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

If you have sold or transferred all your shares in Wuling Motors Holdings Limited, you should at once hand this circular 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 —
(1) SUPPLEMENTAL AGREEMENT TO
THE 2020–2022 MASTER AGREEMENT
AND
(2) ADOPTION OF NEW ANNUAL CAPS

Financial Adviser to the Company

Kingsman HK Capital Limited
金仕萬香港資本有限公司

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

 Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 8 to 22 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 23 and 24 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 25 to 36 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 Friday, 30 October 2020 at 10 a.m. is set out on pages 45 to 47 of this circular.

PRECAUTIONARY MEASURES AND SPECIAL ARRANGEMENTS FOR THE SGM

Considering the outbreak of the coronavirus (COVID-19), certain measures will be implemented at the SGM with a view to addressing the risk to attendees of infection, including without limitation, (i) all attendees being required to (a) undergo compulsory body temperature check; (b) complete a health declaration (a copy of the form is enclosed with this circular), which may be used for contact tracing, if required; and (c) wear surgical masks prior to admission to the SGM venue; (ii) attendees who are subject to health quarantine prescribed by the HK Government not being admitted to the SGM venue; (iii) all attendees being required to wear surgical masks throughout the SGM; (iv) each attendee being assigned a designated seat at the time of registration to ensure social distancing; (v) no refreshment packs or coffee/tea being provided; and (vi) the management will be available either in person or through video conference facilities to host the SGM and answer questions from Shareholders.

The Company reminds attendees that they should carefully consider the risks of attending the SGM, taking into account their own personal circumstances. Furthermore, the Company would like to remind Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising their voting rights and strongly recommends that Shareholders appoint the Chairman of the SGM as their proxy and submit their form of proxy as early as possible. The form of proxy can be downloaded from the Company's website (www.wuling.com.hk) or the Stock Exchange's website.

The Company will keep the evolving COVID-19 situation under review and may implement additional measures which it will announce closer to the date of the SGM.

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.

9 October 2020

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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:

“2020–2022 Master Agreement”	the agreement dated 22 November 2019 entered into between Wuling Industrial and Guangxi Automobile in relation to the Sale Transactions, the Purchase (Materials and Parts) Transactions, the Purchase (Finished Products) Transactions and the Utility Supply Transactions for a term of three years from 1 January 2020 to 31 December 2022
“Annual Cap(s)”	the annual caps for the Sale Transactions, the Purchase (Materials and Parts) Transactions, the Purchase (Finished Products) Transactions and/or the Utility Supply Transactions as well as the transactions contemplated thereunder as set out in the 2020–2022 Master Agreement for each of the three years ending 31 December 2020, 2021 and 2022
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the Board of Directors
“CAGR”	compound annual growth rate
“Company”	Wuling Motors Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 305.HK)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transaction(s)” or “CCT(s)”	referring individually or collectively, as applicable, (i) the Sale Transactions, the Purchase (Materials and Parts) Transactions, the Purchase (Finished Products) Transactions and the Utility Supply Transactions set out in the 2020–2022 Master Agreement; and (ii) the GX Purchase Transactions set out in the Supplemental Agreement
“controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“GB Purchase Transactions”	purchase of vehicles, mainly passenger mini-buses, primarily passenger coaches and mini-buses and related products by the Wuling Industrial Group from Guilin Bus. GB Purchase Transactions form part of the Purchase (Finished Products) Transactions under the 2020–2022 Master Agreement

DEFINITIONS

“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 Sale Transactions under the 2020–2022 Master Agreement
“GL Purchase Transactions”	purchase of automotive parts, moulds and toolings, scrap materials and other related products by the Wuling Industrial Group from Guangling. GL Purchase Transactions form part of the Purchase (Materials and Parts) Transactions under the 2020–2022 Master Agreement
“GL Sale Transactions”	sale of automotive parts and related products by the Wuling Industrial Group to Guangling. GL Sale Transactions form part of the Sale Transactions under the 2020–2022 Master Agreement
“GL Utility Supply Transactions”	provision of water and power supply services by the Wuling Industrial Group to Guangling. GL Utility Supply Transactions form part of the Utility Supply Transactions under the 2020–2022 Master Agreement
“Group”	the Company and its subsidiaries
“Guangling”	柳 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 汽車集團有限公司 (Guangxi Automobile Holdings Limited*), a state-controlled enterprise established in the PRC, being the ultimate controlling Shareholder of the Company which 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 as at the Latest Practicable Date
“Guangxi Automobile Group”	Guangxi Automobile, its subsidiaries and associates (excluding the Group, and including but not limited to 柳 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)

DEFINITIONS

“Guangxi Guangyu”	廣 光裕新 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
“Guilin Bus”	桂林客車發展有限 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
“GX Purchase Transactions”	purchase of certain electric vehicle-related parts and accessories (including but not limited to lithium battery system, motor controllers, permanent magnet synchronous motors and other related accessories and components by the Wuling Industrial Group from the Guangxi Automobile Group. GX Purchase Transactions shall form part of the Purchase (Materials and Parts) Transactions under the 2020–2022 Master Agreement as amended by the Supplemental Agreement
“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
“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 revised terms of the 2020–2022 Master Agreement as amended by the Supplemental Agreement and the adoption of New Annual Caps with respect to the GX Purchase Transactions

DEFINITIONS

“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 revised terms of the 2020–2022 Master Agreement as amended by the Supplemental Agreement and the adoption of New Annual Caps with respect to the GX Purchase Transactions
“Independent Shareholder(s)”	Shareholder(s) other than Guangxi Automobile and its associates
“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 associates
“Latest Practicable Date”	5 October 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Annual Caps”	the proposed annual caps for the GX Purchase Transactions for each of the three years ending 31 December 2020, 2021 and 2022 under the 2020–2022 Master Agreement as amended by the Supplemental Agreement
“PRC”	the People’s Republic of China
“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 for the three years ending 31 December 2020, 2021 and 2022 under the 2020–2022 Master Agreement

