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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)

**CONTINUING CONNECTED TRANSACTIONS —
2020–2022 MASTER AGREEMENT**

Financial Adviser to the Company



Celestial Capital Limited

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



A letter from the Board is set out on pages 9 to 32 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 33 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 34 to 51 of this circular.

A notice convening the SGM to be held at Unit 1901, 19/F., Beautiful Group Tower, 77 Connaught Road Central, Hong Kong on Monday, 20 January 2020 at 10:00 a.m. is set out on pages 59 and 60 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

27 December 2019

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DEFINITIONS

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

“2017–2019 Master Agreement”	the agreement dated 16 November 2016 entered into between Wuling Industrial and Guangxi Automobile in relation to the Existing CCTs for a term of three years from 1 January 2017 to 31 December 2019
“2020–2022 Master Agreement”	the agreement dated 22 November 2019 entered into between Wuling Industrial and Guangxi Automobile in relation to the New CCTs for a term of three years from 1 January 2020 to 31 December 2022
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BML Purchase Transactions”	purchase of certain automotive air-conditioners-related parts and accessories by the Wuling Industrial Group from 柳州五菱寶馬利汽車空調有限公司(Liuzhou Wuling Baomali Automotive Air-Conditioner Co., Limited*), a company established in the PRC and was an associate of Guangxi Automobile pursuant to the Listing Rules. BML Purchase Transactions form part of the Purchase (Materials and Parts) Transactions under the 2017–2019 Master Agreement (as supplemented by the Supplemental Agreements), hence the Existing CCTs
“Board”	the board of Directors
“Company”	Wuling Motors Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 305.HK)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Annual Caps”	the annual caps of the Existing CCTs set out in the 2017–2019 Master Agreement for each of the three years ending 31 December 2019

DEFINITIONS

“Existing CCTs”	continuing connected transactions of the Group carried out by the Wuling Industrial Group pursuant to the 2017–2019 Master Agreement (as supplemented by the Supplements Agreements) or the WS Continuing S&P Agreement, including the Sale Transactions (being the GL Sale Transactions, the GB Sale Transactions and the WS Sale Transactions), the Purchase (Materials and Parts) Transactions (being the GL Purchase Transactions, the WS Purchase Transactions and the BML Purchase Transactions), the Purchase (Finished Products) Transactions (being the GB Purchase Transactions) and the Utility Supply Transactions (being the GL Utility Supply Transactions)
“GB Purchase Transactions”	purchase of vehicles, mainly passenger mini-buses, primarily passenger coaches and mini-buses and related products by Wuling Industrial Group from Guilin Bus. GB Purchase Transactions form part of the Existing CCTs pursuant to the 2017–2019 Master Agreement (as supplemented by the Supplemental Agreements), and also form part of the Purchase (Finished Products) Transactions under the 2020–2022 Master Agreement, hence the New CCTs
“GB Sale Transactions”	sale of engines, automotive parts, raw materials, consumables and materials by the Wuling Industrial Group to Guilin Bus. GB Sale Transactions form part of the Existing CCTs pursuant to the 2017–2019 Master Agreement (as supplemented by the Supplemental Agreements), and also form part of the Sale Transactions under the 2020–2022 Master Agreement, hence the New CCTs
“GL Purchase Transactions”	purchase of automotive parts, moulds and toolings, scrap materials and other related products by Wuling Industrial Group from Guangling. GL Purchase Transactions form part of the Existing CCTs pursuant to the 2017–2019 Master Agreement (as supplemented by the Supplemental Agreements), and also form part of the Purchase (Materials and Parts) Transactions under the 2020–2022 Master Agreement, hence the New CCTs

DEFINITIONS

“GL Sale Transactions”	sale of automotive parts and related products by Wuling Industrial Group to Guangling. GL Sale Transactions form part of the Existing CCTs pursuant to the 2017–2019 Master Agreement (as supplemented by the Supplemental Agreements), and also form part of the Sale Transactions under the 2020–2022 Master Agreement, hence the New CCTs
“GL Utility Supply Transactions”	provision of water and power supply services by Wuling Industrial Group to Guangling. GL Utility Supply Transactions form part of the Existing CCTs pursuant to the 2017–2019 Master Agreement (as supplemented by the Supplemental Agreements), and also form part of the Utility Supply Transactions under the 2020–2022 Master Agreement, hence the New CCTs
“Group”	the Company and its subsidiaries
“Guangling”	柳州廣菱汽車技術有限公司 (Liuzhou Guangling Motors Technology Limited*), a company established in the PRC of which Guangxi Automobile was beneficially interested in approximately 50.1% of its total registered capital as at the Latest Practicable Date
“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 of the Company which is indirectly interested in approximately 60.64% of the total number of Shares in issue of the Company
“Guangxi Automobile Group”	Guangxi Automobile, its subsidiaries and associates (excluding the Group, and including but not limited to 柳州五菱寶馬利汽車空調有限公司 (Liuzhou Wuling Baomali Automotive Air-Conditioner Co., Limited*), Guangling, Guilin Bus, Qingdao Wushun, Wuling Auto Tech, Guangxi Guangyu and Wuling Real Estate)
“Guangxi Guangyu”	廣西光裕新能源汽車空調壓縮機有限公司 (Guangxi Guangyu New Energy Vehicles Air-conditioner Compressor Co., Limited*), a company established in the PRC of which Guangxi Automobile was beneficially interested in approximately 50% of its total registered capital as at the Latest Practicable Date

DEFINITIONS

“Guilin Bus”	桂林客車發展有限責任公司 (Guilin Bus Development Co., Limited*), a company established in the PRC of which Guangxi Automobile was beneficially interested in approximately 70% of its total registered capital as at the Latest Practicable Date
“GXGY Purchase Transactions”	purchase of certain automotive air-conditioner-related parts and accessories by the Wuling Industrial Group from Guangxi Guangyu. GXGY Purchase Transactions form part of the Purchase (Materials and Parts) Transactions under the 2020–2022 Master Agreement, hence the New CCTs
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company (which comprises all independent non-executive Directors) formed to consider the terms of the 2020–2022 Master Agreement and the Sale Transactions, the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions (together with the Proposed Annual Caps of each of such continuing connected transactions which are subject to Independent Shareholders’ approval requirement under the Listing Rules as mentioned above) contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the 2020–2022 Master Agreement and the Sale Transactions, the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions (together with the Proposed Annual Caps of each of such continuing connected transactions which are subject to Independent Shareholders’ approval requirement under the Listing Rules as mentioned above) contemplated thereunder
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any of the directors, chief executives or substantial shareholders of the Company or subsidiaries of the Company or any of their respective associate

DEFINITIONS

“Independent Shareholder(s)”	Shareholder(s) other than Guangxi Automobile and its associates
“Latest Practicable Date”	20 December 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contain herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New CCTs”	Continuing connected transactions of the Group to be carried out by the Wuling Industrial Group pursuant to the 2020–2022 Master Agreement, including the Sale Transactions (being the GL Sale Transactions, the GB Sale Transactions, the WS Sale Transactions and the WAT Sale Transactions), the Purchase (Materials and Parts) Transactions (being the GL Purchase Transactions, the WS Purchase Transactions and the GXGY Purchase Transactions), the Purchase (Finished Products) Transactions (being the GB Purchase Transactions) and the Utility Supply Transactions (being the GL Utility Supply Transactions and the WRE Utility Supply Transactions)
“PRC”	the People’s Republic of China
“Proposed Annual Caps”	the proposed annual caps of the New CCTs set out in the 2020–2022 Master Agreement for each of the three years ending 31 December 2022
“Purchase (Finished Products) Transactions”	purchase of vehicles mainly passenger mini-buses, primarily passenger coaches and mini-buses and related products by the Wuling Industrial Group from the Guangxi Automobile Group, including the GB Purchase Transactions and any transactions of similar nature that may be entered into between the two groups

DEFINITIONS

“Purchase (Materials and Parts) Transactions”	purchase of various types of automotives parts and accessories, moulds and toolings, scrap materials, automotive air-conditioner-related parts and accessories, by the Wuling Industrial Group from the Guangxi Automobile Group, including the GL Purchase Transactions, the WS Purchase Transactions and the GXGY Purchase Transactions (applicable for the three years ending on 31 December 2022 pursuant to the 2020–2022 Master Agreement only) or the BML Purchase Transactions (applicable for the three years from 2017 to 2019 pursuant to the 2017–2019 Master Agreement only) and any transactions of similar nature that may be entered into between the two groups
“Qingdao Wushun”	青島五順汽車模具部件有限公司 (Qingdao Wushun Car Molding Tool Parts Co., Limited*), a company established in the PRC and the equity interest of which is held as to approximately 70% by Guangxi Automobile
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Transactions”	sale of engines, various types of automotive parts and accessories, raw materials (including steel) and other consumables and materials by the Wuling Industrial Group to the Guangxi Automobile Group, including the GL Sale Transactions, the GB Sale Transactions, the WS Sale Transactions and the WAT Sale Transactions (applicable for the three years ending on 31 December 2022 pursuant to the 2020–2022 Master Agreement only) and any transactions of similar nature that may be entered into between the two groups
“SGM”	the special general meeting of the Company to be held on Monday, 20 January 2020 to approve the 2020–2022 Master Agreement and the transactions contemplated thereunder, including the New CCTs (other than the Utility Supply Transactions) and the Proposed Annual Caps (other than the Proposed Annual Caps of the Utility Supply Transactions)
“Share(s)”	ordinary share(s) of HK\$0.004 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the ordinary share(s) of the Company

DEFINITIONS

“Specific Product & Service Contract”	the product/service contract to be entered into by the respective members of the Wuling Industrial Group and the Guangxi Automobile Group setting out the detailed terms of a transaction to be carried out pursuant to the 2020–2022 Master Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	three supplemental agreements to the 2017–2019 Master Agreement entered into by Wuling Industrial and Guangxi Automobile, dated 28 April 2017, 17 May 2017 and 15 June 2018 respectively
“Utility Supply Transactions”	provision of utilities, including water and power supplies, by the Wuling Industrial Group to the Guangxi Automobile Group, including the GL Utility Supply Transactions and the WRE Utility Supply Transactions (applicable for the three years ending on 31 December 2022 pursuant to the 2020–2022 Master Agreement only) and any transactions of similar nature that may be entered into between the two groups
“WAT Sale Transactions”	sale of various types of automotive parts and accessories by Wuling Industrial Group to Wuling Auto Tech. WAT Sale Transactions form part of the Sale Transactions under the 2020–2022 Master Agreement, hence the New CCTs
“WRE Utility Supply Transactions”	provision of utilities, including water and power supply, by the Wuling Industrial Group to Wuling Real Estate. WRE Utility Supply Transactions form part of the Utility Supply Transactions under the 2020–2022 Master Agreement, hence the New CCTs
“WS Continuing S&P Agreements”	three agreements all dated 12 July 2019 and entered into between Wuling Industrial and Qingdao Wushun in relation to supply and acquisition of certain automotive parts and accessories between the parties during the period from 12 July 2019 to 31 December 2019, details of which were set out in the Company’s announcements date 12 July 2019 and 19 July 2019

DEFINITIONS

“WS Purchase Transactions”	purchase of various types of automotive parts and accessories by the Wuling Industrial Group from Qingdao Wushun. WS Purchase Transactions form part of the Existing CCTs pursuant to the WS Continuing S&P Agreements, and also form part of the Purchase (Materials and Parts) Transactions under the 2020–2022 Master Agreement, hence the New CCTs
“WS Sale Transactions”	sale of various types of automotive parts and accessories by the Wuling Industrial Group to Qingdao Wushun. WS Sale Transactions form part of the Existing CCTs pursuant to the WS Continuing S&P Agreements, and also form part of the Sale Transactions under the 2020–2022 Master Agreement, hence the New CCTs
“Wuling Auto Tech”	柳州五菱汽车科技有限公司 (Liuzhou Wuling Automotive Technology Limited*) a company established in the PRC and is currently a 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
“Wuling Real Estate”	柳州五菱置業投資有限公司 (Liuzhou Wuling Real Estate Limited*) a company established in the PRC and is currently a wholly-owned subsidiary of Guangxi Automobile
“%”	per cent

* 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. Yang Jianyong
Mr. Wang Zhengtong

*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:

Victoria Place
5th Floor, 31 Victoria Street
Hamilton HM10
Bermuda

Hong Kong, 27 December 2019

To the Shareholders,

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS —
2020–2022 MASTER AGREEMENT**

I. INTRODUCTION

References are made to (i) the announcements of the Company dated 16 November 2016, 24 November 2016, 28 April 2017, 17 May 2017 and 15 June 2018, together with the circulars of the Company dated 15 December 2016, 13 June 2017 and 20 July 2018, in relation to the 2017–2019 Master Agreement and the Supplemental Agreements; and (ii) the announcements of the Company dated 12 July 2019 and 19 July 2019 relating to the WS Continuing S&P Agreements. The Existing CCTs between the Wuling Industrial Group and the Guangxi Automobile Group has been carried out according to the terms and conditions stipulated in the 2017–2019 Master Agreement (as supplemented by the Supplemental Agreements) or the WS Continuing S&P Agreements.

