing and treasury functions of their respective business segments.

To ensure adequate funds and working capital are available for their respective operating and investing activities, in addition to the cash generated from the operating activities, each of Wuling Industrial and Wuling Liuji would apply for and be granted with banking facilities, including bank loans (secured or unsecured) and advances drawn on bills receivables discounted with recourse, subject to the offer and approval by the banks and the approval by the respective management of Wuling Industrial and Wuling Liuji. Besides, unsecured loans

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and advances may also be sought and be granted from the ultimate controlling Shareholder, Guangxi Automobile occasionally. In this regard, the management of Wuling Industrial and Wuling Liuji would base on the terms and conditions offered by the respective lenders, primarily the interest rates to be charged and the collaterals required in arriving at the most desirable financing arrangements to their operations.

Each of Wuling Industrial and Wuling Liuji has engaged into bills discounted activities during the year ended 31 December 2017 and the ten months ended 31 October 2018. The total amounts of advances drawn on bills receivables discounted with recourse from the banks during the said periods, the respective interest rates and interest amounts are as follows:

	For the ten months ended 31 October 2018			For the year ended 31 December 2017		
	Advances Drawdown <i>RMB'000</i>	Interest Rates	Interest Amount <i>RMB'000</i>	Advances Drawdown <i>RMB'000</i>	Interest Rates	Interest Amount <i>RMB'000</i>
Wuling Industrial	1,917,460	3.30% to 4.90%	24,167	2,001,080	4.40% to 5.26%	42,051
Wuling Liuji	158,450	4.30%	1,460	445,400	4.50%	7,364

In addition, each of Wuling Industrial and Wuling Liuji has engaged into bills discounted activities with Guangxi Automobile during the year ended 31 December 2017 and the ten months ended 31 October 2018. The total amounts of advances drawn on bills receivables discounted without recourse from Guangxi Automobile (which are regarded as unsecured advances) during the said periods, the respective interest rates and interest amounts are as follows:

	For the ten months ended 31 October 2018			For the year ended 31 December 2017		
	Advances Drawdown <i>RMB'000</i>	Interest Rates	Interest Amount <i>RMB'000</i>	Advances Drawdown <i>RMB'000</i>	Interest Rates	Interest Amount <i>RMB'000</i>
Wuling Industrial	1,800,000	3.30% to 3.92%	29,906	2,069,793	3.50% to 4.20%	30,074
Wuling Liuji	701,845	3.35% to 3.915%	7,435	1,461,811	3.65% to 4.10%	17,333

The maximum limits for the facility amounts of the Wuling Industrial Loans and Wuling Liuji Loans were determined with reference to the total amount of bill receivables obtained from customers and the amount utilized for bills discounted activities by Wuling Industrial and Wuling Liuji for the financial year ended 31 December 2017 and the 10 months ended 31 October 2018. The total amount of bill receivables obtained from customers by Wuling Industrial for the financial year ended 31 December 2017 and the 10 months ended 31 October

LETTER FROM THE BOARD

2018 were approximately RMB11,480 million and RMB15,130 million respectively, in which approximately RMB4,071 million and RMB3,717 million were utilized for bills discounted activities with the banks and Guangxi Automobile. It is expected that the volume of bill receivables in 2019 will be similar and after discussion with Guangxi Automobile, it was agreed that Guangxi Automobile would provide Wuling Industrial with a maximum facility amount of RMB3,000 million for the bill receivables in 2019 with an annual increase of 10% for the subsequent two years. The total amount of bill receivables obtained from customers by Wuling Liuji for the financial year ended 31 December 2017 and the 10 months ended 31 October 2018 were approximately RMB2,740 million and RMB1,230 million respectively, in which approximately RMB1,907 million and RMB860 million were utilized for bills discounted activities with the banks and Guangxi Automobile. It is expected that the volume of bill receivables in 2019 will be similar and after discussion with Guangxi Automobile, it was agreed that Guangxi Automobile would provide Wuling Liuji with a maximum facility amount of RMB1,600 million for the bill receivables in 2019 with an annual increase of approximately 10% for the subsequent two years.

There is no limit on the number of drawdown in each year and the amount drawn and repaid cannot be redrawn.

Internal Control Procedures In Relation To The Application And Drawdown Of Wuling Industrial Loans And Wuling Liuji Loans

As mentioned above, the finance department of Wuling Industrial and Wuling Liuji is responsible for arranging and executing the financing and treasury functions of the respective business segments undertaken by Wuling Industrial and Wuling Liuji which include the determination and evaluation processes involved in the application and drawdown of the Wuling Industrial Loans and Wuling Liuji Loans.