DEFINITIONS

“Purchase (Materials and Parts) Transactions”	purchase of various types of automotive parts and accessories, moulds and toolings, scrap materials, automotive air-conditioner-related parts and accessories and electric vehicle-related parts and accessories by the Wuling Industrial Group from the Guangxi Automobile Group, including the GL Purchase Transactions, WS Purchase Transactions, GXGY Purchase Transactions and GX Purchase Transactions for the three years ending 31 December 2020, 2021 and 2022 under the 2020–2022 Master Agreement as amended by the Supplemental Agreement
“Qingdao Wushun”	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 was held as to approximately 70% by Guangxi Automobile as at the Latest Practicable Date
“Revised Annual Caps”	the proposed aggregate Annual Caps for the Purchase (Materials and Parts) Transactions for each of the three years ending 31 December 2020, 2021 and 2022 under the 2020–2022 Master Agreement as amended by the Supplemental Agreement
“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 for the three years ending 31 December 2020, 2021 and 2022 under the 2020–2022 Master Agreement
“SGM”	the special general meeting of the Company to be held to approve the Supplemental Agreement and the adoption of New Annual Caps for the GX Purchase 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) in the share capital of the Company

DEFINITIONS

“Specific Product & Service Contract”	the product and/or 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 as amended by the Supplemental Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 7 September 2020 entered into between Wuling Industrial and Guangxi Automobile to amend certain terms of the 2020–2022 Master Agreement and adopt New Annual Caps for the GX Purchase Transactions
“Utility Supply Transactions”	provision of utilities, including water and power supplies, by the Wuling Industrial Group to the Guangxi Automobile Group for the three years ending 31 December 2020, 2021 and 2022 under the 2020–2022 Master Agreement
“WAT Sale Transactions”	sale of various types of automotive parts and accessories by the Wuling Industrial Group to Wuling Auto Tech. WAT Sale Transactions form part of the Sale Transactions under the 2020–2022 Master Agreement
“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
“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 Purchase (Materials and Parts) Transactions under the 2020–2022 Master Agreement
“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 Sale Transactions under the 2020–2022 Master Agreement
“Wuling Auto Tech”	柳 五菱汽車 技有限公司 (Liuzhou Wuling Automotive Technology Limited*), a company established in the PRC and was a wholly-owned subsidiary of Guangxi Automobile as at the Latest Practicable Date

DEFINITIONS

“Wuling Industrial”	柳 五 菱 汽 車 有 限 公 司 (Liuzhou Wuling Motors Industrial Company Limited*), a company established in the PRC and was a non-wholly owned subsidiary of the Company as at the Latest Practicable Date
“Wuling Industrial Group”	Wuling Industrial and its subsidiaries
“Wuling Real Estate”	柳 五 菱 置 投 有 限 公 司 (Liuzhou Wuling Real Estate Limited*), a company established in the PRC and was a wholly-owned subsidiary of Guangxi Automobile as at the Latest Practicable Date
“%”	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, 9 October 2020

To the Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS —
(1) SUPPLEMENTAL AGREEMENT TO
THE 2020–2022 MASTER AGREEMENT
AND
(2) ADOPTION OF NEW ANNUAL CAPS

INTRODUCTION

Reference is made to the announcement of the Company dated 7 September 2020, in relation to the Supplemental Agreement to amend certain terms of the 2020–2022 Master Agreement and to adopt New Annual Caps for the GX Purchase Transactions.

On 7 September 2020, Wuling Industrial, a non-wholly owned subsidiary of the Company, and Guangxi Automobile entered into the Supplemental Agreement to amend certain terms of the 2020–2022 Master Agreement. Besides, the Board also proposed to adopt New Annual Caps for the GX Purchase Transactions for each of the three years ending 31 December 2020, 2021 and 2022 respectively, hence revision of the aggregate Annual Caps for the Purchase (Materials and Parts) Transactions for the corresponding periods.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) details of the Supplemental Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders giving its recommendations in respect of the terms of the Supplemental Agreement and the adoption of New Annual Caps for the GX Purchase Transactions for the three years ending 31 December 2020, 2021 and 2022; (iii) a letter from Gram Capital to the Independent Board Committee and the Independent Shareholders containing its advice in relation to the terms of the Supplemental Agreement and the adoption of New Annual Caps for the GX Purchase Transactions; and (iv) a notice of the SGM.

THE 2020–2022 MASTER AGREEMENT AS AMENDED BY THE SUPPLEMENTAL AGREEMENT

The principal terms of the 2020–2022 Master Agreement as amended by the Supplemental Agreement are summarized as follows:

- Date: 22 November 2019 for the 2020–2022 Master Agreement
7 September 2020 for the Supplemental Agreement
- Parties: (a) Wuling Industrial, a non-wholly owned subsidiary of the Company; and
(b) Guangxi Automobile, being the ultimate controlling Shareholder of the Company and 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 as at the Latest Practicable Date and a connected person of the Company under the Listing Rules.
- Scope of products and services to be provided or received: The CCTs, under the 2020–2022 Master Agreement as amended by the Supplemental Agreement, to be carried out 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 (Material and Parts) Transactions shall include the GL Purchase Transactions, the WS Purchase Transactions, the GXGY Purchase Transactions and the GX Purchase Transactions under the Supplemental Agreement.

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.