Reference is further made to the announcement of the Company dated 22 November 2019. As some of the Existing CCTs are expected to continue after the expiration of the 2017–2019 Master Agreement and the parties intend to carry out certain other continuing connected transactions from year 2020 to year 2022, on 22 November 2019 (after trading hours), Wuling Industrial and Guangxi Automobile entered into the 2020–2022 Master Agreement to govern the New CCTs between the Wuling Industrial Group and the Guangxi Automobile Group for a term of three years from 1 January 2020 to 31 December 2022.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the 2020–2022 Master Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders giving its recommendation and a letter from Gram Capital to the Independent Board Committee and the Independent Shareholders containing its advice and recommendation, all relating to the 2020–2022 Master Agreement and the transactions contemplated thereunder, including the New CCTs (other than the Utility Supply Transactions) and the Proposed Annual Caps (other than the Proposed Annual Caps of the Utility Supply Transactions); and (iii) a notice of the SGM.

II. THE 2020–2022 MASTER AGREEMENT

The principal terms of the 2020–2022 Master Agreement are summarised as follows:

Date: 22 November 2019

Parties: (a) Wuling Industrial, a non-wholly owned subsidiary of the Company; and

(b) Guangxi Automobile, being the controlling Shareholder which is currently indirectly interested in approximately 60.64% of the total number of Shares in issue and is a connected person of the Company under the Listing Rules.

Scope of products and services to be provided or received: The New CCTs to be carried are categorized into four types as follows:

Sale Transactions

The Wuling Industrial Group has conditionally agreed to supply certain automotive components and materials for production and trading purposes (including engines, various types of automotive parts and accessories, raw materials (including steel) and other consumables and materials) to the Guangxi Automobile Group. The Sale Transactions shall include the GL Sale Transactions, the GB Sale Transactions, the WS Sale Transactions and the WAT Sale Transactions.

LETTER FROM THE BOARD

Purchase (Materials and Parts) Transactions

The Wuling Industrial Group has conditionally agreed to purchase certain automotive components and related products for production and trading purposes (including various types of automotive parts and accessories, moulds and toolings, scrap materials, automotive air-conditioner-related parts and accessories) from the Guangxi Automobile Group. The Purchase (Materials and Parts) Transactions shall include the GL Purchase Transactions, the GXGY Purchase Transactions and the WS Purchase Transactions.

Purchase (Finished Products) Transactions

The Wuling Industrial Group has conditionally agreed to purchase vehicles and related products from the Guangxi Automobile Group for trading purpose. The Purchase (Finished Products) Transactions shall include the GB Purchase Transactions.

Utility Supply Transactions

The Wuling Industrial Group has conditionally agreed to provide water and power supply services to the Guangxi Automobile Group. The Utility Supply Transactions shall include the GL Utility Supply Transactions and the WRE Utility Supply Transactions.

Term: Three years from 1 January 2020 to 31 December 2022 (both dates inclusive).

Pricing principles: The pricing for the products or services acquired by the Wuling Industrial Group from the Guangxi Automobile Group, or vice versa, will be determined:

- (i) with references to the relevant market prices; or
- (ii) (if market prices are not available) on fair basis, and on normal commercial terms or on terms which are no less favorable than those available to the Wuling Industrial Group from the Independent Third Parties or those offered by the Guangxi Automobile Group to the Independent Third Parties.

LETTER FROM THE BOARD

- Payment terms:** Payments for the products or services acquired by the Wuling Industrial Group from the Guangxi Automobile Group, or vice versa, will be settled by way of cash or in other manner(s) as agreed by the parties and in accordance with the agreed timing and manners as specified in the Specific Product & Service Contracts to be entered into between the Wuling Industrial Group and the Guangxi Automobile Group. The payment terms will be on market terms which are no less favorable than those obtainable by the Wuling Industrial Group from the Independent Third Parties or those offered by the Guangxi Automobile Group to the Independent Third Parties.
- Condition precedent:** The 2020–2022 Master Agreement, together with the transactions contemplated thereunder (including but not limited to the New CCTs), is conditional upon (i) the approval of the Independent Shareholders in respect of the 2020–2022 Master Agreement, the Sale Transactions, the Purchase (Materials and Parts) Transactions, the Purchase (Finished Products) Transactions and the respective Proposed Annual Caps thereof being obtained at the SGM; and (ii) the compliance of any other applicable laws and regulations (including but not limited to the Listing Rules) by the parties.
- Termination:** If any transaction under the 2020–2022 Master Agreement fails to meet the requirements under the Listing Rules with regard to continuing connected transactions, such transaction shall be terminated immediately. If any Specific Product & Service Contract and the transactions contemplated thereunder fail to meet the principles of the 2020–2022 Master Agreement or would result in the actual amount of the relevant New CCTs on annual basis exceeding the related Proposed Annual Cap, such Specific Product & Service Contract shall then be terminated.
- In addition, the 2020–2022 Master Agreement should be terminated upon occurrence of any of the following events:
- (i) all transactions proceeded pursuant to the 2020–2022 Master Agreement having been terminated pursuant to the arrangements hereabove mentioned; or
 - (ii) three-month written notice of termination having been served by a party to the 2020–2022 Master Agreement.

LETTER FROM THE BOARD

III. HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS

The table (the “**Table**”) below sets out (i) the Existing Annual Caps, (ii) the historical transaction amounts of the Existing CCTs for the years ended 31 December 2017 and 2018 and for the nine months ended 30 September 2019, and (iii) the Proposed Annual Caps for each of the three years ending 31 December 2020, 2021 and 2022, in respect of the Existing CCTs and the New CCTs, where applicable.

Sale Transactions

<u>Existing Annual Caps</u>			<u>Historical transaction amounts</u>			<u>Proposed Annual Caps</u>		
<u>Year ended 31 December</u>			<u>Year ended 31 December</u>		<u>Nine months ended 30 September</u>	<u>Year ending 31 December</u>		
<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>(Audited)</i> <i>RMB'000</i>	<i>(Audited)</i> <i>RMB'000</i>	<i>(Unaudited)</i> <i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>GL Sale Transactions</i>								
170,000	175,000	175,000	116,836	39,841	11,629	10,578	11,107	11,662
			<i>Existing Annual Cap utilization rate:</i>					
			68.73%	22.77%	6.64%			
<i>GB Sale Transactions</i>								
360,000	460,000	570,000	235,618	42,693	12,471	69,874	95,404	126,850
			<i>Existing Annual Cap utilization rate:</i>					
			65.45%	9.28%	2.19%			
<i>WS Sale Transactions (Note 1)</i>								
N/A	N/A	12,270	N/A	N/A	7,773	172,238	165,859	166,359
			<i>Existing Annual Cap utilization rate:</i>					
			N/A	N/A	63.35%			
<i>WAT Sale Transactions (Note 2)</i>								
N/A	N/A	N/A	N/A	N/A	N/A	16,585	21,552	32,314
			<i>Existing Annual Cap utilization rate:</i>					
			N/A	N/A	N/A			
Sub-Total						269,275	293,922	337,185
Buffer of about 10%						26,725	29,378	33,815
Aggregate Proposed Annual Caps for Sale Transactions						<u>296,000</u>	<u>323,300</u>	<u>371,000</u>

LETTER FROM THE BOARD

Purchase (Materials and Parts) Transactions

Existing Annual Caps			Historical transaction amounts			Proposed Annual Caps			
Year ended 31 December			Year ended 31 December		Nine months ended 30 September	Year ending 31 December			
2017	2018	2019	2017	2018	2019	2020	2021	2022	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>(Audited) RMB'000</i>	<i>(Audited) RMB'000</i>	<i>(Unaudited) RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
<i>GL Purchase Transactions</i>									
57,000	65,000	60,000	38,846	27,931	22,261	60,277	67,825	84,298	
			<i>Existing Annual Cap utilization rate:</i>						
			68.15%	42.97%	37.10%				
<i>WS Purchase Transactions (Note 1)</i>									
N/A	N/A	14,272	N/A	N/A	9,673	85,531	86,468	95,731	
			<i>Existing Annual Cap utilization rate:</i>						
			N/A	N/A	67.77%				
<i>GXGY Purchase Transactions (Note 2)</i>									
N/A	N/A	N/A	N/A	N/A	N/A	6,471	16,717	32,060	
			<i>Existing Annual Cap utilization rate:</i>						
			N/A	N/A	N/A				
<i>BML Purchase Transactions (Note 3)</i>									
23,000	29,000	31,000	8,364	2,596	1,434	N/A	N/A	N/A	
			<i>Existing Annual Cap utilization rate:</i>						
			36.37%	8.95%	4.63%				
						Sub-Total	152,279	171,010	212,089
						Buffer of about 10%	15,321	17,190	21,211
Aggregate Proposed Annual Caps for Purchase (Materials and Parts)									
Transactions						167,600	188,200	233,300	

LETTER FROM THE BOARD

Purchase (Finished Products) Transactions

<u>Existing Annual Caps</u>			<u>Historical transaction amounts</u>			<u>Proposed Annual Caps</u>		
<u>Year ended 31 December</u>			<u>Year ended 31 December</u>		<u>Nine months ended 30 September</u>	<u>Year ending 31 December</u>		
2017	2018	2019	2017	2018	2019	2020	2021	2022
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>(Audited)</i> <i>RMB'000</i>	<i>(Audited)</i> <i>RMB'000</i>	<i>(Unaudited)</i> <i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>GB Purchase Transactions</i>								
575,000	750,000	850,000	296,739	193,599	14,571	310,531	422,699	454,802
			<i>Existing Annual Cap utilization rate:</i>					
			51.61%	25.81%	1.71%			
			Buffer of about 10%			30,469	42,301	45,198
Aggregate Proposed Annual Caps for Purchase (Finished Products) Transactions						<u>341,000</u>	<u>465,000</u>	<u>500,000</u>

Utility Supply Transactions

<u>Existing Annual Caps</u>			<u>Historical transaction amounts</u>			<u>Proposed Annual Caps</u>		
<u>Year ended 31 December</u>			<u>Year ended 31 December</u>		<u>Nine months ended 30 September</u>	<u>Year ending 31 December</u>		
2017	2018	2019	2017	2018	2019	2020	2021	2022
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>(Audited)</i> <i>RMB'000</i>	<i>(Audited)</i> <i>RMB'000</i>	<i>(Unaudited)</i> <i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>GL Utility Supply Transactions</i>								
6,000	6,500	6,500	4,192	4,371	2,450	7,101	7,457	7,829
			<i>Existing Annual Cap utilization rate:</i>					
			69.87%	67.25%	37.70%			
<i>WRE Utility Supply Transactions (Note 2)</i>								
N/A	N/A	N/A	N/A	N/A	N/A	1,269	1,333	1,399
			<i>Existing Annual Cap utilization rate:</i>					
			N/A	N/A	N/A			
Sub-Total						8,370	8,790	9,228
Buffer of about 10%						830	910	872
Aggregate Proposed Annual Caps for Utility Supply Transactions						<u>9,200</u>	<u>9,700</u>	<u>10,100</u>

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Notes:

1. WS Sale Transactions and WS Purchase Transactions have been carried out pursuant to the WS Continuing S&P Agreements which became effective on 12 July 2019.
2. WAT Sale Transactions, GXGY Purchase Transactions and WRE Utility Supply Transactions are newly agreed transactions between the Wuling Industrial Group and the Guangxi Automobile Group under the 2020–2022 Master Agreement.
3. BML Purchase Transactions are Existing CCTs which would not be carried out by the parties after expiry of the 2017–2019 Master Agreement.
4. The utilization rate of an Existing CCT for the nine months ended 30 September 2019 is calculated based on the historical transaction amounts for the nine months ended 30 September 2019 of the Existing CCT against the relevant Existing Annual Cap for the year ending 31 December 2019.
5. The amounts set out in the Table have not included any value-added tax.

The New CCTs under the 2020–2022 Master Agreement are categorized into four main categories namely (i) the Sale Transactions; (ii) the Purchase (Materials and Parts) Transactions; (iii) the Purchase (Finished Products) Transactions; and (iv) the Utility Supply Transactions, which are determined in accordance with the nature of the subject products/services and activities.