In this connection, the person in charge of the treasury function of the finance department of Wuling Industrial and Wuling Liuji (the “**Treasury Officer**”) would prepare funding report and budget on a monthly basis which summarize the funding requirements of Wuling Industrial and Wuling Liuji in respect of their respective operating, investing and financing activities for the following month. Should there be any estimated shortfalls in the cash flow positions of Wuling Industrial and Wuling Liuji, the respective Treasury Officer, with the assistance of the respective finance department, would undertake the following procedures to ensure there would be adequate funds and working capital available for the respective operating, investing and financing activities, which include: (a) the preparation of a funding requirement report; (b) the enquiry to the respective banks for obtaining the quotes of the available banking facilities, including bank loans (secured or unsecured) and advances drawn on bills receivables discounted with recourse; and (c) where appropriate after the review and approval by the respective financial controller and general manager of Wuling Industrial and Wuling Liuji, (i) the notification to the respective banks for the drawdown of the suitable available banking facilities; or (ii) the submission of an application to Guangxi Automobile for the granting of loans and advances at the lowest interest rate offered by banks as obtained by Wuling Industrial and Wuling Liuji, respectively, for similar type of banking facilities.

LETTER FROM THE BOARD

Interest Rate And Proposed Caps Of Annual Interest Payment

Pursuant to the Loan Agreements, the interest rates to be charged under the Loans would be the lowest interest rate offered by banks as obtained by Wuling Industrial and Wuling Liuji, respectively, for similar type of facilities pledged with bill receivables at the time of drawdown. At least three offers would be obtained from the banks for reference before the drawdown of the Loans. The interest rate would be determined by reference to the statutory lending rate of the People's Bank of China if Wuling Industrial or Wuling Liuji fails to obtain any bank offers. Such interest will be accrued on a monthly basis of which the payment will be made by Wuling Industrial or Wuling Liuji to Guangxi Automobile within 10 days in the following month upon presentation of the relevant VAT invoice by Guangxi Automobile.

In connection with the interest rate to be charged by and the interest payment to be made to Guangxi Automobile, the Board proposed to adopt caps in respect of the Wuling Industrial Loans and the Wuling Liuji Loans for each of the three years ending 31 December 2019, 2020 and 2021 as follows:

	Wuling Industrial Loan				Wuling Liuji Loan				Proposed Aggregate Caps
	Total Facility Amount <i>RMB'000</i>	Estimated Interest Rate	Total Interest Payment <i>RMB'000</i>	Proposed Caps <i>RMB'000</i>	Total Facility Amount <i>RMB'000</i>	Estimated Interest Rate	Total Interest Payment <i>RMB'000</i>	Proposed Caps <i>RMB'000</i>	
Year ending									
31 December 2019	3,000,000	4.90%	73,500	80,850	1,600,000	4.90%	39,200	43,120	123,970
31 December 2020	3,300,000	4.90%	80,850	88,935	1,800,000	4.90%	44,100	48,510	137,445
31 December 2021	3,600,000	4.90%	88,200	97,020	2,000,000	4.90%	49,000	53,900	150,920

Basis of Determination on the Proposed Caps of Annual Interest Payment

The above proposed caps of the interest payment to be made to Guangxi Automobile in respect of the Wuling Industrial Loans and the Wuling Liuji Loans were determined by reference to: (a) the respective maximum limits of the Wuling Industrial Loans and Wuling Liuji Loans available to be drawn down by Wuling Industrial and Wuling Liuji for each of the year ending 31 December 2019, 2020 and 2021; multiplied by (b) the historical highest interest rate charged by the bank on advances drawn on bills receivables discounted with recourse during the 10 months ended 31 October 2018, at (c) a fixed repayment term of 6 months from the date of drawdown, plus (d) a buffer of approximately 10% to account for any unforeseeable circumstances which may give rise to an increase in the interest rate to be charged on advances drawn on bills receivables discounted with recourse.

For the 10 months ended 31 October 2018, Wuling Industrial and Wuling Liuji have discounted bills for approximately RMB1,917 million and RMB158 million respectively from banks. Given the volume of discounted bills in the aforesaid 10 months period and the

LETTER FROM THE BOARD

volatility of the current financial market, the Directors considered that the reference to the historical highest interest rate charged by banks on advances drawn on bill receivables during the 10 months ended 31 October 2018 is fair and representative of interest rate available to Wuling Industrial and Wuling Liuji.

As confirmed by and with the supervision of the management of the Wuling Industrial and Wuling Liuji, the Directors will continue to monitor the utilization of the Wuling Industrial Loans and the Wuling Liuji Loans so as to ensure that the proposed caps of the interest payment to be made to Guangxi Automobile in respect of the Wuling Industrial Loans and the Wuling Liuji Loans will not be exceeded during each of the three years ending 31 December 2019, 2020 and 2021.

REASONS AND BENEFITS OF THE LOANS

Taking into account the Loans will provide an alternative source of finance (in addition to the general banking facilities) and that the interest rate is the lowest market interest rate available to each of Wuling Industrial and Wuling Liuji and that the provision of the equivalent amount of bill receivables as collateral for the Loans is a normal term and condition in regard to the similar type of facilities offered in the market, the Directors considered that the Loan Agreements are on normal commercial terms and in the ordinary and usual course of business of the Company, and are fair and reasonable having considered the current market norm in relation to similar transactions and in the interests of the Company and the Shareholders as a whole.