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

Pricing principles: The pricing for the products and/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 and/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 shall 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 as amended by the Supplemental Agreement is conditional upon (i) the approval of the Independent Shareholders in respect of the transactions contemplated thereunder and the respective Annual Cap(s) 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 as amended by the Supplemental 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 as amended by the Supplemental Agreement or would result in the actual amount of the relevant CCTs on annual basis exceeding the related Annual Cap(s), such Specific Product & Service Contract shall then be terminated.
- In addition, the 2020–2022 Master Agreement as amended by the Supplemental Agreement shall be terminated upon occurrence of any of the following events:
- (i) all transactions proceeded pursuant to the 2020–2022 Master Agreement as amended by the Supplemental Agreement having been terminated pursuant to the arrangements hereabove mentioned; or

LETTER FROM THE BOARD

- (ii) three-month written notice of termination having been served by a party to the 2020–2022 Master Agreement as amended by the Supplemental Agreement.

HISTORICAL TRANSACTION AMOUNTS

The Company confirms no historical GX Purchase Transactions conducted prior to entering into the Supplemental Agreement and will not have any such transactions until after the Independent Shareholder’s approval has been obtained. The Company further confirms the aggregate amounts of (i) the Sale Transactions; (ii) the Purchase (Materials and Parts) Transactions; (iii) the Purchase (Finished Products) Transactions; and (iv) the Utility Supply Transactions conducted for the nine months ended 30 September 2020 did not exceed the respective Annual Cap(s) for the corresponding period under the 2020–2022 Master Agreement which were approved by the Independent Shareholders at the special general meeting held by the Company on 20 January 2020.

The Company will continue to monitor the Continuing Connected Transactions to ensure that the respective aggregate annual transaction amounts do not exceed the respective Annual Cap(s) for each of the three years ending 31 December 2020, 2021 and 2022, respectively.

ADOPTION OF NEW ANNUAL CAPS FOR GX PURCHASE TRANSACTIONS

The Board proposed to adopt New Annual Caps for the GX Purchase Transactions for each of the three years ending 31 December 2020, 2021 and 2022 respectively, hence revision of the aggregate Annual Caps for the Purchase (Materials and Parts) Transactions for the corresponding periods as demonstrated in the table below:

	Annual Caps			Revised Annual Caps ^{Note}		
	Year ending 31 December			Year ending 31 December		
	2020	2021	2022	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>
GL Purchase Transactions	60,277	67,825	84,298	60,277	67,825	84,298
WS Purchase Transactions	85,531	86,468	95,731	85,531	86,468	95,731
GXGY Purchase Transactions	6,471	16,717	32,060	6,471	16,717	32,060
GX Purchase Transactions (New Annual Caps)	<u>—</u>	<u>—</u>	<u>—</u>	<u>95,905</u>	<u>270,466</u>	<u>348,779</u>
Sub-total	<u>152,279</u>	<u>171,010</u>	<u>212,089</u>	<u>248,184</u>	<u>441,476</u>	<u>560,868</u>
Buffer of about 10%	<u>15,321</u>	<u>17,190</u>	<u>21,211</u>	<u>25,416</u>	<u>44,724</u>	<u>56,432</u>
Aggregate Annual Caps for Purchase (Materials and Parts) Transactions	<u><u>167,600</u></u>	<u><u>188,200</u></u>	<u><u>233,300</u></u>	<u><u>273,600</u></u>	<u><u>486,200</u></u>	<u><u>617,300</u></u>

LETTER FROM THE BOARD

Note

Pursuant to the 2020–2022 Master Agreement, (i) the Annual Cap(s) of a specific category of CCTs cannot be applied to any other category of CCTs; and (ii) the buffer (the “Buffer”) with regard to a specific category of 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 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 CCTs, which forms part of the Annual Caps (under the 2020–2022 Master Agreement) or part of the Revised Annual Caps (under the 2020–2022 Master Agreement as amended by the Supplemental Agreement) has been set at about 10% of the currently estimated aggregate transaction amounts, on annual basis, of the relevant category of CCTs as detailed in the table above.

Basis of determination on New Annual Caps for GX Purchase Transactions

The above New Annual Caps for the GX Purchase Transactions have been determined with reference to:

- (a) Recently, the automobile industry in the PRC has sped up its development and transformation towards the New Four Modernization and the PRC government has issued a series of directives and preferential policies on the new energy vehicles. For instance in April 2020, the Ministry of Finance (MOF), the State Administration of Taxation (SAT) and the Ministry of Industry and Information Technology (MIIT) jointly issued the Announcement on Exempting Vehicle Acquisition Tax for New Energy Vehicles to extend the current exemption on vehicle purchase tax for new energy vehicles to the end of 2022 that was planned to phase out by the end of 2020; and that State Grid Corporation of China, a state-owned electric utility, aimed to strengthen its investment in new energy vehicle infrastructure by planning to commit RMB2.7 billion to build 78,000 charging stations across 24 provinces and municipalities in the PRC. Hence the management of the Group plans to grasp the opportunities and trend in the new energy vehicle sector to benefit from the PRC government’s series of policies and incentives to promote the development and technological innovations of “environmentally friendly” vehicles.
- (b) According to Xinhuanet⁽¹⁾, a draft proposal released in December 2019 by the Ministry of Industry and Information Technology (MIIT) targeted to raise the annual national new energy vehicle sales target to 25% of total auto sales in 2025. While the current new energy vehicle to total auto sales ratio in 2019 was only approximately 4.7%, the new national target provides a huge room for exponential growth in the new energy vehicle market in the coming five years.