Pursuant to the 2020–2022 Master Agreement, (i) the Proposed Annual Cap of a particular New CCT cannot be applied to any other New CCT; and (ii) the buffer (the “**Buffer**”) with regard to a specific category of New CCTs with similar nature, namely the Sale Transactions, the Purchase (Materials and Parts) Transactions, the Purchase (Finished Products) Transactions and the Utility Supply Transactions, could be applied for such type of New CCTs (within the same category) to be carried out between any member of the Wuling Industrial Group and any member of the Guangxi Automobile Group upon complying with the terms and conditions stipulated in the 2020–2022 Master Agreement. The Buffer of each category of New CCTs has been set at about 10% of the currently estimated aggregate transaction amounts, on annual basis, of the relevant category of New CCTs as detailed in the Table.

(i) Historical transaction amounts

The Existing Annual Caps (i) were approved by the then Independent Shareholders at the general meetings of the Company respectively held on 6 January 2017, 30 June 2017 and 9 August 2018 convened to approve, among others, the 2017–2019 Master Agreement and the Supplemental Agreements; and (ii) were disclosed in the announcements of the Company dated 12 July 2019 and 19 July 2019 relating to the WS Continuing S&P Agreements which were not subject to the Independent Shareholders’ approval requirement under the Listing Rules.

The respective aggregate annual transaction amounts for the respective years ended 31 December 2017 and 2018, and the aggregate transaction amounts for the nine months ended 30 September 2019, of the Existing CCTs, as demonstrated in the Table, did not exceed the relevant Existing Annual Caps for such years/period. In addition, the Board

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has anticipated that the aggregate annual transaction amounts of any Existing CCT for the year ending 31 December 2019 will not exceed the relevant Existing Annual Cap for the year ending 31 December 2019.

The Company will continue to monitor the Existing CCTs to ensure that the respective aggregate annual transaction amounts do not exceed the relevant Existing Annual Caps for the year ending 31 December 2019.

(ii) Basis of determination of the Proposed Annual Caps

The Proposed Annual Caps for the New CCTs have been determined by Wuling Industrial and Guangxi Automobile by making references to (a) the historical transaction amounts of the relevant Existing CCTs during the nine months ended 30 September 2019, details of which are set out in the Table; (b) the types and natures of the products and services, together with the estimated quantities and price ranges thereof, proposed to be supplied by the Wuling Industrial Group to the Guangxi Automobile Group, or vice versa, for each of the three years ending 31 December 2020, 2021 and 2022, which will be further discussed under the sub-paragraph headed “Estimated quantities and unit prices of the products and services to be supplied and acquired” below; and (c) the Buffer of each category of the New CCTs with similar nature as detailed in the Table, which is set to prepare for any unforeseeable circumstances, including but not limited to increase in volume of products and services acquired by the Wuling Industrial Group from the Guangxi Automobile Group, or vice versa, in case the business performance of the Wuling Industrial Group/the Guangxi Automobile Group is better than currently expected, unexpected fluctuations in the production costs (including the raw material costs, transportation costs and labor costs) and selling prices of the relevant products and services, and changes in government policies on automobile industry.

The Sale Transactions involve the supply of engines, various types of automotive parts and accessories, raw materials (including steel) and other consumables and materials by the Wuling Industrial Group to the Guangxi Automobile Group to satisfy its production and trading activities. Amongst the Sale Transactions,

- the Proposed Annual Caps of the WS Sale Transactions are substantially higher than the Existing Annual Cap for the year 2019 given (i) the WS Sale Transactions have been carried out pursuant to the WS Continuing S&P Agreements which became effective only on 12 July 2019; and (ii) according to Qingdao Wushun, it expects that demand for its automotive parts and accessories from its vehicle manufacturing customers will increase as a result of their proposed launch of new vehicle models in the coming years, which in turn will increase the demand from Qingdao Wushun for the Wuling Industrial Group’s products, in particular, various types of welding parts and welding assemblies for inner panels and other components;

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- the Proposed Annual Cap of the GB Sale Transactions for the year 2022 is higher than that for the year 2020 by more than 80% as Guilin Bus, a vehicle manufacturer, proposes to launch new vehicle models during the three years ending 31 December 2022 and it expects that its demand for the Wuling Industrial Group's automotive components and materials, including but not limited to steel and engines, will increase during those three years for the production of its vehicle products (including but not limited to the new vehicle models); and
- the Proposed Annual Cap of the WAT Sale Transactions, newly agreed transactions by the Wuling Industrial Group and Wuling Auto Tech under the 2020–2022 Master Agreement, for the year 2022 is higher than that for the year 2020 by more than 90% as, according to Wuling Auto Tech, its demand for the Wuling Industrial Group's various kinds of automotive components and materials is expected to increase in order to meet the increasing demand for the relevant products from Wuling Auto Tech's customers, which include vehicle manufacturers, during the three years ended 31 December 2022.

The Purchase (Materials and Parts) Transactions involve the purchase by the Wuling Industrial Group of certain automotive parts and accessories, moulds and toolings, scrap material, automotive air-conditioner-related parts and accessories from the Guangxi Automobile Group. Those products have been purchased by the Wuling Industrial Group for its production of semi-finished products to be supplied to its customers, which include vehicle manufacturers, and production of vehicles. Amongst the Purchase (Materials and Parts) Transactions, (i) the Proposed Annual Caps of the WS Purchase Transactions are substantially higher than the Existing Annual Cap for the year 2019; and (ii) the Proposed Annual Cap of the GXGY Purchase Transactions for the year 2022 is substantially higher than that for the year 2020. According to the business plan of the Wuling Industrial Group, new vehicle models are proposed to be launched in the coming year. In addition, based on the communications between the Wuling Industrial Group and its vehicle manufacturing customers, such customers also propose to launch new vehicle models which will result in an increasing demand for various kinds of products of the Wuling Industrial Group throughout the course of their production. Therefore, the Wuling Industrial Group will be required to increase its sourcing of various materials and parts from its suppliers, including but not limited to the Guangxi Automobile Group, in order to satisfy its production of semi-finished products to be supplied to its customers and the manufacture of its new vehicle models.

The Purchase (Finished Products) Transactions involve the purchase of vehicles, mainly passenger mini-buses, primarily passenger coaches and mini-buses and related products, by the Wuling Industrial Group from the Guangxi Automobile Group. As detailed in the paragraph headed "VI. Reasons for and benefits of entering into the 2020–2022 Master Agreement and the New CCTs" below, the Wuling Industrial Group has acted as the main sale agent of certain types of vehicles of the Guangxi Automobile Group since 2008, enabling the Wuling Industrial Group to maintain a diversified revenue stream. It was also mentioned above that Guilin Bus, a member of the Guangxi Automobile Group, proposes to launch new vehicle models in the coming years, it is

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therefore expected by the parties to the GB Purchase (Finished Products) Transactions that purchase of Guilin Bus’s vehicles by the Wuling Industrial Group for its vehicle agency business would increase during the period upon successful launch of such new vehicle models by Guilin Bus.

(iii) Estimated quantities and unit prices of the products and services to be supplied and acquired

Set out below are the types and nature, estimated quantities and unit prices of the products and services to be supplied/acquired pursuant to the 2020–2022 Master Agreement. The estimated quantities of the products and services have been determined by the relevant business divisions of the Wuling Industrial Group based on their discussions with the relevant entities of the Guangxi Automobile Group after taking into account the factors and respective business plans and development of the Wuling Industrial Group and the Guangxi Automobile Group in the coming years as detailed in the above sub-paragraph headed “Basis of determination of the Proposed Annual Caps”, which factors as well as business plans and development of the two groups in turn would have impacts on (a) the estimated demand for the Wuling Industrial Group’s products from the Guangxi Automobile Group under the Sale Transactions, and (b) the estimated demand for the products of the Guangxi Automobile Group from the Wuling Industrial Group under the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions. In addition, the unit prices of the products and services have been estimated by the parties after taking into account (i) the historical unit prices of the relevant products and services being purchased and supplied under the 2017–2019 Master Agreement, (ii) the estimated costs of the Wuling Industrial Group (in respect of the Sale Transactions) and those of the Guangxi Automobile Group (in respect of the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions) for the provision of the products and services under the 2020–2022 Master Agreement; and (iii) the estimated unit prices to be charged by the Wuling Industrial Group and the Guangxi Automobile Group for same/similar products and services supplied to their respective customers which are Independent Third Parties during the three years ending 31 December 2022.

Sale Transactions

	Year ending 31 December		
	2020	2021	2022
<i>GL Sale Transactions</i>			
— 1 type of inner panels for engine hoods <i>Price range: RMB51 to RMB53 per unit</i>	80,000 units <i>(Estimated total value: RMB4.23 million)</i>	84,000 units <i>(Estimated total value: RMB4.44 million)</i>	88,200 units <i>(Estimated total value: RMB4.67 million)</i>

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	Year ending 31 December		
	2020	2021	2022
— 3 types of inner panels for tailgates <i>Price range: RMB71 to RMB107 per unit</i>	70,450 units <i>(Estimated total value: RMB6.12 million)</i>	73,973 units <i>(Estimated total value: RMB6.42 million)</i>	77,671 units <i>(Estimated total value: RMB6.74 million)</i>
— 4 types of exterior panels for vehicle doors <i>Price range: RMB0.3 to RMB3.5 per unit</i>	159,600 units <i>(Estimated total value: RMB0.23 million)</i>	167,580 units <i>(Estimated total value: RMB0.24 million)</i>	175,959 units <i>(Estimated total value: RMB0.25 million)</i>
GB Sale Transactions			
— Steel <i>Price range: RMB4,500 to RMB5,000 per tone</i>	2,000 tones <i>(Estimated total value: RMB9.60 million)</i>	3,000 tones <i>(Estimated total value: RMB14.40 million)</i>	5,000 tones <i>(Estimated total value: RMB24.00 million)</i>
— Exhaust pipe assemblies <i>Price range: RMB2,230 to RMB2,260 per unit</i>	1,000 units <i>(Estimated total value: RMB2.24 million)</i>	500 units <i>(Estimated total value: RMB1.13 million)</i>	500 units <i>(Estimated total value: RMB1.13 million)</i>
— Three-way catalytic converter assemblies <i>Price range: RMB4,300 to RMB4,400 per unit</i>	2,500 units <i>(Estimated total value: RMB10.85 million)</i>	3,000 units <i>(Estimated total value: RMB13.02 million)</i>	3,500 units <i>(Estimated total value: RMB15.19 million)</i>
— 2 types of engines <i>Price range: RMB11,000 to RMB28,350 per unit</i>	3,500 units <i>(Estimated total value: RMB47.18 million)</i>	4,500 units <i>(Estimated total value: RMB66.85 million)</i>	5,500 units <i>(Estimated total value: RMB86.53 million)</i>
WS Sale Transactions			
— Steel <i>Price range: RMB4,500 to RMB5,000 per tone</i>	800 tones <i>(Estimated total value: RMB4.00 million)</i>	600 tones <i>(Estimated total value: RMB3.00 million)</i>	700 tones <i>(Estimated total value: RMB3.50 million)</i>
— 3 types of inner panels and welding parts for tailgates <i>Price range: RMB76 to RMB80 per unit</i>	2,000 units <i>(Estimated total value: RMB0.16 million)</i>	2,000 units <i>(Estimated total value: RMB0.16 million)</i>	2,000 units <i>(Estimated total value: RMB0.16 million)</i>

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	Year ending 31 December		
	2020	2021	2022
— 13 types of welding parts and welding assemblies for inner panels and other components <i>Price range: RMB33 to RMB231 per unit</i>	1,248,000 units <i>(Estimated total value: RMB168.08 million)</i>	1,133,000 units <i>(Estimated total value: RMB162.70 million)</i>	1,133,000 units <i>(Estimated total value: RMB162.70 million)</i>
WAT Sale Transactions			
— 138 types of welding parts and welding assemblies <i>Price range: RMB0.49 to RMB1,054 per unit</i>	34,032 units <i>(Estimated total value: RMB2.33 million)</i>	44,229 units <i>(Estimated total value: RMB3.03 million)</i>	66,316 units <i>(Estimated total value: RMB4.53 million)</i>
— 119 types of vehicle front and rear cover and accessories <i>Price range: RMB1 to RMB182 per unit</i>	138,755 units <i>(Estimated total value: RMB10.35 million)</i>	180,379 units <i>(Estimated total value: RMB13.45 million)</i>	270,557 units <i>(Estimated total value: RMB20.17 million)</i>
— 22 types of instrument panels and accessories <i>Price range: RMB0.49 to RMB199 per unit</i>	6,792 units <i>(Estimated total value: RMB0.31 million)</i>	8,827 units <i>(Estimated total value: RMB0.41 million)</i>	13,236 units <i>(Estimated total value: RMB0.61 million)</i>
— 17 types of vehicle lamps and accessories <i>Price range: RMB1 to RMB26.36 per unit</i>	10,188 units <i>(Estimated total value: RMB0.10 million)</i>	13,244 units <i>(Estimated total value: RMB0.13 million)</i>	19,863 units <i>(Estimated total value: RMB0.19 million)</i>
— Rear axle assemblies and accessories <i>Price range: RMB2 to RMB1,720 per unit</i>	28,884 units <i>(Estimated total value: RMB3.29 million)</i>	37,541 units <i>(Estimated total value: RMB4.27 million)</i>	56,292 units <i>(Estimated total value: RMB6.40 million)</i>
— 13 types of other parts and accessories <i>Price range: RMB2 to RMB3,500 per unit</i>	71,416 units <i>(Estimated total value: RMB0.21 million)</i>	92,839 units <i>(Estimated total value: RMB0.27 million)</i>	139,257 units <i>(Estimated total value: RMB0.41 million)</i>