PRINCIPAL ACTIVITIES OF THE GROUP

The Group, including the 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. As at the date of this circular, the Company holding 60.90% equity interest of Wuling Industrial which makes Wuling Industrial a non-wholly-owned subsidiary of the Company.

INFORMATION ON GUANGXI AUTOMOBILE

Guangxi Automobile, through its direct and indirect wholly owned subsidiaries, is interested in 1,243,132,520 Shares, representing approximately 60.64% of the total number of Shares in issue of the Company, and is the ultimate controlling Shareholder as at the date of this circular. Furthermore, Guangxi Automobile directly holds 39.10% equity interest in Wuling Industrial. Guangxi Automobile is currently a state-controlled company established in the PRC with the State-owned Assets Supervision and Administration Commission of the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府國有資產監督管理委員會), being the registered shareholder empowered by the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府). Guangxi Automobile, together with its subsidiaries, including the Group, is mainly engaged in the trading, manufacturing and design of (i) various types of vehicles, primarily passenger coaches and mini-buses, automotive components and accessories; (ii) various types of machinery, moulds and tools for production of automobiles, engines, and other relevant parts; (iii) the provision of related services, including the technical advisory, information,

LETTER FROM THE BOARD

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

LISTING RULES IMPLICATIONS

As at the date of this circular, Guangxi Automobile, through its direct and indirect wholly owned subsidiaries, is interested in approximately 60.64% of the total number of Shares in issue of the Company, and is the controlling Shareholder. Therefore, Guangxi Automobile is a connected person of the Company under the Listing Rules. In addition, Guangxi Automobile directly holds 39.10% equity interest in Wuling Industrial and Wuling Liuji is a subsidiary of Wuling Industrial. Therefore, Wuling Industrial and Wuling Liuji are also the connected subsidiaries of the Company under the Listing Rules. The provision of the Loans, which are secured by the bill receivables of Wuling Industrial and Wuling Liuji constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As certain of the applicable percentage ratios (as defined under the Listing Rules) in respect of the provision of the Loans exceed 5%, the provision of the Loans constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules which is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements.

Mr. Yuan Zhijun, Mr. Zhong Xianhua and Mr. Yang Jianyong, being the Directors and the directors and/or senior executives of Guangxi Automobile, have abstained from voting on the board resolutions passed to approve the Loans. Save as disclosed above, no other Director is regarded having a material interest in this transaction and required to abstain from voting on the board resolution to approve the Loans and the transactions contemplated thereunder.

SGM

Set out on pages 32 and 33 is a notice convening the SGM to be held at Unit 1901, 19/F., Beautiful Group Tower, 77 Connaught Road Central, Hong Kong on Thursday, 31 January 2019 at 10:00 a.m. at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Loans and the transactions contemplated thereunder.

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

LETTER FROM THE BOARD

In view of their interests in the Loan Agreements, Guangxi Automobile and its associates, holding or being interested in 1,243,132,150 Shares, representing approximately 60.64% of Shares in issue of the Company, in aggregate, will abstain from voting on the resolution in relation to the Loans and the transactions contemplated thereunder at the SGM. Saved as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder is required to abstain from voting at the SGM in respect of the Loans and the transactions contemplated thereunder.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors who have expressed their view in the "Letter from the Independent Board Committee" in this circular after having considered the advice of Gram Capital) consider that the terms of the Loan Agreements and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors who have expressed their view in the "Letter from the Independent Board Committee" in this circular after having considered the advice of Gram Capital) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Loan Agreements and the transactions contemplated thereunder. You are advised to read the letter from the Independent Board Committee and the letter from Gram Capital mentioned above before deciding how to vote on the resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 13 of this circular, the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders set out on pages 14 to 25 of this circular and the information set out in the appendix of this circular.

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

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.



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)

2 January 2019

To the Independent Shareholders,

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS
LOAN AGREEMENTS

We refer to the circular of the Company to the Shareholders dated 2 January 2019 (the “**Circular**”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Loan Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned. Gram Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 14 to 25 of the Circular. Your attention is also drawn to the “Letter from the Board” of the Circular and the additional information set out in the appendices to the Circular.

Having considered the terms of the Loan Agreements and the transactions contemplated thereunder and the advice of Gram Capital, we consider that the Loan Agreements and the transactions contemplated thereunder are fair and reasonable as far as the Independent Shareholders are concerned and the Loans and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Loans and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Wuling Motors Holdings Limited

Mr. Ye Xiang
*Independent non-executive
Director*

Mr. Wang Yuben
*Independent non-executive
Director*

Mr. Mi Jianguo
*Independent non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the provision of the Loans for the purpose of inclusion in this circular.