⁽¹⁾ Xinhuanet is the online service of Xinhua News Agency (新華通訊), an institution subordinate to the State Council of the PRC.
Source: http://www.xinhuanet.com/fortune/2019-12/04/c_1125305138.htm

LETTER FROM THE BOARD

- (c) The Wuling Industrial Group has initiated various projects for the manufacturing and sale of new energy vehicles (primarily electric vehicles) and has gradually launched certain new models of electric vehicles (including electric logistics vehicles) to the market since 2019, which is expected to bring vigorous growth in sales volume of electric vehicles in the coming years. For instance, based on the foundation of G100 new energy vehicle, the Wuling Industrial Group has completed the development of three main categories of new energy vehicles, namely G100 refrigerated vehicle, G100 postal car and G100 five seater logistics vehicle which cover a range of 18 products of which have also been included in the Catalog for the Promotion and Application of New Energy Vehicles in the PRC published in 2020.
- (d) Based on the interim report of the Company for the six months ended 30 June 2020, despite the negative impact from the outbreak of the coronavirus (COVID-19) pandemic in early 2020 which led to certain suspension and disruption in the operations and a significant decrease in the business volume of the Group, the Group still managed to achieve a significant growth in sale of electric vehicles from approximately 1,100 vehicles during the six months ended 30 June 2019 to approximately 1,900 vehicles (including approximately 1,200 electric logistics vehicles) during the corresponding period in 2020, representing an increase of approximately 72.7%. Moreover, based on the unaudited preliminary management accounts of the Group as of the Latest Practicable Date, the Group achieved a further upsurge in average monthly sale of electric vehicles during July and August 2020, recording in total of approximately 950 vehicles (including approximately 400 electric logistics vehicles) during the two months ended 31 August 2020. As the PRC economy has been gradually recovering from the alleviating COVID-19 pandemic, the Directors expect the growth in demand and sale of electric vehicles will accelerate during the rest of 2020 to 2022.
- (e) As the Group expects that the production and sales volume of electric vehicles by the Wuling Industrial Group will continue to surge in the forthcoming future, the demand for the main parts and components necessary for the assembly and production of electric vehicles (especially electric logistics vehicles) (including and not limited to lithium battery system, motor controllers, permanent magnet synchronous motors and other related accessories and components) will continue to rise accordingly. The projected volumes of 5,000 (including approximately 1,200 vehicles which were sold during the six months ended 30 June 2020), 8,500 and 11,000 electric logistics vehicles are planned to be manufactured and sold by the Wuling Industrial Group for each of the three years ending 31 December 2020, 2021 and 2022, respectively, representing a CAGR of approximately 48.3%. Among the 5,000 electric logistics vehicles planned for the entire year of 2020, 3,000 vehicles are expected to be manufactured with the electric vehicle-related parts and accessories procured from the Guangxi Automobile Group under the GX Purchase Transactions. The total projected volumes have taken into account (i) the historical CAGR of the sales volume of electric vehicles in the PRC of approximately 84.9% during the past five years from 2014 to 2019; (ii) the abovementioned stimulus in the PRC new energy vehicle sector; and (iii) the Wuling Industrial Group's forecasted business and operational plan to capture the potential growth of sale of electric logistics vehicles in a timely manner.

LETTER FROM THE BOARD

- (f) The respective estimated purchase prices of the various electric vehicle-related parts and accessories under the GX Purchase Transactions are with reference to (i) the market prices to be charged by other independent third party suppliers for comparable products; and/or (ii) the selling prices offered by the Guangxi Automobile Group to its independent third party customers for comparable products; and
- (g) a buffer of approximately 10% adopted to prepare for any unforeseeable circumstances, including but not limited to increase in volume of various electric vehicle-related parts and accessories to be acquired by the Wuling Industrial Group from the Guangxi Automobile Group in case of the actual sale of electric vehicles to outperform the management expectation, market fluctuations, introduction of more favorable government policies on the electric vehicle sector to arouse environmental awareness, fluctuations in the production costs (such as raw material costs, transportation and labour costs).

As confirmed by the management of the Company, the Directors will continue to monitor the Continuing Connected Transactions and ensure that the Annual Caps for the Purchase (Materials and Parts) Transactions will not be exceeded prior to obtaining the Independent Shareholder's approval for the New Annual Caps for the GX Purchase Transactions at the SGM.

Estimated quantities and unit prices of the electric vehicle-related parts and accessories under the GX Purchase Transactions

Set out below are the types and nature, estimated quantities and unit prices of the electric vehicle-related parts and accessories to be acquired pursuant to the Supplemental Agreement. The estimated quantities of electric vehicle-related parts and accessories 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 (i) the favorable government policies and incentives to promote new energy vehicles in the PRC; and (ii) business plans and development of the Wuling Industrial Group in the coming years to capture the potential growth of sale of electric logistics vehicles in a timely manner as detailed in the above sub-paragraph headed "Basis of determination on New Annual Caps for GX Purchase Transactions". In addition, the unit prices of electric vehicle-related parts and accessories have been estimated by the parties taking into account (i) the estimated market prices to be charged by other independent third party suppliers for comparable products; and/or (ii) the estimated selling prices offered by the Guangxi Automobile Group to its independent third party customers for comparable products during the three years ending 31 December 2020, 2021 and 2022.