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Purchase (Materials and Parts) Transactions

	Year ending 31 December		
	2020	2021	2022
<i>GL Purchase Transactions</i>			
— 2 types of floor board <i>Price range: RMB38 to RMB60 per unit</i>	202,460 units <i>(Estimated total value: RMB12.10 million)</i>	212,952 units <i>(Estimated total value: RMB12.71 million)</i>	230,500 units <i>(Estimated total value: RMB14.24 million)</i>
— 2 types of front door assemblies <i>Price range: RMB200 to RMB202 per unit</i>	8,400 units <i>(Estimated total value: RMB1.69 million)</i>	18,000 units <i>(Estimated total value: RMB3.62 million)</i>	42,000 units <i>(Estimated total value: RMB8.45 million)</i>
— 4 types of welding assemblies <i>Price range: RMB100 to RMB300 per units</i>	15,151 units <i>(Estimated total value: RMB3.26 million)</i>	30,061 units <i>(Estimated total value: RMB6.73 million)</i>	73,000 units <i>(Estimated total value: RMB15.17 million)</i>
— Accessories <i>Price range: RMB14 to RMB24 per units</i>	226,011 units <i>(Estimated total value: RMB3.23 million)</i>	151,013 units <i>(Estimated total value: RMB3.56 million)</i>	225,000 units <i>(Estimated total value: RMB3.91 million)</i>
— Vehicle moulds <i>Price range: RMB100,000 to RMB700,000 per units</i>	20 units <i>(Estimated total value: RMB12.00 million)</i>	30 units <i>(Estimated total value: RMB13.20 million)</i>	35 units <i>(Estimated total value: RMB14.52 million)</i>
— Scrap materials <i>Price range: RMB2,600 to RMB2,900 per units</i>	10,500 units <i>(Estimated total value: RMB28.00 million)</i>	9,750 units <i>(Estimated total value: RMB28.00 million)</i>	9,750 units <i>(Estimated total value: RMB28.00 million)</i>

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	Year ending 31 December		
	2020	2021	2022
<i>GXGY Purchase Transactions</i>			
— 43 types of compressor assemblies and accessories <i>Price range: RMB12 to RMB2,100 per unit</i>	7,127 units <i>(Estimated total value: RMB5.84 million)</i>	16,014 units <i>(Estimated total value: RMB15.96 million)</i>	29,221 units <i>(Estimated total value: RMB31.15 million)</i>
— 18 types of evaporator assemblies and accessories <i>Price range: RMB25 to RMB190 per unit</i>	1,824 units <i>(Estimated total value: RMB0.18 million)</i>	2,187 units <i>(Estimated total value: RMB0.22 million)</i>	2,627 units <i>(Estimated total value: RMB0.26 million)</i>
— 32 types of condensers and accessories <i>Price range: RMB7 to RMB440 per unit</i>	2,568 units <i>(Estimated total value: RMB0.41 million)</i>	3,085 units <i>(Estimated total value: RMB0.49 million)</i>	3,704 units <i>(Estimated total value: RMB0.59 million)</i>
— 17 types of decorative accessories <i>Price range: RMB0.01 to RMB3.22 per unit</i>	840 units <i>(Estimated total value: RMB0.002 million)</i>	1,008 units <i>(Estimated total value: RMB0.002 million)</i>	1,208 units <i>(Estimated total value: RMB0.002 million)</i>
— 69 types of sealing parts <i>Price range: RMB1.08 to RMB30 per unit</i>	6,960 units <i>(Estimated total value: RMB0.04 million)</i>	8,352 units <i>(Estimated total value: RMB0.05 million)</i>	10,021 units <i>(Estimated total value: RMB0.05 million)</i>

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	Year ending 31 December		
	2020	2021	2022
WS Purchase Transactions			
— 7 types of welding assembly parts for rear boards and panels <i>Price range: RMB79 to RMB223 per unit</i>	220,150 units <i>(Estimated total value: RMB29.49 million)</i>	263,016 units <i>(Estimated total value: RMB34.16 million)</i>	288,685 units <i>(Estimated total value: RMB38.49 million)</i>
— 7 types of welding parts for front and back frames <i>Price range: RMB61 to RMB75 per unit</i>	433,455 units <i>(Estimated total value: RMB30.96 million)</i>	425,806 units <i>(Estimated total value: RMB30.17 million)</i>	474,559 units <i>(Estimated total value: RMB33.67 million)</i>
— 38 types of welding parts for inner panels and bottom panels <i>Price range: RMB1.1 to RMB29 per unit</i>	3,358,400 units <i>(Estimated total value: RMB19.83 million)</i>	2,649,760 units <i>(Estimated total value: RMB17.81 million)</i>	2,792,320 units <i>(Estimated total value: RMB18.92 million)</i>
— 14 types of other parts and accessories <i>Price range: RMB0.1 to RMB19.4 per unit</i>	6,609,300 units <i>(Estimated total value: RMB5.25 million)</i>	6,104,945 units <i>(Estimated total value: RMB4.33 million)</i>	6,416,990 units <i>(Estimated total value: RMB4.65 million)</i>

Purchase (Finished Products) Transactions

	Year ending 31 December		
	2020	2021	2022
GB Purchase Transactions			
— 4 types of vehicles <i>Price range: RMB39,000 to RMB130,000 per unit</i>	4,300 units <i>(Estimated total value: RMB310.53 million)</i>	5,650 units <i>(Estimated total value: RMB422.70 million)</i>	6,300 units <i>(Estimated total value: RMB454.80 million)</i>

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Utility Supply Transactions

	Year ending 31 December		
	2020	2021	2022
<i>GL Utility Supply Transactions</i>			
— Electricity supply	7,101,000 units	7,456,050 units	7,828,853 units
<i>Price range: RMB0.9 to</i>	<i>(Estimated total</i>	<i>(Estimated total</i>	<i>(Estimated total</i>
<i>RMB1 per unit</i>	<i>value: RMB7.10</i>	<i>value: RMB7.46</i>	<i>value: RMB7.83</i>
	<i>million)</i>	<i>million)</i>	<i>million)</i>
<i>WRE Utility Supply Transactions</i>			
— Water supply	28,016 units	29,417 units	30,888 units
<i>Price range: RMB3.3 to</i>	<i>(Estimated total</i>	<i>(Estimated total</i>	<i>(Estimated total</i>
<i>RMB3.4 per unit</i>	<i>value: RMB0.09</i>	<i>value: RMB0.10</i>	<i>value: RMB0.10</i>
	<i>million)</i>	<i>million)</i>	<i>million)</i>
— Electricity supply	1,192,101 units	1,251,706 units	1,314,291 units
<i>Price range: RMB0.9 to</i>	<i>(Estimated total</i>	<i>(Estimated total</i>	<i>(Estimated total</i>
<i>RMB1 per unit</i>	<i>value: RMB1.17</i>	<i>value: RMB1.23</i>	<i>value: RMB1.29</i>
	<i>million)</i>	<i>million)</i>	<i>million)</i>

Note: The above prices and total values have not included value-added tax.

IV. INFORMATION ON 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 (which covers the new energy vehicles, represented primarily by the electric vehicles), as well as the trading of raw materials, water and power supply services. As at the Latest Practicable Date, the Company holding 60.90% equity interest of Wuling Industrial which makes Wuling Industrial a non-wholly-owned subsidiary of the Company.

V. 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 currently the ultimate controlling Shareholder of the Company. 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 parts and accessories; (ii) various types of machinery, moulds and tools for production of automobiles, engines, and other relevant parts; (iii) the provision of

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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.

VI. REASONS FOR AND BENEFITS OF ENTERING INTO THE 2020–2022 MASTER AGREEMENT AND THE NEW CCTS

The Wuling Industrial Group has been procuring from the Guangxi Automobile Group, and vice versa, certain parts and components, as well as services, for the manufacture of products for a number of years. As a result of such long-term business relationship, the two groups have been familiar with the standards and specifications of products and services set by each other and have been able to respond quickly and in a cost efficient manner to any new requirements that the other group may request. On that basis, the Wuling Industrial Group considers that it would be in its interests and benefits to secure a stable and reliable supply of materials for its production from the Guangxi Automobile Group (i.e. the Purchase (Materials and Parts) Transactions) under the 2020–2022 Master Agreement.

The Wuling Industrial Group has also acted as the main sale agent of certain types of vehicles, primarily passenger mini-buses, of the Guangxi Automobile Group since 2008, and the Group would like to continue such arrangement, through the Purchase (Finished Products) Transactions, for the purpose of maintaining a diversified revenue stream of it.

The Wuling Industrial Group has been providing centralized procurement services to its group companies, customers and suppliers, including the Guangxi Automobile Group, for the supply of raw materials, mainly steels, and utilities services, which include water and electricity supplies. Such centralized procurement mechanism strengthens the business relationships among the entities involved and enhances the efficiency and productivity of the entities' operations through the benefits of bulk purchases and scale operation. In addition, the Wuling Industrial Group will continue to maintain a diversified revenue stream by supplying products and services to others, including the Guangxi Automobile Group. The Wuling Industrial Group therefore would like to maintain the Sale Transactions for supply of products, and the Utility Supply Transactions for provision of utility services, to the Guangxi Automobile Group for another three-year term upon expiry of the existing terms of the relevant transactions on 31 December 2019.

On the basis of the above, the Directors (including the independent non-executive Director after considering the advice and recommendation from Gram Capital) consider that (i) the Sale Transactions, the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions will help strengthen the Group's ability to carry out a stable and sustainable business operation which is in the interest of the Company and the Shareholders as a whole; (ii) the entering into of the 2020–2022 Master Agreement is in the ordinary and usual course of business of the Group; and (iii) the terms of the 2020–2022 Master Agreement, together with the Sale Transactions, the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions contemplated thereunder and the Proposed Annual Caps of each of such continuing connected transactions are on normal commercial terms, fair and reasonable, and in the interests of the Group and the Shareholders as a whole. The Directors (including the independent non-executive Directors) also consider

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that the Utility Supply Transactions, which are subject to the announcement, reporting and annual review requirements but exempted from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules (as detailed in the following paragraph headed "Listing Rules Implications") and the terms thereof as contemplated in the 2020–2022 Master Agreement, including but not limited to the Proposed Annual Caps for the Utility Supply Transactions, are on normal commercial terms, fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

VII. INTERNAL CONTROL PROCEDURES

The Wuling Industrial Group has adopted and implemented standard internal control procedures on all purchases and sales transactions, which cover the Purchase (Materials and Parts) Transactions, the Purchase (Finished Products) Transactions and the Sales Transactions and ensure the payment terms and pricing basis thereof will be on market terms or on terms which are no less favourable than those available from/to Independent Third Parties.

Purchase (Materials and Parts) Transactions and Purchase (Finished Products) Transactions

Standard control procedures over the purchasing activities of the Wuling Industrial Group, which comprise, inter alia, supplier selection processes, price determination processes and product quality evaluation processes, were adopted and implemented on both the purchase transactions with Independent Third Parties and the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions (collectively referred to as the "**Purchase Transactions**" under this paragraph headed "Internal Control Procedures") under the 2020–2022 Master Agreement in order to ensure the above payment terms and pricing basis of the Purchase Transactions will be on market terms or on terms which are no less favourable than those available from Independent Third Parties.