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

2 January 2019

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

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS LOAN AGREEMENTS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the provision of the Loans, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 2 January 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 23 November 2018, each of Wuling Industrial and Wuling Liuji, subsidiaries of the Company, as borrowers, entered into a Loan Agreement with Guangxi Automobile, the controlling Shareholder as lender. The obligations of each of the Wuling Industrial and Wuling Liuji under the respective Loan Agreements will be secured by the bill receivables of Wuling Industrial and Wuling Liuji.

With reference to the Board Letter, the provision of the Loans constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Ye Xiang, Mr. Wang Yuben and Mr. Mi Jianguo (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Loans are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the provision of the Loans are in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the provision of the Loans (including the Annual Caps (as defined below)) at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

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BASIS OF OUR OPINION

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

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in the 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 the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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

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Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the provision of the Loans, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Group, including Wuling Industrial and its subsidiaries, is principally engaged in the manufacturing and trading of engines and parts, automotive components and accessories, specialized vehicles, as well as the trading of raw materials, water and power supply services.

Set out below are the consolidated financial information of the Group for the six months ended 30 June 2018 and the two years ended 31 December 2017 as extracted from the Company's interim report for the six months ended 30 June 2018 (the "**2018 Interim Report**") and annual report for the year ended 31 December 2017 (the "**2017 Annual Report**"):

	For the six months ended 30 June 2018	For the year ended 31 December 2017	For the year ended 31 December 2016	Change from 2016 to 2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%
	(unaudited)	(audited)	(audited)	
Revenue	6,310,419	16,123,895	16,677,695	(3.32)
Gross profit	582,983	1,603,669	1,879,505	(14.68)
Profit for the period/year	71,611	281,784	280,273	0.54
	As at 30 June 2018	As at 31 December 2017	As at 31 December 2016	Change from 2016 to 2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	%
	(unaudited)	(audited)	(audited)	
Bank balances and cash	667,277	1,706,780	1,559,741	9.43
Trade and other receivables	5,512,398	4,196,160	5,898,441	(28.86)
Bank borrowings	1,056,290	491,576	55,903	779.34

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As depicted from the table above, the revenue of the Group for the year ended 31 December 2017 (“FY2017”) was approximately RMB16.12 billion, representing a decrease of approximately 3.32% as compared to that for the year ended 31 December 2016 (“FY2016”). Gross profit of the Group for FY2017 amounted to approximately RMB1.60 billion, representing a decrease of approximately 14.68% as compared to that for FY2016.

With reference to the 2017 Annual Report, growth of businesses in the passenger vehicles segment from the new products of the automotive components and other industrial services division and the impressive growth in the business volume in the specialized vehicles division helped to maintain a stable business volume of the Group for FY2017, despite slowdown of the businesses in the engines and parts division.

According to the 2017 Annual Report, despite the decrease in gross profit, the Group’s profit for FY2017 increased slightly by approximately 0.54% as compared to that for FY2016 due to positive factors of the reversal of bad debt provision made in previous years, one-off compensation income received on relocation and demolition of certain old plants and facilities, a reduction in the research and development expenses and the other gain from the effect of changes in fair value of the convertible loan notes issued by the Company.

As further mentioned in the 2017 Annual Report, the Group will continue to maintain the general keynote of “Pursuing Growth Amid Stability” by strengthening the adjustment of its industrial structure, promoting product transformation and upgrades and maintaining meticulous management to precisely identify customers’ needs. In addition to expediting technological innovation and building core products, the Group will seize all market opportunities to boldly explore, optimize and expand development potential for the purposes of the development of all businesses as a whole.

As at 30 June 2018, the Group had bank balances and cash, trade and other receivables and bank borrowings of approximately RMB667.28 million, RMB5.51 billion and RMB1.06 billion respectively.

Information on Wuling Industrial and Wuling Liuji

With reference to the Board Letter, Wuling Industrial (a non-wholly-owned subsidiary of the Company) is the principal operating subsidiary of the Group in the business segments of automotive components and other industrial services and specialized vehicles.

With reference to the Board Letter, Wuling Liuji (a wholly-owned subsidiary Wuling Industrial) is the principal operating subsidiary of the Group in the business segment of engines and related parts.

Information on Guangxi Automobile

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

Reasons for and benefits of the provision of the Loans

As mentioned in the section above, the bank borrowings of the Group was on an increasing trend (i.e. from approximately RMB55.90 million as at 31 December 2016 to approximately RMB1.06 billion as at 30 June 2018). The Directors consider that the Loans will provide an alternative source of finance in addition to the general banking facilities and will be used as general working capital.

With reference to the Board Letter, to ensure adequate funds and working capital are available for Wuling Industrial's and Wuling Liuji's respective operating and investing activities, in addition to the cash generated from the operating activities, each of Wuling Industrial and Wuling Liuji would apply for and be granted with banking facilities (including bank loans (secured or unsecured) and advances drawn on bills receivables discounted with recourse) subject to the offer and approval by the banks and the approval by the respective management of Wuling Industrial and Wuling Liuji. Besides, unsecured loans and advances may also be sought and be granted from Guangxi Automobile occasionally. In this regard, the management of Wuling Industrial and Wuling Liuji would base on the terms and conditions offered by the respective lenders (primarily the interest rates to be charged and the collaterals required) to arrive at the most desirable financing arrangements to their operations.