LETTER FROM THE BOARD

GX Purchase Transactions

	Year Ending 31 December		
	2020	2021	2022
5 types of lithium battery systems	3,000 units	8,500 units	11,000 units
<i>Price range: approximately</i>	<i>(Estimated total</i>	<i>(Estimated total</i>	<i>(Estimated total</i>
<i>RMB25,000 to</i>	<i>value:</i>	<i>value:</i>	<i>value:</i>
<i>RMB34,000 per unit</i>	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
	<i>RMB 79.13</i>	<i>RMB 222.94</i>	<i>RMB 287.27</i>
	<i>million)</i>	<i>million)</i>	<i>million)</i>
6 types of other components including	9,000 units	25,500 units	33,000 units
2 types of permanent magnet	<i>(Estimated total</i>	<i>(Estimated total</i>	<i>(Estimated total</i>
synchronous motors and	<i>value:</i>	<i>value:</i>	<i>value:</i>
4 types of motor and vehicle	<i>approximately</i>	<i>approximately</i>	<i>approximately</i>
controllers	<i>RMB 16.77</i>	<i>RMB 47.53</i>	<i>RMB 61.51</i>
<i>Price range: approximately</i>	<i>million)</i>	<i>million)</i>	<i>million)</i>
<i>RMB700 to RMB2,600 per unit</i>			

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

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 held 60.90% equity interest of Wuling Industrial which makes Wuling Industrial a non-wholly owned subsidiary of the Company.

INFORMATION ON GUANGXI AUTOMOBILE

Guangxi Automobile, through its direct and indirect wholly owned subsidiaries, is interested in 1,864,698,780 Shares of the Company, representing approximately 60.64% of the total number of Shares in issue of the Company, and is 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 壯 族 治 區 人 民 政 府 國 有 產 監 督 管 理 委 員 會), being the registered shareholder empowered by the People's Government of Guangxi Zhuang Autonomous Region (廣 壯 族 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 machineries, moulds and tools for production of automobiles, engines and other relevant parts; (iii) the provision of related services, including the technical advisory, information, production, after sales services and the supply of power and water services, etc., in relation to the aforementioned products and equipment; and (iv) rental of property and other related services.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT AND THE ADOPTION OF NEW ANNUAL CAPS

The Group, including the Wuling Industrial Group, is principally engaged in the manufacturing and trading of different automobile and specialized vehicles (which cover new energy vehicles, represented primarily by electric vehicles). The procurement of parts and accessories for the manufacturing and sale of electric vehicles (mainly electric logistics vehicles) under the GX Purchase Transactions is in line with the Group's ordinary and usual course of business. The entering into of the GX Purchase Transactions under the Supplemental Agreement also matches the Group's long-term strategies to expand its product portfolio in the new energy vehicle market and broadens its income stream from such segment of specialized vehicles in the PRC.

As disclosed in the annual report of the Company for the year ended 31 December 2019 and the interim report of the Company for the six months ended 30 June 2020, the Group aimed to promote business development in the segment of new energy vehicles, by tapping in resources to enhance the research and development in the manufacturing and supply of different specialized vehicles including electric vehicles in the PRC and procuring various projects for mainstream applications of new energy vehicles, including research on electric sightseeing vehicles, smart driving products and the development of electric logistics vehicles. During the year ended 31 December 2019 and the six months ended 30 June 2020, the Group recorded sales volume of approximately 2,000 and 1,900 electric vehicles, respectively (comprising electric logistics vehicles and electric sightseeing vehicles). To further promote the business opportunities in this area, the Wuling Industrial Group has continuously developed and launched different types of new energy vehicles recently, including the G100 new energy logistics vehicle, electric logistics vehicle, electric cruiser and electric tour bus. On the back of a favourable business environment towards new energy vehicles and the active marketing programmes, the management of the Wuling Industrial Group expects a continual growth in the sales volume of electric vehicles.

As the 2020–2022 Master Agreement as amended by the Supplemental Agreement entered into between Wuling Industrial and Guangxi Automobile is on a non-exclusive basis, Wuling Industrial is entitled to procure the various electric vehicle-related parts and accessories under the GX Purchase Transactions from other independent third party suppliers in the event that the products and/or services offered by Guangxi Automobile fail to satisfy Wuling Industrial's needs (either in terms of volume or quality). The respective terms of purchasing the various electric vehicle-related parts and accessories under the GX Purchase Transactions shall be no less favorable than (i) those to be charged by other independent third party suppliers of the Wuling Industrial Group for comparable products; or (ii) those to be offered by the Guangxi Automobile Group to its independent third party customers for comparable products. As such, by enjoying the flexibility to the centralized procurement platform offered by the Guangxi Automobile Group, it broadens the Wuling Industrial Group's supplier base and reduces the risk of relying on any single third party supplier, hence increasing the Wuling Industrial Group's bargaining power with other independent third party suppliers. The centralized procurement platform also improves the overall procurement efficiency and lowers the average transaction costs by bulk purchase, such as transportation and storage arrangement costs of procuring from different suppliers.

LETTER FROM THE BOARD

Besides, the Wuling Industrial Group has been procuring from the Guangxi Automobile Group for automotive parts and accessories for the manufacturing of vehicles for many years. Due to the long-term business relationship, the Guangxi Automobile Group has become increasingly familiar with the standards and specifications of products and services requested by the Wuling Industrial Group and would be able to respond quickly and in a cost effective manner to any new requirement. By conducting the GX Purchase Transactions under the Supplemental Agreement, it could allow the Wuling Industrial Group to ensure continuous supply of the necessary parts and components to cope with the expected upsurge in the production of electric vehicles as well as the uniform standards of the products procured to suit the business and operational needs.