The finance department (the "**Finance Department**") of the Wuling Industrial Group will determine the target purchase price of products with reference to the total purchase cost and its purchase department (the "**Purchase Department**") will then negotiate or conduct bidding exercise with suppliers based on the target purchase price. Normally, the Purchase Department would invite at least three suppliers, where appropriate, would include the relevant connected party(ies) and other Independent Third Parties, to engage in the bidding and selection processes to obtain the market prices of the products and to consider if the target purchase price as determined by the finance department could be achieved or not. In the event that the target purchase price cannot be agreed, the Finance Department and Purchase Department will consider to adjust the target purchase price and/or seek for other suppliers.

In the selection processes, the Purchase Department will also assess, including but not limited to, the specific qualifications required for the production of particular products, record of regulatory compliance, production and technical capability, appropriateness of scale, past performance in terms of product quality and timeliness of delivery, location of the facilities of the respective suppliers.

LETTER FROM THE BOARD

Besides, when determining the agreed prices for automotive components and parts purchased which are industrial products, the Wuling Industrial Group will periodically, at least once every year or whenever there is a proposed change to the purchase price, request the relevant members of the Guangxi Automobile Group to provide their costs and sale records of the related products supplied to the Wuling Industrial Group to compare the profit margin therefrom with the estimated profit margin earned by the Wuling Industrial Group from the sale of the end products of the Wuling Industrial Group, most of which are also industrial products, to ensure that the profit margins of the relevant member of the Guangxi Automobile Group are reasonable as compared to the profit margins earned by the Wuling Industrial Group.

When determining the market prices of vehicles purchased (currently mainly passenger mini-buses), the Wuling Industrial Group will obtain the market prices of similar products from its authorized distributors to assess the prices charged by the relevant members of the Guangxi Automobile Group at least once every year or whenever there is a proposed change to the purchase price and/or the selling price. The Wuling Industrial Group currently has an extensive distribution network of authorized distributors for specialized vehicles, including passenger mini-buses across different locations in the PRC, which provides essential updated market prices data of the competitors in this particular market segment.

Sale Transactions

The Wuling Industrial Group has adopted and implemented its standard pricing policies on both the sale transactions with Independent Third Parties and the Sale Transactions under the 2020–2022 Master Agreement in order to ensure the above payment terms and pricing basis of the Sale Transactions will be on market terms or on terms which are no less favourable than those available to Independent Third Parties, i.e. charging of a reasonable profit margin over the cost of production. The standard pricing policies adopted by the Wuling Industrial Group cover the pricing policies and procedures of all the sale transactions of the Wuling Industrial Group.

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

LETTER FROM THE BOARD

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

The Finance Department, with the support from the Purchase Department and the technical department and manufacturing department of the Wuling Industrial Group, will then evaluate the products' total cost of sale, upon which a price determination committee of the Wuling Industrial Group will be established to determine the price of the products to be sold in consideration of the aforesaid market and cost information. The Wuling Industrial Group will also conduct periodic reviews, normally semi-annually and at least annually, of the profit margins earned by the Wuling Industrial Group from the Sale Transactions as compared to the profit margins earned by the Wuling Industrial Group from products sold to other Independent Third Parties, as well as the profit margins earned by the related connected parties from the related transactions.

Independent Non-Executive Directors and Auditors' Review

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

In view of the above, the Directors consider that the internal control procedures are effective to ensure that the Purchase (Materials and Parts) Transactions, the Purchase (Finished Products) Transactions and the Sales Transactions contemplated under the 2020–2022 Master Agreement will be conducted on normal commercial terms or better and not prejudicial to the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

VIII. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Guangxi Automobile, through its direct and indirect wholly owned subsidiaries, was interested in approximately 60.64% of the total number of Shares in issue of the Company. In this regard, Guangxi Automobile is the ultimate controlling Shareholder and a connected person of the Company under the Listing Rules. The Sale Transactions, the Purchase (Materials and Parts) Transactions, the Purchase (Finished Products) Transactions and the Utility Supply Transactions contemplated under the 2020–2022 Master Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As the highest of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) for the aggregate Proposed Annual Caps for each of the Sale Transactions, the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions contemplated under the 2020–2022 Master Agreement, on annual basis, exceeds 25% and such aggregate Proposed Annual Caps are more than HK\$10 million, the Sale Transactions, the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions constitute continuing connected transactions for the Company and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios for the aggregate Proposed Annual Caps for the Utility Supply Transactions, on annual basis, is more than 0.1% but less than 5%, the Utility Supply Transactions constitute continuing connected transactions which are subject to the announcement, reporting and annual review requirements under Rule 14A.76 of the Listing Rules, but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Yuan Zhijun, Mr. Yang Jianyong and Mr. Wang Zhengtong, being the Directors and the directors and/or senior executives of Guangxi Automobile, were abstained from voting on the resolutions of the Board passed to approve the 2020–2022 Master Agreement and the New CCTs contemplated thereunder. Save as disclosed above, no other Director is regarded having a material interest in the New CCTs and required to abstain from voting on the resolutions of the Board to approve the 2020–2022 Master Agreement.

IX. THE SGM

Set out on pages 59 and 60 is a notice convening the SGM to be held at Unit 1901, 19/F., Beautiful Group Tower, 77 Connaught Road Central, Hong Kong on Monday, 20 January 2020 at 10:00 a.m., at which ordinary resolution(s) will be proposed to the Independent Shareholders to consider and, if thought fit, approve the 2020–2022 Master Agreement, together with the Sale Transactions, the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions (including but not limited to the Proposed Annual Caps thereof) contemplated thereunder.

LETTER FROM THE BOARD

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

A form of proxy is enclosed with this circular for use at the SGM. Whether or not you are able to attend the SGM (or any adjournment thereof) in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 48 hours before the time required for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

In view of their interests in the 2020–2022 Master Agreement, Guangxi Automobile and its associates, through Wuling (Hong Kong) Holdings Limited which is an indirect wholly owned subsidiary of Guangxi Automobile, collectively interested in 1,243,132,520 shares, representing approximately 60.64% of the total number of Shares in issue, will abstain from voting on the resolution(s) in relation to the 2020–2022 Master Agreement, together with the transactions contemplated thereunder and the Proposed Annual Caps 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 2020–2022 Master Agreement, together with the Sale Transactions, the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions (including but not limited to the Proposed Annual Caps thereof) contemplated thereunder.

X. RECOMMENDATION

The Independent Board Committee, comprising all independent non-executive Directors, has been established to advise the Independent Shareholders the terms of 2020–2022 Master Agreement, together with the Sale Transactions, the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions (including but not limited to the Proposed Annual Caps thereof) contemplated thereunder. Your attention is drawn to (i) the letter from the Independent Board Committee setting out its relevant recommendation to the Independent Shareholders on page 33 of this circular; and (ii) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders containing its relevant advice and recommendation regarding the 2020–2022 Master Agreement and the Sale Transactions, the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions (together with the Proposed Annual Caps thereof) contemplated thereunder, on pages 34 to 51 of this circular.

LETTER FROM THE BOARD

Based on the relevant information disclosed herein, the Directors (including the independent non-executive Directors after considering the advice from Gram Capital) are of the opinion that (i) the entering into of the 2020–2022 Master Agreement is in the ordinary and usual course of business of the Group; and (ii) the terms of the 2020–2022 Master Agreement, together with the Sale Transactions, the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions (together with the Proposed Annual Caps thereof) contemplated thereunder are on normal commercial terms, fair and reasonable, and in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution(s) to approve the 2020–2022 Master Agreement, together with the Sale Transactions, the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions (together with the Proposed Annual Caps thereof) contemplated thereunder.

XI. ADDITIONAL INFORMATION

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

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



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)

27 December 2019

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS —
2020–2022 MASTER AGREEMENT**

We refer to the circular of the Company dated 27 December 2019 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We, being the independent non-executive Directors, have been appointed by the Company as members of the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the 2020–2022 Master Agreement and the Sale Transactions, the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions (together with the Proposed Annual Caps thereof) contemplated thereunder. Gram Capital has been appointed to advise the Independent Shareholders and us in this regard. Details of the advice and recommendation from Gram Capital, together with the principal factors and reasons taken into consideration by it in arriving at such advice and recommendation, are set out in the “Letter from Gram Capital” on pages 34 to 51 of the Circular.

Having considered, among other things, the factors and reasons considered by, and the advice and recommendation of, Gram Capital, we are of the opinion that (i) the entering into of the 2020–2022 Master Agreement is in the ordinary and usual course of business of the Group; and (ii) the terms of the 2020–2022 Master Agreement, together with Sale Transactions, the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions (including but not limited to the Proposed Annual Caps thereof) contemplated thereunder are on normal commercial terms, fair and reasonable, and in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the 2020–2022 Master Agreement and Sale Transactions, the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions (together with the Proposed Annual Caps thereof) contemplated thereunder.

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

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sale Transactions, the Purchase (Materials and Parts) Transactions and Purchase (Finished Products) Transactions under the 2020-2022 Master Agreement 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

27 December 2019

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

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

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 Sale Transactions, the Purchase (Materials and Parts) Transactions and Purchase (Finished Products) Transactions under the 2020-2022 Master Agreement (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 27 December 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.

With reference to the Board Letter, on 22 November 2019 (after trading hours), Wuling Industrial and Guangxi Automobile entered into the 2020-2022 Master Agreement to govern the New CCTs between the Wuling Industrial Group and the Guangxi Automobile Group for a term of three years from 1 January 2020 to 31 December 2022.

With reference to the Board Letter, the Sale Transactions, the Purchase (Materials and Parts) Transactions and Purchase (Finished Products) Transactions of the New CCTs (i.e. the Transactions) constitute continuing connected transactions of the Company and are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under the Listing Rules.

LETTER FROM GRAM CAPITAL

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 Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions 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 Transactions at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

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

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, 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 Transactions. 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

LETTER FROM GRAM CAPITAL

opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources 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 Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, 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 (which covers the new energy vehicles, represented primarily by the electric vehicles), as well as the trading of raw materials, water and power supply services.

Set out below are the consolidated financial information of the Group for the six months ended 30 June 2019, the six months ended 30 June 2018 and the two years ended 31 December 2018 as extracted from the Company's interim report for the six months ended 30 June 2019 (the "2019 Interim Report") and annual report for the year ended 31 December 2018 (the "2018 Annual Report"):

	For the year ended 31 December 2018 RMB'000 (audited)	For the year ended 31 December 2017 RMB'000 (audited)	Year on year change %
Revenue	15,120,119	16,123,895	(6.23)
— <i>Engines and related parts</i>	1,573,555	2,268,200	(30.63)
— <i>Automotive components and other industrial services</i>	9,348,788	11,022,262	(15.18)
— <i>Specialized vehicles</i>	4,197,622	2,833,277	48.15
— <i>Others</i>	154	156	(1.28)

LETTER FROM GRAM CAPITAL

The Group recorded revenue of approximately RMB15.12 billion for the year ended 31 December 2018 (“**FY2018**”), representing a decrease of approximately 6.23% as compared to that for the year ended 31 December 2017 (“**FY2017**”). For FY2018, the Groups recorded revenue of approximately RMB1.57 billion, RMB9.35 billion and RMB4.20 billion from the engines and related parts segment, the automotive components and other industrial services segment, and the specialized vehicles segment respectively, representing a decrease of approximately 30.63%, a decrease of approximately 15.18% and an increase of approximately 48.15% as compared to those for FY2017.

	For the six months ended 30 June 2019 RMB'000 (unaudited)	For the six months ended 30 June 2018 RMB'000 (unaudited)	Year on year change %
Revenue	6,145,841	6,310,419	(2.61)
— <i>Engines and related parts</i>	794,732	700,475	13.46
— <i>Automotive components and other industrial services</i>	3,016,145	4,199,062	(28.17)
— <i>Specialized vehicles</i>	2,330,225	1,410,809	65.17
— <i>Others</i>	4,739	73	6,391.78

The Group recorded revenue of approximately RMB6.15 billion for the six months ended 30 June 2019 (“**HY2019**”), representing a decrease of approximately 2.61% as compared to that for the six months ended 30 June 2018 (“**HY2018**”). For HY2019, the Groups recorded revenue of approximately RMB794.73 million, RMB3.12 billion and RMB2.33 billion from the engines and related parts segment, the automotive components and other industrial services segment, and the specialized vehicles segment respectively, representing an increase of approximately 13.46%, a decrease of approximately 28.17% and an increase of approximately 65.17% as compared to those for HY2018.

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 parts and accessories; (ii) various types of machinery, moulds and tools for production of automobiles, engines, and other relevant parts; (iii) the provision of related services, including the technical advisory, information, production, after sales services and the supply of power and water services, etc, in relation to the aforementioned products and equipment; and (iv) rental of property and other related services.