Pursuant to the Loan Agreements, (i) the interest rate(s) of the Loans shall be the lowest interest rate(s) offered by banks as obtained by Wuling Industrial and Wuling Liuji, respectively, for similar type of facilities pledged with bill receivables at the time of drawdown; and (ii) the drawdown amount of the Wuling Industrial Loan and the Wuling Liuji Loan will be secured by the same amount of bill receivables of Wuling Industrial and Wuling Liuji to be assigned to Guangxi Automobile.

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Having considered the above, we concur with the Directors that the provision of the Loans are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Principal terms of the Loan Agreements

Date:

23 November 2018

Parties:

- (a) Wuling Industrial Loan — Guangxi Automobile as the lender and Wuling Industrial as the borrower
- (b) Wuling Liuji Loan — Guangxi Automobile as the lender and Wuling Liuji as the borrower

Term:

Not more than six (6) months from the date of each drawdown

Availability period:

From 1 January 2019 to 31 December 2021

Types of facilities:

Loans and advances pledged with bill receivables

Security:

The drawdown amount of the Wuling Industrial Loan and the Wuling Liuji Loan will be secured by the same amount of bill receivables of Wuling Industrial and Wuling Liuji to be assigned to Guangxi Automobile

Interest rate and payment:

The lowest interest rate offered by banks as obtained by Wuling Industrial and Wuling Liuji, respectively, for similar type of facilities pledged with bill receivables at the time of drawdown. Interest will be accrued on a monthly basis and payment of which will be made by Wuling Industrial or Wuling Liuji to Guangxi Automobile within 10 days in the following month upon presentation of the relevant VAT invoice by Guangxi Automobile.

With reference to the Board Letter, at least three offers would be obtained from the banks for reference before the drawdown of the Loans. The interest rate would be determined by reference to the statutory lending rate of the People's Bank of China if Wuling Industrial or Wuling Liuji fails to obtain any bank offers.

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As further mentioned in the Board Letter, each of Wuling Industrial and Wuling Liuji has engaged into unsecured bills discounted activities with Guangxi Automobile (without recourse) during FY2017 and the ten months ended 31 October 2018. As advised by the Directors, the interest rate offered by Guangxi Automobile from such activities was also determined by the lowest interest rate offered by banks as obtained by Wuling Industrial and Wuling Liuji respectively for similar type of bill discounted facilities. Having considered that the interest rates of the Loans (i) would be determined with reference to the rates available in the market (i.e. the lowest interest rate as obtained from at least three banks offers); and (ii) if no bank offers can be obtained, would be determined by reference to the statutory lending rate of the People's Bank of China, we consider the basis of determination of the interest rate to be reasonable.

With reference to the Board Letter, the Group will adopt certain internal control procedures in relation to the provision of the Loans, details of which are set out in the section headed "Internal Control Procedures In Relation To The Application And Drawdown Of Wuling Industrial Loans And Wuling Liuji Loans" of the Board Letter. Having considered, in particular, that

- (i) pursuant to the terms of the Loan Agreements, the amount of security is the same as the drawdown amount of the Loans;
- (ii) the respective Treasury Officer, with the assistance of the respective finance department, would inquire the respective banks for obtaining the quotes of the available banking facilities, including bank loans (secured or unsecured) and advances drawn on bills receivables discounted with recourse; and
- (iii) the submission of an application to Guangxi Automobile for the granting of loans and advances would be reviewed and approved by the respective financial controller and general manager of Wuling Industrial and Wuling Liuji,

we consider the effective implementation of the aforesaid internal control procedures would help to ensure fair terms of the Loans (in particular the interest rate) according to the terms of the Loan Agreements.

Facility amount:

(a) the Wuling Industrial Loan

Maximum limits of RMB3,000,000,000, RMB3,300,000,000 and RMB3,600,000,000 respectively for the year ended 31 December 2019, 2020 and 2021 (the "**Wuling Industrial Maximum Limit(s)**") respectively, subject to the fulfilment of the condition precedent (as appropriate) and the approval of Guangxi Automobile (as the lender) from time to time.

With reference to the Board Letter, the maximum limits were determined by reference to the total amount of bill receivables obtained from customers and the amount utilized for bills discounted activities by Wuling Industrial for FY2017 and the ten

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months ended 31 October 2018. The total amount of bill receivables obtained from customers by Wuling Industrial for FY2017 and the ten months ended 31 October 2018 were approximately RMB11,480 million and RMB15,130 million respectively, in which approximately RMB4,071 million and RMB3,717 million were utilized for bills discounted activities (i.e. approximately 35.46% and 24.57% of bill receivables utilized for bill discounted activities for FY2017 and the ten months ended 31 October 2018 respectively, with an average utilization of approximately 30.02% (the “**Wuling Industrial Average**”). There is no limit on the number of drawdown in each year and the amount drawn and repaid cannot be redrawn.