In view of the above, the Directors (including the independent non-executive Directors after considering the recommendation from Gram Capital) consider that the terms of the 2020–2022 Master Agreement as amended by the Supplemental Agreement and the New Annual Caps with respect to the GX Purchase Transactions are in the ordinary and usual course of business of the Group on normal commercial terms and are fair and reasonable insofar the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL PROCEDURES IN RELATION TO THE CONTINUING CONNECTED TRANSACTIONS

As stated under the section headed “VII. INTERNAL CONTROL PROCEDURES” in the circular of the Company dated 27 December 2019 in relation to the 2020–2022 Master Agreement, the Wuling Industrial Group has adopted and implemented standard internal control procedures on all purchase and sales transactions, which cover, among others, the Purchase (Materials and Parts) 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. Please refer to pages 27 to 29 in the circular of the Company dated 27 December 2019 for details of standard internal control procedures on all purchase and sales transactions. In particular, the standard internal control procedures on the Purchase (Materials and Parts) Transactions (including the GX Purchase Transactions) are set out as follows:

Purchase (Materials and Parts) Transactions

Standard internal 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 under the 2020–2022 Master Agreement as amended by the Supplemental Agreement in order to ensure the above payment terms and pricing basis of the Purchase (Materials and Parts) Transactions will be on market terms or on terms which are no less favourable than those available from Independent Third Parties.

LETTER FROM THE BOARD

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.

Besides, when determining the agreed prices for automotive components and parts (including the electric vehicle-related parts and accessories) 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.

Independent Non-Executive Directors and Auditors’ Review

In addition, all of the Continuing Connected Transactions, including the Purchase (Materials and Parts) 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 Continuing Connected 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 continuing connected transactions contemplated under the 2020–2022 Master Agreement as amended by the Supplemental Agreement (including the GX Purchase Transactions) will be conducted on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Guangxi Automobile, through its direct and indirect wholly owned subsidiaries, is interested in approximately 60.64% of the total number of Shares in issue of the Company, and is the ultimate controlling Shareholder of the Company. In this regard, Guangxi Automobile is a connected person of the Company under the Listing Rules. The GX Purchase Transactions contemplated under the Supplemental Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Given that Guangxi Automobile is a connected person of the Company under the Listing Rules, the New Annual Caps for the GX Purchase Transactions, together with the Annual Caps for the GL Purchase Transactions, WS Purchase Transactions and GXGY Purchase Transactions, have been aggregated into the Purchase (Materials and Parts) Transactions for the purpose of calculating the percentage ratios under Listing Rules 14A.82.

As the highest of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) for the aggregate Annual Caps for the Purchase (Materials and Parts) Transactions contemplated under the 2020–2022 Master Agreement as amended by the Supplemental Agreement, on annual basis, is higher than 5% and the annual consideration is more than HK\$10 million, such transactions constitute continuing connected transactions for the Company and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 board resolutions passed to approve the Supplemental Agreement and the adoption of New Annual Caps for the GX Purchase Transactions. Save as disclosed above, no other Director is regarded having a material interest in the Supplemental Agreement and the adoption of New Annual Caps for the GX Purchase Transactions and required to abstain from voting on the board resolutions to approve the Supplemental Agreement and the adoption of New Annual Caps for the GX Purchase Transactions.

LETTER FROM THE BOARD

THE SGM

A notice convening the SGM to be held at Unit 1901, 19/F., Beautiful Group Tower, 77 Connaught Road Central, Hong Kong on Friday, 30 October 2020 at 10 a.m., at which ordinary resolution(s) will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Supplemental Agreement and the adoption of New Annual Caps for the GX Purchase Transactions.

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.

The register of member of the Company will be closed from Tuesday, 27 October 2020 to Friday, 30 October 2020 (both dates inclusive), for the purpose of determining the Shareholder's eligibility to attend and vote at the SGM and during which period no transfer of the Share(s) will be effected. In order to qualify for attendance of the SGM, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's Hong Kong 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 Friday, 23 October 2020.

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, 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 Supplemental Agreement, Guangxi Automobile and its associates, holding or being interested in 1,864,698,780 Shares, representing approximately 60.64% of the Shares in issue of the Company, in aggregate, will abstain from voting on the resolution(s) in relation to the Supplemental Agreement and the adoption of New Annual Caps for the GX Purchase Transactions at the SGM.

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

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, comprising all independent non-executive Directors, has been established to advise the Independent Shareholders on the revised terms of the 2020–2022 Master Agreement as amended by the Supplemental Agreement and the adoption of New Annual Caps for the GX Purchase Transactions. Your attention is drawn to the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders on pages 23 and 24 of this circular.

The Independent Board Committee, after taking into account the advice and recommendations of Gram Capital, considers that the revised terms of the 2020–2022 Master Agreement as amended by the Supplemental Agreement and the adoption of New Annual Caps for the GX Purchase Transactions are in the ordinary and usual course of business on normal commercial terms and are fair and reasonable insofar the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the SGM to approve the Supplemental Agreement and the adoption of New Annual Caps for the GX Purchase Transactions. The Directors consider that the revised terms of the 2020–2022 Master Agreement as amended by the Supplemental Agreement and the adoption of New Annual Caps for the GX Purchase Transactions are in the ordinary and usual course of business on normal commercial terms and are fair and reasonable insofar the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution(s), in relation to the Supplemental Agreement and the adoption of New Annual Caps for the GX Purchase Transactions, to be proposed at the SGM.

ADDITIONAL INFORMATION

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

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

** for identification purpose only*



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

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

9 October 2020

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS —
(1) SUPPLEMENTAL AGREEMENT TO
THE 2020–2022 MASTER AGREEMENT
AND
(2) ADOPTION OF NEW ANNUAL CAPS**

We refer to the circular of the Company dated 9 October 2020 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We, being the independent non-executive Directors, have been appointed by the Company as members of the Independent Board Committee to advise the Independent Shareholders in respect of the revised terms of the 2020–2022 Master Agreement as amended by the Supplemental Agreement and the adoption of New Annual Caps for the GX Purchase Transactions. Gram Capital has been appointed to advise the Independent Shareholders and us in this regard. Details of the advice and recommendations from Gram Capital, together with the principal factors and reasons taken into consideration by it in arriving at such advice and recommendations, are set out in the “Letter from Gram Capital” on pages 25 to 36 of the Circular.