LETTER FROM GRAM CAPITAL

Reasons for and benefits on the Transactions

As mentioned above and according to the 2018 Annual Report, almost all of the Group's revenue was derived from the manufacturing and sale of engines and related parts; manufacturing and sale of automotive components and provision of other industrial services, and manufacturing and sale of specialized vehicles for FY2017 and FY2018.

Pursuant to the Sale Transactions, the Wuling Industrial Group has conditionally agreed to supply certain automotive components and materials for production and trading purposes to the Guangxi Automobile Group. With reference to the Board Letter, the Wuling Industrial Group has been providing centralized procurement services to its group companies, customers and suppliers, including the Guangxi Automobile Group, for the supply of raw materials, mainly steels, and utilities services, which include water and electricity supplies. Such centralized procurement mechanism strengthens the business relationships among the entities involved and enhances the efficiency and productivity of the entities' operations through the benefits of bulk purchases and scale operation. In addition, the Wuling Industrial Group will continue to maintain a diversified revenue stream by supplying products and services to others, including the Guangxi Automobile Group. The Wuling Industrial Group therefore would like to maintain the Sale Transactions for supply of products to the Guangxi Automobile Group for another three-year term upon expiry of the existing terms of the relevant transactions on 31 December 2019.

Pursuant to the Purchase (Materials and Parts) Transactions, the Wuling Industrial Group has conditionally agreed to purchase certain automotive components and related products for production and trading purposes from the Guangxi Automobile Group. With reference to the Board Letter, the Wuling Industrial Group has been procuring from the Guangxi Automobile Group, and vice versa, certain parts and components, as well as services, for the manufacture of products for a number of years. As a result of such long-term business relationship, the two groups have been familiar with the standards and specifications of products and services set by each other and have been able to respond quickly and in a cost efficient manner to any new requirements that the other group may request. On that basis, the Wuling Industrial Group considers that it would be in its interests and benefits to secure a stable and reliable supply of materials for its production from the Guangxi Automobile Group (i.e. the Purchase (Materials and Parts) Transactions) under the 2020-2022 Master Agreement.

Pursuant to the Purchase (Finished Products) Transactions, the Wuling Industrial Group has conditionally agreed to purchase vehicles and related products from the Guangxi Automobile Group for trading purpose. With reference to the Board Letter, the Wuling Industrial Group has acted as the main sale agent of certain types of vehicles, primarily passenger mini-buses, of the Guangxi Automobile Group since 2008, and the Group would like to continue such arrangement, through the Purchase (Finished Products) Transactions, for the purpose of maintaining a diversified revenue stream of it.

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

LETTER FROM GRAM CAPITAL

Principal terms of the 2020-2022 Master Agreement in relation to the Transactions

Set out below are principal terms of the 2020-2022 Master Agreement in relation to the Transactions as extracted from the Board Letter:

Date: 22 November 2019

Parties: Wuling Industrial and Guangxi Automobile

Scope of products and services to be provided or received under the Transactions:

Sale Transactions

The Wuling Industrial Group has conditionally agreed to supply certain automotive components and materials for production and trading purposes (including engines, various types of automotive parts and accessories, raw materials (including steel) and other consumables and materials) to the Guangxi Automobile Group. The Sale Transactions shall include the GL Sale Transactions, the GB Sale Transactions, the WS Sale Transactions and the WAT Sale Transactions.

Purchase (Materials and Parts) Transactions

The Wuling Industrial Group has conditionally agreed to purchase certain automotive components and related products for production and trading purposes (including various types of automotive parts and accessories, moulds and toolings, scrap materials, automotive air-conditioner-related parts and accessories) from the Guangxi Automobile Group. The Purchase (Materials and Parts) Transactions shall include the GL Purchase Transactions, the GXGY Purchase Transactions and the WS Purchase Transactions.

Purchase (Finished Products) Transactions

The Wuling Industrial Group has conditionally agreed to purchase vehicles and related products from the Guangxi Automobile Group for trading purpose. The Purchase (Finished Products) Transactions shall include the GB Purchase Transactions.

Term: Three years from 1 January 2020 to 31 December 2022 (both dates inclusive)

LETTER FROM GRAM CAPITAL

Pricing principles: The pricing for the products or services acquired by the Wuling Industrial Group from the Guangxi Automobile Group, or vice versa, will be determined:

- (i) with references to the relevant market prices; or
- (ii) (if market prices are not available) on fair basis, and on normal commercial terms or on terms which are no less favorable than those available to the Wuling Industrial Group from the Independent Third Parties or those offered by the Guangxi Automobile Group to the Independent Third Parties.

Payment terms: Payments for the products or services acquired by the Wuling Industrial Group from the Guangxi Automobile Group, or vice versa, will be settled by way of cash or in other manner(s) as agreed by the parties and in accordance with the agreed timing and manners as specified in the Specific Product & Service Contracts to be entered into between the Wuling Industrial Group and the Guangxi Automobile Group. The payment terms will be on market terms which are no less favorable than those obtainable by the Wuling Industrial Group from the Independent Third Parties or those offered by the Guangxi Automobile Group to the Independent Third Parties.

(i) Sale Transactions

As advised by the Directors, during 2017 to 2019, the products sold by the Group under the GB Sale Transactions and the WS Sale Transactions were not comparable to those sold by the Group to Independent Third Parties; while certain products sold by the Group under the GL Sale Transactions were comparable to those sold by the Group to Independent Third Parties. As further mentioned in the Board Letter, the WAT Sale Transactions are one of the new transactions between Wuling Industrial Group and the Guangxi Automobile Group under the 2020-2022 Master Agreement (i.e. no WAT Sale Transactions during 2017 to 2019). For our due diligence purpose, we obtained individual invoices regarding the sale of materials by the Group to the Guangxi Automobile Group under the GL Sale Transactions and to Independent Third Parties during 2017 to 2019 (i.e. one invoice for sale to Guangxi Automobile Group and one invoice for sale to Independent Third Parties were obtained in each year). As the invoices cover historical Sale Transactions of the Group under the 2017-2019 Master Agreement (i.e. the GL Sale Transactions) in each of the year 2017, 2018 and 2019, we consider such documents to be fair and representative. We noted from such documents that the prices of products sold by the Group to the Guangxi Automobile Group were not lower than those sold to Independent Third Parties (“**Our Review on the Previous Sale Transactions**”).

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Wuling Industrial Group has adopted certain internal control procedures in relation to the Sale Transactions. For our due diligence purpose, we obtained and reviewed the said internal control procedures. We noted that the internal control procedures are in line with those set out in the sub-sections headed “INTERNAL CONTROL PROCEDURES” of the Board Letter. Having considered, in particular, that

- (a) the Wuling Industrial Group has adopted and implemented its standard pricing policies on both the sale transactions with Independent Third Parties and the Sale Transactions under the 2020–2022 Master Agreement in order to ensure the payment terms and pricing basis of the Sale Transactions will be on market terms or on terms which are no less favourable than those available to Independent Third Parties, i.e. charging of a reasonable profit margin over the cost of production;
- (b) with respect to raw materials, the Sale Department would make references to the updated market prices of the raw materials in the open market as well as the latest traded and quoted prices that are available by the leading suppliers of such raw materials. For the sales of steel, the Sale Department would obtain the reference prices published online (i.e. BAIINFO, <http://www.baiinfo.com>) or from monthly quotations by two leading suppliers which were state-owned steel company. The market price data will be updated on a monthly basis under normal circumstance and on a more frequent basis if the relevant market is volatile;
- (c) in regard to the automotive components, the Sale Department will collect and analyse price information from the customers and the sale network including its authorized distributors for the same/similar products offered by its competitors in the market in formulating the pricing strategies of the end products and the related automotive components; and
- (d) the Finance Department, with the support from the Purchase Department and the technical department and manufacturing department, will then evaluate the products’ total cost of sale, upon which a price determination committee of the Wuling Industrial Group will be established to determine the price of the products to be sold in consideration of the aforesaid market and cost information. The Wuling Industrial Group will also conduct periodic reviews, normally semi-annually and at least annually, of the profit margins earned by the Wuling Industrial Group from the Sale Transactions as compared to the profit margins earned by the Wuling Industrial Group from products sold to other Independent Third Parties, as well as the profit margins earned by the related connected parties from the related transactions,

we consider the effective implementation of such internal control measures would help to ensure fair pricing of the Sale Transactions. Having also considered Our Review on the Previous Sale Transactions, the INEDs’ Confirmation (as detailed below) and the Auditors’ Confirmation (as detailed below), we do not doubt the effectiveness of the internal control measures for the Sale Transactions under the 2017-2019 Master Agreement.

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(ii) Purchase (Materials and Parts) Transactions

With reference to the Board Letter, the GXGY Purchase Transactions are one of the new transactions between Wuling Industrial Group and the Guangxi Automobile Group under the 2020–2022 Master Agreement (i.e. no GXGY Purchase Transactions during 2017 to 2019). For our due diligence purpose, we obtained (i) individual contracts regarding the purchase of automotive components and related products by the Group from the Guangxi Automobile Group and (ii) the relevant price quotation/ bidding evaluation documents showing prices offered by Independent Third Parties (as suppliers), during 2017 to 2019 (i.e. one invoice for purchase from Guangxi Automobile Group and one price quotation/ bidding evaluation document for potential purchase from Independent Third Parties were obtained in each year for each of the WS Purchase Transactions (only in 2019 as no such transactions in 2017 and 2018) and BML Purchase Transactions) (as advised by the Directors, the Company did not have relevant price quotation/ bidding evaluation documents regarding prices offered by Independent Third Parties for the GL Purchase Transactions from 2017 to 2019). As the documents cover historical Purchase (Materials and Parts) Transactions of the Group under the 2017-2019 Master Agreement (i.e. the WS Purchase Transactions and BML Purchase Transactions) in each of the year 2017, 2018 and 2019 (where applicable), we consider such documents to be fair and representative. We noted from such documents that the prices of components/products sold by the Guangxi Automobile Group were not higher than those offered by Independent Third Parties (“**Our Review on the Previous Purchase (Materials and Parts) Transactions**”).

With reference to the Board Letter, the Wuling Industrial Group has adopted certain internal control procedures in relation to the Purchase (Materials and Parts) Transactions. For our due diligence purpose, we obtained and reviewed the said internal control procedures. We noted that the internal control procedures are in line with those set out in the sub-sections headed “INTERNAL CONTROL PROCEDURES” of the Board Letter. Having considered, in particular, that

- (a) the Finance Department will determine the target purchase price of products with reference to the total purchase cost and the Purchase Department will then negotiate or conduct bidding exercise with suppliers based on the target purchase price. Normally, the Purchase Department would invite at least three suppliers, where appropriate, including the relevant connected party(ies) and other Independent Third Parties, to engage in the bidding and selection processes to obtain the market prices of the products and to consider if the target purchase price as determined by the Finance Department could be achieved or not. In the event that the target purchase price cannot be agreed, the Finance Department and Purchase Department will consider to adjust the target purchase price and/or seek for other suppliers; and
- (b) when determining the agreed prices for automotive components and parts purchased which are industrial products, the Wuling Industrial Group will periodically, at least once every year or whenever there is a proposed change to the purchase price, request the relevant members of the Guangxi Automobile Group to provide their costs and sale records of the related products supplied to the Wuling Industrial Group to compare the profit margin therefrom with the estimated profit margin earned by the Wuling Industrial Group from the sale of the end products of the Wuling Industrial Group, most of which are also industrial products, to ensure that

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the profit margins of the relevant member of the Guangxi Automobile Group are reasonable as compared to the profit margins earned by the Wuling Industrial Group,

we consider the effective implementation of such internal control measures would help to ensure fair pricing of the Purchase (Materials and Parts) Transactions. Having also considered Our Review on the Previous Purchase (Materials and Parts) Transactions, the INEDs' Confirmation (as detailed below) and the Auditors' Confirmation (as detailed below), we do not doubt the effectiveness of the internal control measures for the Purchase (Materials and Parts) Transactions under the 2017-2019 Master Agreement.

(iii) Purchase (Finished Products) Transactions

As advised by the Directors, the vehicles to be purchased under the Purchase (Finished Products) Transactions mainly covers passenger mini-buses (primarily passenger coaches and mini-buses and related products) manufactured by Guilin Bus under the GB Purchase Transactions. The Group did not purchase such vehicles from Independent Third Parties during 2017 to 2019.