For our due diligence purpose, we obtained information of Wuling Industrial showing the amount of bill receivables recorded by Wuling Industrial. We noted from such document that the bill receivables of Wuling Industrial amounted to approximately RMB12.66 billion, RMB11.48 billion and RMB15.13 billion respectively for FY2016, FY2017 and the ten months ended 31 October 2018 (for illustration purpose only, the annualized amount for the year ending 31 December 2018 amounts to approximately RMB18.16 billion, i.e. RMB15.13 billion x 12/10). The products of “the Wuling Industrial Average” and “the bill receivables recorded by Wuling Industrial for FY2016, FY2017 and the annualized amount for the year ending 31 December 2018” amount to approximately RMB3.80 billion, RMB3.45 billion and RMB5.45 billion (the “**Wuling Industrial Products**”). The Wuling Industrial Maximum Limits are close to/ within the range of Wuling Industrial Products.

(b) the Wuling Liuji Loan

Maximum limits of RMB1,600,000,000, RMB1,800,000,000 and RMB2,000,000,000 respectively for the year ended 31 December 2019, 2020 and 2021 (the “**Wuling Liuji Maximum Limit(s)**”) respectively, subject to the fulfilment of the condition precedent (as appropriate) and the approval of Guangxi Automobile (as the lender) from time to time.

With reference to the Board Letter, the maximum limits were determined by reference to the total amount of bill receivables obtained from customers and the amount utilized for bills discounted activities by Wuling Liuji for FY2017 and the ten months ended 31 October 2018. The total amount of bill receivables obtained from customers by Wuling Liuji for FY2017 and the 10 months ended 31 October 2018 were approximately RMB2,740 million and RMB1,230 million respectively, in which approximately RMB1,907 million and RMB860 million were utilized for bills discounted activities (i.e. approximately 69.60% and 69.92% of bill receivables utilized for bill discounted activities for FY2017 and the ten months ended 31 October 2018 respectively, with an average utilization of approximately 69.76% (the “**Wuling Liuji Average**”). There is no limit on the number of drawdown in each year and the amount drawn and repaid cannot be redrawn.

For our due diligence purpose, we obtained information of Wuling Liuji showing the amount of bill receivables recorded by Wuling Liuji. We noted such document that the bill receivables of Wuling Liuji amounted to approximately RMB2.97 billion, RMB2.74

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billion and RMB1.23 billion respectively for FY2016, FY2017 and the ten months ended 31 October 2018 (for illustration purpose only, the annualized amount for the year ending 31 December 2018 amounts to approximately RMB1.48 billion, i.e. RMB1.23 billion x 12/10). The products of “the Wuling Liuji Average” and “the bill receivables recorded by Wuling Liuji for FY2016, FY2017 and the annualized amount for the year ending 31 December 2018” amount to approximately RMB2.07 billion, RMB1.91 billion and RMB1.03 billion (the “**Wuling Liuji Products**”). The Wuling Liuji Maximum Limits are close to/ within the range of Wuling Industrial Products.

In light of the above, we consider the Wuling Industrial Maximum Limits and the Wuling Liuji Maximum Limits to be justifiable.

Taking into account the above, in particular, (i) that the Group will adopt internal control procedures to ensure fair terms of the Loans (in particular the interest rate) according to the terms of the Loan Agreements; and (ii) the Wuling Industrial Maximum Limits and the Wuling Liuji Maximum Limits being justifiable, we are of the view that the terms of the Loans on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we are also of the view that provision of the Loans is in the interest of the Company and the Shareholders as a whole.

Proposed maximum caps of annual interest:

With reference to the Board Letter, in connection with the interest rate to be charged by and the interest payment to be made to Guangxi Automobile, the Board proposed to adopt maximum caps in respect of the Wuling Industrial Loan (the “**Wuling Industrial Interest Cap(s)**”) and the Wuling Liuji Loan (the “**Wuling Liuji Interest Cap(s)**”) for each of the three years ending 31 December 2019, 2020 and 2021. Details are summarised below:

	Wuling Industrial Loan				Wuling Liuji Loan				
	Total Facility Amount (i.e. the Wuling Industrial Maximum Limits) RMB'000	Estimated Interest Rate per annum	Total Interest Payment RMB'000	Proposed Maximum Caps (i.e. Wuling Industrial Interest Caps) RMB'000	Total Facility Amount (i.e. the Wuling Liuji Maximum Limits) RMB'000	Estimated Interest Rate per annum	Total Interest Payment RMB'000	Proposed Maximum Caps (i.e. Wuling Liuji Interest Caps) RMB'000	Proposed Aggregate Maximum Caps (the “Interest Caps”) RMB'000
For the year ending									
31 December 2019	3,000,000	4.90%	73,500	80,850	1,600,000	4.90%	39,200	43,120	123,970
31 December 2020	3,300,000	4.90%	80,850	88,935	1,800,000	4.90%	44,100	48,510	137,445
31 December 2021	3,600,000	4.90%	88,200	97,020	2,000,000	4.90%	49,000	53,900	150,920