Having considered, among other things, the factors and reasons considered by, and the advice and recommendations of Gram Capital, we are of the opinion that the revised terms of the 2020–2022 Master Agreement as amended by the Supplemental Agreement and the adoption of New Annual Caps for the GX Purchase Transactions, are in the ordinary and usual course of business on normal commercial terms and are fair and reasonable insofar the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the Supplemental Agreement in relation to the amendment of certain terms of the 2020–2022 Master Agreement and the adoption of New Annual Caps for the GX Purchase Transactions.

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

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the revision of terms of the 2020–2022 Master Agreement and the adoption of New Annual Caps with respect to the GX Purchase Transactions 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

9 October 2020

*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 revision of terms of the 2020–2022 Master Agreement and the adoption of New Annual Caps with respect to the GX Purchase Transactions (the “Transactions”), details of which are set out in the letter from the Board (the “Board Letter”) contained in the circular dated 9 October 2020 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.

References are made to the announcements of the Company dated 22 November 2019 and 13 December 2019, together with the circular of the Company dated 27 December 2019, in relation to the 2020–2022 Master Agreement and the continuing connected transactions contemplated thereunder.

With reference to the Board Letter, on 7 September 2020, Wuling Industrial, a non-wholly owned subsidiary of the Company, and Guangxi Automobile entered into the Supplemental Agreement to amend certain terms of the 2020–2022 Master Agreement. Besides, the Board also proposed to adopt New Annual Caps for the GX Purchase Transactions for each of the three years ending 31 December 2020, 2021 and 2022 respectively, hence revise the aggregate Annual Caps for the Purchase (Materials and Parts) Transactions for the corresponding periods.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the GX Purchase Transactions contemplated under the Supplemental Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules; and the New Annual Caps, together with the Annual Caps for the GL Purchase Transactions, WS Purchase transactions and GXGY Purchase Transactions, have been aggregated into the Purchase (Materials and Parts) Transactions for the purpose of calculating the percentage ratios under Listing Rules 14A.82. As the highest of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) for the aggregate Annual Caps for the Purchase (Materials and Parts) Transactions contemplated under the 2020–2022 Master Agreement as amended by the Supplemental Agreement, on an annual basis, is higher than 5% and the annual consideration is more than HK\$10 million, such transactions constitute continuing connected transactions for the Company and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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.

LETTER FROM GRAM CAPITAL

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in 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 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.

LETTER FROM GRAM CAPITAL

Set out below are the consolidated financial information of the Group for the six months ended 30 June 2020, the six months ended 30 June 2019 and the two years ended 31 December 2019 as extracted from the Company's interim report for the six months ended 30 June 2020 (the "2020 Interim Report") and annual report for the year ended 31 December 2019 (the "2019 Annual Report"):

	For the year ended 31 December 2019 <i>RMB'000</i> (audited)	For the year ended 31 December 2018 <i>RMB'000</i> (audited)	Year on year change %
Revenue	14,237,305	15,120,119	(5.84)
— Engines and related parts	2,632,657	1,573,555	67.31
— Automotive components and other industrial services	7,117,211	9,348,788	(23.87)
— Specialized vehicles	4,474,073	4,197,622	6.59
— Others	13,364	154	8,577.92

The Group recorded revenue of approximately RMB14.24 billion for the year ended 31 December 2019 ("FY2019"), representing a decrease of approximately 5.84% as compared to that for the year ended 31 December 2018 ("FY2018"). Despite the decrease in total revenue, the Group recorded revenue of approximately RMB4.47 billion from the specialized vehicles segment for FY2019, representing an increase of approximately 6.59% as compared to that for FY2018.

With reference to the 2019 Annual Report, during FY2019, Wuling Industrial sold approximately 116,000 specialized vehicles, representing an increase of 5.3% as compared to previous year. A total of approximately 2,000 electric vehicles, comprising electric logistics vehicles and electric sightseeing vehicles were sold, representing a year-on-year increase of approximately 11.1%.

	For the six months ended 30 June 2020 <i>RMB'000</i> (unaudited)	For the six months ended 30 June 2019 <i>RMB'000</i> (unaudited)	Year on year change %
Revenue	5,708,780	6,145,841	(7.11)
— Engines and related parts	1,202,335	794,732	51.29
— Automotive components and other industrial services	2,162,684	3,016,145	(28.30)
— Specialized vehicles	2,333,941	2,330,225	0.16
— Others	9,820	4,739	107.22

LETTER FROM GRAM CAPITAL

The Group recorded revenue of approximately RMB5.71 billion for the six months ended 30 June 2020 (“HY2020”), representing a decrease of approximately 7.11% as compared to that for the six months ended 30 June 2019 (“HY2019”). Despite the decrease in total revenue, the Group recorded revenue of approximately RMB2.33 billion from the specialized vehicles segment for HY2020, representing a slight increase of approximately 0.16% as compared to that for HY2019.

With reference to the 2020 Interim Report, a total of approximately 1,900 electric vehicles, comprising electric logistics vehicles and electric sightseeing vehicles were sold during HY2020 as compared to approximately 1,100 vehicles sold during HY2019, representing a year-on-year increase of approximately 72.7%. Meanwhile, the Group had also initiated various projects associated with the new energy vehicles such as, the electric motor and control appliances, hybrid solutions as well as the auto pilot projects for logistic and recreational purposes, in order to capture the business potential of the forthcoming generation of new energy.