With reference to the Board Letter, the Wuling Industrial Group has adopted certain internal control procedures in relation to the Purchase (Finished Products) Transactions. For our due diligence purpose, we obtained and reviewed the said internal control procedures. We noted that the internal control procedures are in line with those set out in the sub-sections headed "INTERNAL CONTROL PROCEDURES" of the Board Letter. Having considered, in particular, that

- (a) the Finance Department will determine the target purchase price of products with reference to the total purchase cost and its Purchase Department will then negotiate or conduct bidding exercise with suppliers based on the target purchase price. Normally, the Purchase Department would invite at least three suppliers, where appropriate, including the relevant connected party(ies) and other Independent Third Parties, to engage in the bidding and selection processes to obtain the market prices of the products and to consider if the target purchase price as determined by the Finance Department could be achieved or not. In the event that the target purchase price cannot be agreed, the Finance Department and Purchase Department will consider to adjust the target purchase price and/or seek for other suppliers; and
- (b) when determining the market prices of vehicles purchased (currently mainly passenger mini-buses), the Wuling Industrial Group will obtain the market prices of similar products from its authorized distributors to assess the prices charged by the relevant members of the Guangxi Automobile Group at least once every year or whenever there is a proposed change to the purchase price and/or the selling price,

we consider the effective implementation of such internal control measures would help to ensure fair pricing of the Purchase (Finished Products) Transactions. Having also considered the INEDs' Confirmation (as detailed below) and the Auditors' Confirmation (as detailed below), we do not doubt the effectiveness of the internal control measures for the Purchase (Finished Products) Transactions under the 2017-2019 Master Agreement.

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With reference to the 2018 Annual Report, the independent non-executive Directors have reviewed relevant continuing connected transactions of the Company (including the transactions contemplated under the 2017-2019 Master Agreement) during FY2018 and confirmed that such continuing connected transactions were (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or better; and (iii) according to the respective agreements governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole (the **“INEDs’ Confirmation”**).

In addition, the Company’s auditor was engaged to report on the Group’s continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. For the purpose of Rule 14A.56 of the Listing Rules, the Company’s auditor, provided a letter to the Board regarding the relevant continuing connected transactions of the Company (including the transactions contemplated under the 2017-2019 Master Agreement) during FY2018 confirming that: (i) nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board; (ii) for transactions involving the provisions of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded the annual cap as set by the Company (the **“Auditors’ Confirmation”**).

In light of the above, we are of the view that the terms of the Transactions are on normal commercial terms and are fair and reasonable.

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The Proposed Annual Caps for the Transactions

(i) Sale Transactions

Set out below are (i) the Existing Annual Caps for each of the three years ending 31 December 2019; (ii) the historical transaction amounts for each of the two years ended 31 December 2018 and the nine months ended 30 September 2019; and (iii) the Proposed Annual Caps for each of the three years ending 31 December 2022 as extracted from the Board Letter:

	For the year ended 31 December		For the year ending 31 December		For the year ending 31 December		
	2017	2018	2019		2020	2021	2022
	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000
<u>GL Sale Transactions</u>							
Existing Annual Caps	170,000	175,000	175,000				
Historical transaction amounts	116,836	39,841	11,629	Proposed Annual Caps	10,578	11,107	11,662
			(Note 1)				
<u>GB Sale Transactions</u>							
Existing Annual Caps	360,000	460,000	570,000				
Historical transaction amounts	235,618	42,693	12,471	Proposed Annual Caps	69,874	95,404	126,850
			(Note 1)				
<u>WS Sale Transactions</u>							
<i>(Note 2)</i>							
Existing Annual Caps	N/A	N/A	12,270				
Historical transaction amounts	N/A	N/A	7,773	Proposed Annual Caps	172,238	165,859	166,359
			(Note 1)				
<u>WAT Sale Transactions</u>							
<i>(Note 3)</i>							
Existing Annual Caps	N/A	N/A	N/A				
Historical transaction amounts	N/A	N/A	N/A	Proposed Annual Caps	16,585	21,552	32,314
<u>Sub-total</u>							
Existing Annual Caps	530,000	635,000	757,270				
Historical transaction amounts	352,454	82,534	31,873	Proposed Annual Caps	269,275	293,922	337,185
			(Note 1)	Buffer of approximately 10%	26,725	29,378	33,815
				Proposed Annual Caps for the Sale Transactions	296,000	323,300	371,000

Notes:

- For the nine months ended 30 September 2019
- WS Sale Transactions have been carried out pursuant to the WS Continuing S&P Agreements which became effective on 12 July 2019.
- WAT Sale Transactions are newly agreed transactions between the Wuling Industrial Group and the Guangxi Automobile Group under the 2020-2022 Master Agreement.

In arriving at the Proposed Annual Caps for the Sale Transactions, the Directors have considered factors as mentioned in the section headed “Basis of determination of the Proposed Annual Caps” of the Board Letter.

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We noted that historical transaction amounts of the Sale Transactions for the year ended 31 December 2018 represented a substantial decrease as compared to that for the year ended 31 December 2017. As advised by the Directors, such decrease was mainly due to the decrease in demand of steel from customers. We also noted that Proposed Annual Caps of the Sale Transactions represented a substantial increase to the historical transaction amounts during 2018 and 2019. As advised by the Directors, such increase was mainly due to the proposed launch of new vehicle models of the Guilin Bus and Qingdao Wushun's vehicles manufacturing customers which would increase the demand of components and materials for production.

As advised by the Directors, the Proposed Annual Caps for the Sale Transactions were based on the estimated types, quantities and prices of products to be sold which were determined by the relevant business divisions of the Wuling Industrial Group taking into account estimated demand of products of the Guangxi Automobile Group in the coming years. For our due diligence purpose, we obtained a lists of estimated products to be sold under the Sale Transactions during the three years ending 31 December 2022. We noted from the lists the estimated transaction amounts under each of the GL Sale Transactions, GB Sale Transactions, WS Sale Transactions and WAT Sale Transactions during each of the three years ending 31 December 2022, which were determined based on (i) the types of products to be sold to Guangling, Guilin Bus, Qingdao Wushun and Wuling Auto Tech respectively, (ii) the unit prices of the respective products and (iii) estimated quantities to be sold for the respective types of products.

As mentioned above, the increase in Proposed Annual Caps of the Sale Transactions was mainly due to the proposed launch of new vehicle models of the Guilin Bus and Qingdao Wushun's vehicles manufacturing customers:

- For the GB Sale Transactions, we noted from the said lists that a major part of the proposed annual caps are attributable to the proposed sales of engines to Guilin Bus. For our due diligence purpose, we also obtained Guilin Bus's sales forecast information (i.e. the number of vehicles sales) in relation to certain vehicle models of Guilin Bus to which Wuling Industrial Group is a components supplier (and a number of which are new models) in 2020. As advised by the Directors, despite Wuling Industrial Group being one of the major components suppliers of Guilin Bus, Guilin Bus may also purchase components from suppliers apart from Wuling Industrial Group. We noted that the number of engines sales by Wuling Industrial Group to Guilin Bus (according to the said lists) is within the said number of vehicles (to which Wuling Industrial Group is a components supplier) sales of Guilin Bus in 2020.
- For the WS Sale Transactions, we noted from the said lists that a major part of the proposed annual caps are attributable to the proposed sales of welding parts and assemblies for inner panels to Qingdao Wushun (for a new vehicle model of its vehicles manufacturing customers).

According to the said lists, (i) the proposed annual caps for the GL Sale Transactions, GB Sale Transactions, WS Sale Transactions and WAT Sale Transactions are equal to the estimated transaction amounts during the relevant years; and (ii) the estimated types, quantities and prices of products to be sold are in line with the details as summarized under the section headed "Estimated quantities and unit prices of the products and services to be supplied and acquired" of the Board Letter for the Sale Transactions.

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As illustrated above, the Company applied a buffer of 10% to “the sum of Proposed Annual Caps for the GL Sale Transactions, GB Sale Transactions, WS Sale Transactions and WAT Sale Transactions” when determining the Proposed Annual Caps for the Sale Transactions. As advised by the Directors, the buffer was applied for unforeseeable circumstances such as (a) the unexpected increase in demand of products; and (b) the unexpected increase in price of the products. We consider such buffer to be justifiable.

According, we consider the Proposed Annual Caps for the Sale Transactions to be fair and reasonable.

(ii) Purchase (Materials and Parts) Transactions

Set out below are (i) the Existing Annual Caps for each of the three years ending 31 December 2019; (ii) the historical transaction amounts for each of the two years ended 31 December 2018 and the nine months ended 30 September 2019; and (iii) the Proposed Annual Caps for each of the three years ending 31 December 2022 as extracted from the Board Letter:

	For the year ended 31 December		For the year ending 31 December		For the year ending 31 December		
	2017	2018	2019		2020	2021	2022
	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000
<u>GL Purchase Transactions</u>							
Existing Annual Caps	57,000	65,000	60,000				
Historical transaction amounts	38,846	27,931	22,261 (Note 1)	Proposed Annual Caps	60,277	67,825	84,298
<u>WS Purchase Transactions</u> (Note 2)							
Existing Annual Caps	N/A	N/A	14,272				
Historical transaction amounts	N/A	N/A	9,673 (Note 1)	Proposed Annual Caps	85,531	86,468	95,731
<u>GXGY Purchase Transactions</u> (Note 3)							
Existing Annual Caps	N/A	N/A	N/A				
Historical transaction amounts	N/A	N/A	N/A	Proposed Annual Caps	6,471	16,717	32,060
<u>BML Purchase Transactions</u> (Note 4)							
Existing Annual Caps	23,000	29,000	31,000				
Historical transaction amounts	8,364	2,596	1,434 (Note 1)	Proposed Annual Caps	N/A	N/A	N/A
<u>Sub-total</u>							
Existing Annual Caps	80,000	94,000	105,272				
Historical transaction amounts	47,210	30,527	33,368 (Note 1)	Proposed Annual Caps	152,279	171,010	212,089
				Buffer of approximately 10%	15,321	17,190	21,211
				Proposed Annual Caps for the Purchase (Materials and Parts) Transactions	<u>167,600</u>	<u>188,200</u>	<u>233,300</u>

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Notes:

1. For the nine months ended 30 September 2019
2. WS Purchase Transactions have been carried out pursuant to the WS Continuing S&P Agreements which became effective on 12 July 2019.
3. GXGY Purchase Transactions are newly agreed transactions between the Wuling Industrial Group and the Guangxi Automobile Group under the 2020-2022 Master Agreement.
4. BML Purchase Transactions are Existing CCTs which would not be carried out by the parties after expiry of the 2017-2019 Master Agreement.

In arriving at the Proposed Annual Caps for the Purchase (Materials and Parts) Transactions, the Directors have considered factors as mentioned in the section headed “Basis of determination of the Proposed Annual Caps” of the Board Letter.

We noted that Proposed Annual Caps of the Purchase (Materials and Parts) Transactions represented a substantial increase to the historical transaction amounts during 2017 to 2019. As advised by the Directors, such increase was mainly due to (i) the proposed launch of new vehicle models by the Wuling Industrial Group and one of its vehicles manufacturing customer which would increase the demand of components and related products for production and (ii) that a supplier of certain vehicle models of Wuling Industrial Group ceased transactions with Wuling Industrial Group, Wuling Industrial Group is required to procure new suppliers for the vehicle models.

As advised by the Directors, the Proposed Annual Caps for the Purchase (Materials and Parts) Transactions were based on the estimated types, quantities and prices of products to be purchased which were determined by the relevant business divisions of the Wuling Industrial Group taking into account estimated demand of products of the Wuling Industrial Group in the coming years. For our due diligence purpose, we obtained lists of estimated products to be purchased under the Purchase (Materials and Parts) Transactions during the three years ending 31 December 2022. We noted from the lists the estimated transaction amounts under each of the GL Purchase Transactions, WS Purchase Transactions and GXGY Purchase Transactions during each of the three years ending 31 December 2022, which were determined based on (i) the types of products to be purchased from Guangling, Qingdao Wushun and Guangxi Guangyu respectively, (ii) the unit prices of the respective products and (iii) estimated quantities to be purchased for the respective types of products.

As mentioned above, the increase in Proposed Annual Caps of the Purchase (Materials and Parts) was mainly due to the proposed launch of new vehicle models Wuling Industrial Group and its vehicles manufacturing customers and the cessation of transaction with a supplier:

- For the GL Purchase Transactions, we noted from the said lists that the proposed purchase of (i) moulds for a new vehicle model of one vehicles manufacturing customer of Wuling Industrial Group, (ii) scrap materials; and (iii) floor board for an existing vehicle model of Wuling Industrial Group contribute a major part of the proposed annual caps. The proposed annual caps also include purchase of door assemblies for a new vehicle model of Wuling Industrial Group.

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- For the WS Purchase Transactions, we noted from the said lists that a major part of the proposed annual caps are attributable to the proposed purchase of welding assembly parts and welding parts for certain existing vehicle models of Wuling Industrial Group. The proposed annual caps also include purchase of various components for a new vehicle model of Wuling Industrial Group.