With reference to the Board Letter, Wuling Industrial Interest Caps and the Wuling Liuji Interest Caps were determined by reference to (a) the respective maximum limits of the Wuling Industrial Loans and Wuling Liuji Loans available to be drawn down by Wuling Industrial and Wuling Liuji for each of the three years ending 31 December 2019, 2020 and 2021; multiplied by (b) the historical highest interest rate charged by the bank on advances drawn on bills receivables discounted with recourse during the 10

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months ended 31 October 2018, at (c) a fixed repayment term of 6 months from the date of drawdown, plus (d) a buffer of approximately 10% to account for any unforeseeable circumstances which may give rise to an increase in the interest rate to be charged on advances drawn on bills receivables discounted with recourse.

We noted that the Wuling Industrial Interest Caps were calculated based on (i) the Wuling Industrial Maximum Limits, (ii) an estimated interest rate of 4.9% per annum, (iii) a buffer of 10%, and (iv) a fixed repayment term of 6 months. For our due diligence purpose, we enquired into the Directors for the basis for the estimated interest rate of 4.9% per annum. As advised by the Directors, the estimated interest rate is the highest historical interest rate charged by the bank against Wuling Industrial Group on secured advances drawn on bills receivables discounted with recourse during the 10 months ended 31 October 2018 (being the latest available period for reference as at the date of the Loan Agreements). Having considered that “the 10 months ended 31 October 2018” is the latest available period for reference as at the date of the Loan Agreements (thus better reflect interest rate under recent market condition), we consider the basis for the estimated interest rate of 4.9% per annum to be justifiable.

With reference to the section headed “Financing Activities Of The Wuling Industrial Group” of the Board Letter and as advised by the Directors, Wuling Industrial has engaged in secured bills discounted activities with banks during FY2017 and the ten months ended 31 October 2018. We noted that the highest interest rate charged by banks against Wuling Industrial Group on similar advances drawn on bills receivables discounted with recourse was 4.90% for the ten months ended 31 October 2018 (5.26% for FY2017), which is equal to the estimated interest rate in determining the Wuling Industrial Interest Caps. Having considered that (i) the Wuling Industrial Maximum Limits are justifiable; (ii) the estimated interest rate of 4.9% (the basis of which being justifiable) is same as the highest interest rate charged by banks against Wuling Industrial Group on similar advances drawn on bills receivables discounted with recourse for the ten months ended 31 October 2018; (iii) the buffer accounts for unforeseeable circumstances; and (iv) the fixed repayment term of 6 months is in line with the term of the repayment under the Loan Agreements (i.e. not more than six (6) months from the date of each drawdown), we consider the Wuling Industrial Interest Caps to be justifiable.

As for the Wuling Liuji Interest Caps, we noted that the Wuling Liuji Interest Caps were calculated based on (i) the Wuling Liuji Maximum Limits, (ii) an estimated interest rate of 4.9% per annum, (iii) a buffer of 10%, and (iv) a fixed repayment term of 6 months. For our due diligence purpose, we enquired into the Directors for the basis for the estimated interest rate of 4.9% per annum. As advised by the Directors, the estimated interest rate is the highest historical interest rate charged by the bank against Wuling Industrial Group on secured advances drawn on bills receivables discounted with recourse during the 10 months ended 31 October 2018 (being the latest available period for reference as at the date of the Loan Agreements).

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As mentioned above, for the ten months ended 31 October 2018, the highest interest rate charged by banks against Wuling Industrial Group on similar advances drawn on bills receivables discounted with recourse was 4.90%, which is equal to the estimated interest rate in determining the Wuling Liuji Interest Caps. Having considered that (i) the Wuling Liuji Maximum Limits are justifiable; (ii) the estimated interest rate of 4.9% (the basis of which being justifiable) is same as the highest interest rate charged by banks against Wuling Industrial Group on similar advances drawn on bills receivables discounted with recourse for the ten months ended 31 October 2018; (iii) the buffer accounts for unforeseeable circumstances; and (iv) the fixed repayment term of 6 months is in line with the term of the repayment under the Loan Agreements (i.e. not more than six (6) months from the date of each drawdown), we consider the Wuling Liuji Interest Caps to be justifiable.