According to the said lists, (i) the proposed annual caps for the GL Purchase Transactions, WS Purchase Transactions and GXGY Purchase Transactions are equal to the estimated transaction amounts during the relevant years; and (ii) the estimated types, quantities and prices of products to be purchased are in line with the details as summarized under the section headed “Estimated quantities and unit prices of the products and services to be supplied and acquired” of the Board Letter for the Purchase (Materials and Parts) Transactions.

As illustrated above, the Company applied a buffer of 10% to “the sum of Proposed Annual Caps for the GL Purchase Transactions, WS Purchase Transactions and GXGY Purchase Transactions” when determining the Proposed Annual Caps for the Purchase (Materials and Parts) Transactions. As advised by the Directors, the buffer was applied for unforeseeable circumstances such as (a) the unexpected increase in demand of products; and (b) the unexpected increase in price of the products. We consider such buffer to be justifiable.

According, we consider the Proposed Annual Caps for the Purchase (Materials and Parts) Transactions to be fair and reasonable.

(iii) Purchase (Finished Products) Transactions

Set out below are (i) the Existing Annual Caps for each of the three years ending 31 December 2019; (ii) the historical transaction amounts for each of the two years ended 31 December 2018 and the nine months ended 30 September 2019; and (iii) the Proposed Annual Caps for each of the three years ending 31 December 2022 as extracted from the Board Letter:

	For the year ended		For the year	For the year ending 31 December		
	31 December		ending	31 December		
	2017	2018	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>GB Purchase Transactions</i>						
Existing Annual Caps	575,000	750,000	850,000			
Historical transaction amounts	296,739	193,599	14,571	Proposed	310,531	422,699
			<i>(Note)</i>	Annual Caps		455,802
				Buffer of	30,469	42,301
				approximately 10%	<u> </u>	<u> </u>
					<u> </u>	<u> </u>
Proposed Annual Caps for the Purchase (Finished Products) Transactions					<u> </u>	<u> </u>
					<u>341,000</u>	<u>465,000</u>
						<u>500,000</u>

Note: For the nine months ended 30 September 2019

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In arriving at the Proposed Annual Caps for the Purchase (Finished Products) Transactions, the Directors have considered factors as mentioned in the section headed “Basis of determination of the Proposed Annual Caps” of the Board Letter.

We noted that historical transaction amounts of the Purchase (Finished Products) Transactions during 2018 and 2019 substantially decreased respectively as compared to the previous year. As advised by the Directors, such decrease was mainly due to the reduced supply of Guilin Bus’s vehicles as a result of the decrease in such vehicles’ market share. During the three years ending 31 December 2022, Guilin Bus planned to launch new vehicle models. The Proposed Annual Caps of the Purchase (Finished Products) Transactions are therefore increased (as compared to the historical transaction amounts during 2017 to 2019) to cater for the launch of new vehicle models of Guilin Bus.

As advised by the Directors, the Proposed Annual Caps for the Purchase (Finished Products) Transactions were based on the estimated types, quantities and prices of products to be purchased which were determined by the relevant business divisions of the Wuling Industrial Group taking into account estimated demand of vehicle products of the Wuling Industrial Group from Guilin Bus in the coming years. For our due diligence purpose, we obtained a list of estimated products to be purchased under the Purchase (Finished Products) Transactions during the three years ending 31 December 2022. We noted from the list the estimated transaction amounts under the GB Purchase Transactions during each of the three years ending 31 December 2022, which were determined based on (i) the types of vehicles to be purchased from Guilin Bus, (ii) the unit prices of the respective vehicles and (iii) estimated quantities to be purchased for the respective types of products.

For our due diligence purpose, we also obtained Guilin Bus’s sales forecast information (i.e. the number of vehicles sales) in relation to certain vehicle models of Guilin Bus (and most of which are new models) which Wuling Industrial Group is the main sales agent in 2020. We noted that the number of vehicle to be purchased by Wuling Industrial Group from Guilin Bus (according to the said list) is within the number of vehicles sales of Guilin Bus (which Wuling Industrial Group is the main sales agent) in 2020.

According to the said list, (i) the proposed annual caps for the GB Purchase Transactions are equal to the estimated transaction amounts during the relevant years; and (ii) the estimated types, quantities and prices of vehicle to be purchased are in line with the details as summarized under the section headed “Estimated quantities and unit prices of the products and services to be supplied and acquired” of the Board Letter for the Purchase (Finished Products) Transactions.

As illustrated above, the Company applied a buffer of 10% to the Proposed Annual Caps for the GB Purchase Transactions when determining the Proposed Annual Caps for the Purchase (Finished Products) Transactions. As advised by the Directors, the buffer was applied for unforeseeable circumstances such as (a) the unexpected increase in demand of products; and (b) the unexpected increase in price of the products. We consider such buffer to be justifiable.

According, we consider the Proposed Annual Caps for the Purchase (Finished Products) Transactions to be fair and reasonable.

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Shareholders should note that as the Proposed 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 2022, and they do not represent transaction amount to be incurred from the Transactions. Consequently, we express no opinion as to how closely the actual transaction amount to under the Transactions will correspond with the Proposed 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 values of the Transactions must be restricted by the Proposed Annual Caps; (ii) the terms of the Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual report. 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 Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Transactions; and (iv) have exceeded the Proposed Annual Caps. In the event that the total amounts of the Transactions are anticipated to exceeds the Proposed Annual Caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

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 Transactions and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions 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 Transactions 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>
Mr. Yuan Zhijun	Beneficial owner	<u>3,000,000</u>	<u>0.15%</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 shareholder	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	1,243,132,520	60.64%
		Unlisted derivatives	357,142,857	17.42%
	Sub-total		<u>1,600,275,377</u>	<u>78.06%</u>
Wuling Motors (Hong Kong) Company Limited (“ Wuling Motors ”) (<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>
Guangxi Automobile Holdings Limited* (“ Guangxi Automobile ”) (<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>

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, 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 2020–2022 Master Agreement entered into between Wuling Industrial and Guangxi Automobile, details of which were fully disclosed in the circular, the Company and its subsidiaries entered into the following contracts or arrangements which are subsisting and significant in relation to the business 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 the 2017–2019 Master Agreement with Guangxi Automobile to renew the continuing connected transactions for a term of three years from the effective date to 31 December 2019 to govern the continuing connected transactions between the Wuling Industrial Group and Guangxi Automobile Group. Details of the 2017–2019 Master Agreement were fully described in the Company’s announcement dated 16 November 2016 and the Company’s circular dated 15 December 2016.
- (c) On 28 April 2017, 17 May 2017 and 15 June 2018, the Company and Guangxi Automobile entered into 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 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 and the Company’s circular dated 2 January 2019.
- (e) On 7 December 2018, Wuling Industrial, as tenant, and Guangxi Automobile, as landlord, entered into a master tenancy agreement in respect of, among others, the lease of properties situated in Liuzhou, the PRC, 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 and the Company’s circular dated 14 January 2019.

- (f) On 26 April 2019, Wuling Industrial and Shanghai Yipu Automatic Equipment Co., Limited* (上海詣譜自動化裝備有限公司) (“**Shanghai Yipu**”) entered into the an equipment purchase framework agreement (“**Equipment Purchase Framework Agreement**”) in relation to any purchase of equipment and/or production line/toolings by Wuling Industrial Group from Shanghai Yipu as well as the modification and/or upgrade of the existing equipment and/or production line/toolings to be undertaken by the Wuling Industrial Group and such other transactions to meet the actual needs of Wuling Industrial Group (such as after-sale services, installations and testings) pursuant to the Equipment Purchase Framework Agreement and the relevant specific sale and purchase agreements for the period commencing from the 27 June 2019 to 31 December 2021. Details of the Equipment Purchase Framework Agreement were fully described in the Company’s announcement dated 26 April 2019 and the Company’s circular dated 30 May 2019.
- (g) On 12 July 2019, Wuling Industrial and Qingdao Wushun entered into the WS Continuing S&P Agreements, pursuant to which each party thereto agrees to supply to or purchase from the other party certain automotive parts and accessories during the period from 12 July 2019 to 31 December 2019 subject to the terms and conditions stipulated therein. Details of the WS Continuing S&P Agreements were fully described in the Company’s announcements date 12 July 2019 and 19 July 2019.

Mr. Yuan Zhijun, chairman of the Board and an executive Director, is currently a director of Guangxi Automobile, Wuling HK and Wuling Motors. Mr. Yang Jianyong and Mr. Wang Zhengtong, both being the executive Directors, are currently senior executives of Guangxi Automobile. Mr. Yang Jianyong is also currently a director of Wuling HK and Wuling Motors, and Mr. Wang Zhengtong is also a director of Shanghai Yipu.

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 2018 (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 上汽通用五菱汽車股份有限公司 (SAIC-GM-Wuling Automobile Co., Limited*) (“**SGMW**”), 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 a major customer of Wuling Industrial Group’s businesses in engines and automotive components. 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 2018, 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 22 July 2019 and the interim report of the Company for the six months ended 30 June 2019 (the “**2019 Interim Report**”) subsequently published by the Company in September 2019. As mentioned in the 2019 Interim Report, for the six months ended 30 June 2019, despite a continuous growth in the specialized vehicles division, as a result of the substantial reduction in the volume of businesses of the automotive components and other industrial services division (which reduction was mainly attributable to a reduction in business volume contributed by a key customer of the Group resulting from the persistent unfavourable market

environment of the automotive industry in China during the period), total revenue of the Group was RMB6,145,841,000, representing a moderate decrease of 2.6% as compared to the corresponding period in 2018. The abovementioned decline in business volume as well as revenue in the automotive components and other industrial services division, together with the prevailing high raw materials prices which kept the cost of production at a high level, resulted in a decrease in the gross profit margin which in turn lead to a decrease in the gross profit of the Group by 10.4%, as compared to the corresponding period in 2018, to RMB522,280,000 during the six months ended 30 June 2019. In addition, in the absence of the positive impact from the income tax credit resulting from the reversal of overprovision in prior years and the gain on fair value change of the derivative financial instruments of the convertible loan notes (the “Notes”) of the Company as recorded in corresponding period in 2018, net profit of the Group for the first half of 2019 was RMB12,450,000, representing a significant decrease of 82.6% as compared with the first half of 2018. The effective interest expenses of RMB18,672,000 incurred by the Company for the Notes also led to a loss attributable to the owners of the Company in the amount of RMB3,043,000 for the six months ended 30 June 2019, as compared to the profit attributable to the owners of the Company of RMB46,344,000 for the six months ended 30 June 2018.

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 2018 (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 following documents will be available for inspection during normal business hours on any business day at the principal place of business of the Company in Hong Kong at Unit 1901, 19/F, Beautiful Group Tower, 77 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the SGM of the Company to be held on Monday, 20 January 2020:

- (a) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” of this circular;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;
- (c) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from Gram Capital” of this circular;
- (d) the written consent from Gram Capital referred to in the section headed “6. Consent and Qualification of Expert” in this appendix;
- (e) the 2020–2022 Master Agreement; and
- (f) this circular.

NOTICE OF THE SGM



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

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

NOTICE 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 Monday, 20 January 2020 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 27 December 2019 (the “**Circular**”).

“THAT:

- (a) the 2020–2022 Master Agreement (copy 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, including the New CCTs (other than the Utility Supply Transactions) and the Proposed Annual Caps (other than the Proposed Annual Caps of the Utility Supply Transactions), be and are hereby approved, ratified and confirmed;
- (b) 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 2020–2022 Master Agreement 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 2020–2022 Master Agreement) 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, 27 December 2019

NOTICE OF THE SGM

Notes:

- (1) Any member of the Company entitled to attend and vote at the above meeting convened by this notice is entitled to appoint one or, if he/she is the holder of two or more shares of the Company, more than one proxy to attend and vote his/her stead. A proxy need not be a shareholder of the Company.
- (2) Where there are joint holders of any share, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such share 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 will alone be entitled to vote in respect thereof.
- (3) The register of members of the Company will be closed from Wednesday, 15 January 2020 to Monday, 20 January 2020 (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 Shares 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Tuesday, 14 January 2020. To be valid, the form of proxy together with 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 deposited at the Company's share registrar, Tricor Tengis Limited, Level 54, Hopewell Centre, 183's Queen Road East, Hong Kong not later than 48 hours before the time for holding the above meeting or any adjournment thereof.
- (4) 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).
- (5) 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 of authority must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (6) Shareholders are advised to read the Circular which contains information concerning the resolutions to be proposed in this notice.

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