Shareholders should note that as the Wuling Industrial Maximum Limits, the Wuling Liuji Maximum Limits and the Interest Caps (collectively, the “Annual Caps”) are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2021, and they do not represent forecasts of amount to be incurred from the provision of the Loans. Consequently, we express no opinion as to how closely the actual drawdown amount and the interest payment under the Loans will correspond with the Annual Caps.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the maximum values of the drawdown under the Loans and the interest payment must be restricted by the Annual Caps; (ii) the terms of the Loans (including the Annual Caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors’ annual review on the terms of the Loans must be included in the Company’s subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the provision of the Loans (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the Annual Caps. In the event that the total amounts of the drawdown under the Loans are anticipated to exceed the Annual Caps, or that there is any proposed material amendment to the terms of the Loans, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

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

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RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Loans are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the provision of the Loans are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the provision of the Loans (including the Annual Caps) and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(i) Directors and chief executive of the Company

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

Long 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

Name of Director	Capacity	Nature of interest	Number of Shares held	Approximate % of the total number of Shares in issue*
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 (“Wuling HK”) (<i>Notes 3 and 4</i>)	Beneficial owner	Corporate Unlisted derivatives	1,243,132,520 357,142,857	60.64% 17.42%
	Sub-total		<u>1,600,275,377</u>	<u>78.06%</u>
Wuling Motors (Hong Kong) Company Limited (“Wuling Motors”) (<i>Notes 3 and 4</i>)	Interest in controlled corporation	Corporate Unlisted derivatives	1,243,132,520 357,142,857	60.64% 17.42%
	Sub-total		<u>1,600,275,377</u>	<u>78.06%</u>
Guangxi Automobile Holdings Limited* (“Guangxi Automobile”) (<i>Notes 3 and 4</i>)	Interest in controlled corporation	Corporate Unlisted derivatives	1,243,132,520 357,142,857	60.64% 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. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

In addition to the Loan Agreements entered into between each of Wuling Industrial and Wuling Liuji, subsidiaries of the Company, as borrowers, and Guangxi Automobile, the controlling Shareholder as lender on 23 November 2018, which details were fully disclosed in the circular, the Company and its subsidiaries entered into the following contracts or arrangements which are significant to the Group:

- (a) 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.

- (b) 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.
- (c) 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.
- (d) 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.

5. 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.

6. CONSENT AND QUALIFICATION OF EXPERT

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

Name	Qualification
Gram Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) of the regulated activity under the SFO

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

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

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

7. 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.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Loan Agreements will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any business day at the principal place of business of the Company in Hong Kong at Unit 1901, 19/F, Beautiful Group Tower, 77 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the SGM of the Company to be held on 31 January 2019.

NOTICE OF THE SGM



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

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

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Wuling Motors Holdings Limited (the “Company”) will be held at Unit 1901, 19/F., Beautiful Group Tower 77 Connaught Road Central, Hong Kong on Thursday, 31 January 2019 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions, which will be proposed as ordinary resolution of the Company:

ORDINARY RESOLUTION

Words and expressions that are not expressly defined in this notice shall bear the same meaning as that defined in the circular of the Company dated 2 January 2019 (the “Circular”).

“THAT:

- (a) the Loan Agreements (copies of which have been tabled at the meeting marked “A” and signed by the chairman of the meeting for identification purpose) and all transactions contemplated thereunder, be and are hereby approved, ratified and confirmed;
- (b) the caps of the annual interest payment to be charged under the Loan Agreements as set out in the Circular be and are hereby approved; and
- (c) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors in their discretion may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Loan Agreements and any of the transactions contemplated thereunder and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the Loan Agreements) as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole.”

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

Hong Kong, 2 January 2019

NOTICE OF THE SGM

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

Notes:

1. Unless otherwise defined in this notice or context requires otherwise, terms defined in the Company's circular dated 2 January 2019 ("Circular") shall have the same meanings when used in this notice.
2. Any member entitled to attend and vote at the SGM (or at any adjournment thereof) is entitled to appoint one or more proxies to attend and, in the event of poll, vote instead of him. A proxy need not be a member of the Company.
3. Where there are joint holders of any Share(s), any one of such persons may vote at the SGM, either personally or by proxy, in respect of such Share(s) as if he were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the registers of members of the Company in respect of such Share(s) will alone be entitled to vote in respect thereof.
4. The register of members of the Company will be closed from Monday, 28 January 2019 to Thursday, 31 January 2019 (both dates inclusive), for the purpose of determining the Shareholders' eligibility to attend and vote at the SGM and during which period no transfer of the Share(s) will be effected. In order to qualify for attendance of the SGM, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 25 January 2019.
5. A form of proxy for use in connection with the SGM is enclosed and such form is also published on the website of the Stock Exchange (www.hkexnews.hk).
6. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM (or at any adjournment thereof). Completion and return of the forms of proxy will not preclude a member from attending the SGM and voting in person if he so wishes. In this event that a member attends the SGM after having lodged his form of proxy, his form of proxy will be deemed to have been revoked.
7. Shareholders are advised to read the Circular which contains information concerning the resolution to be proposed in this notice.
8. The ordinary resolution to be proposed at the SGM shall be decided by way of poll.