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 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 壯 族 治 區 人 民 政 府 國 有 產 監 督 管 理 委 員 會), being the registered shareholder empowered by the People’s Government of Guangxi Zhuang Autonomous Region (廣 壯 族 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 machineries, moulds and tools for production of automobiles, engines and other relevant parts; (iii) the provision of related services, including the technical advisory, information, production, after sales services and the supply of power and water services, etc., in relation to the aforementioned products and equipment; and (iv) rental of property and other related services.

Reasons for and benefits on the Transactions

With reference to the Board Letter, the Group, including the Wuling Industrial Group, is principally engaged in the manufacturing and trading of different automobile and specialized vehicles (which cover new energy vehicles, represented primarily by electric vehicles). The procurement of parts and accessories for the manufacturing and sale of electric vehicles (mainly electric logistics vehicles) under the GX Purchase Transactions is in line with the Group’s ordinary and usual course of business. The entering into of the GX Purchase Transactions under the Supplemental Agreement also matches the Group’s long-term strategies to expand its product portfolio in the new energy vehicle market and broadens its income stream from such segment of specialized vehicles in the PRC.

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With reference to the 2019 Annual Report, Guangxi Automobile obtained the license for new energy bus production in October 2019, being the first enterprise in Guangxi, and proactively promoted the business expansion into the production and marketing of other types of new energy vehicles. To this end, Wuling Industrial has launched many other types or models of new energy vehicle, including the G100 new energy logistics vehicle, electric logistics vehicle, electric cruiser and electric tour bus. As mentioned above, the Group's specialized vehicles segment recorded year-on-year increase in revenue of approximately 6.59% and 0.16% for FY2019 and HY2020 respectively; and a total of approximately 2,000 electric vehicles and 1,900 electric vehicles were sold during FY2019 and HY2020 respectively, representing year-on-year increase of approximately 11.1% and 72.7% respectively.

As mentioned in the Board Letter, the Wuling Industrial Group has been procuring from the Guangxi Automobile Group for automotive parts and accessories for the manufacturing of vehicles for many years. Due to the long-term business relationship, the Guangxi Automobile Group has become increasingly familiar with the standards and specifications of products and services requested by the Wuling Industrial Group and would be able to respond quickly and in a cost effective manner to any new requirement. By conducting the GX Purchase Transactions under the Supplemental Agreement, it could allow the Wuling Industrial Group to ensure continuous supply of the necessary parts and components to cope with the expected upsurge in the production of electric vehicles as well as the uniform standards of the products procured to suit the business and operational needs.

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.

Principal terms of the Supplemental Agreement in relation to the Transactions

Set out below are principal terms of the Supplemental Agreement in relation to the Transactions:

- | | |
|----------------|---|
| Date: | 7 September 2020 |
| Parties: | Wuling Industrial and Guangxi Automobile |
| Terms amended: | Original terms under the 2020–2022 Master Agreement: <ul style="list-style-type: none">— (Clause 3.2) The Guangxi Automobile Group agreed to supply certain consumables and materials, scrap materials and semi-finished products (including but not limited to automotive moulds and toolings, parts and accessories, automotive air conditioners and other related parts and accessories) to the Wuling Industrial Group. |

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- (Clause 6.2.2) The estimated amount of relevant products and services to be transacted between the Wuling Industrial Group and the Guangxi Automobile Group within the validity period as set out under Annex II to Annex V to the 2020–2022 Master Agreement shall be in accordance with the relevant business needs.

New terms under the 2020–2022 Master Agreement as amended by the Supplemental Agreement:

- (Clause 3.2) The Guangxi Automobile Group agreed to supply certain consumables and materials, scrap materials and semi-finished products (including but not limited to automotive moulds and toolings, parts and accessories, automotive air conditioners, other related parts and accessories and electric vehicle-related parts and accessories) to the Wuling Industrial Group.
- (Clause 6.2.2) The estimated amount of relevant products and services to be transacted between the Wuling Industrial Group and the Guangxi Automobile Group within the validity period as set out under Annex II to Annex VI to the 2020–2022 Master Agreement (as amended by the Supplemental Agreement) shall be in accordance with the relevant business needs.

The Annual Caps for the Purchase (Materials and Parts) Transactions shall be increased by RMB106.0 million, RMB298.0 million and RMB384.0 million for the three years ending 31 December 2020, 2021 and 2022, respectively to RMB273.6 million, RMB486.2 million and RMB617.3 million for the three years ending 31 December 2020, 2021 and 2022 respectively (buffer amounts for each of the three years ending 31 December 2020, 2021 and 2022 shall be RMB25.416 million, RMB44.724 million and RMB56.432 million respectively), as set out in Annex A to the Supplemental Agreement which shall replace Annex I to the 2020–2022 Master Agreement.

The forecast of electric vehicle-related parts and accessories procurement as set out in Annex B to the Supplemental Agreement will form Annex VI to the 2020–2022 Master Agreement (as amended by the Supplemental Agreement).

Save as disclosed above, all existing material terms and conditions under the 2020–2022 Master Agreement shall remain unchanged.

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The principal terms of the 2020–2022 Master Agreement as amended by the Supplemental Agreement are summarized in the section headed “THE 2020–2022 MASTER AGREEMENT AS AMENDED BY THE SUPPLEMENTAL AGREEMENT” of the Board Letter.

For our due diligence purpose, we obtained individual invoices regarding the purchase of automotive components and related products by the Group from the Guangxi Automobile Group during the eight months ended 31 August 2020 (one invoice was obtained for each quarter in 2020). As the invoices cover historical Purchase (Materials and Parts) Transactions of the Group under the current 2020-2022 Master Agreement throughout 2020, we consider such documents to be fair and representative. As confirmed by the Directors, before entering into the aforementioned transactions, the Group had verbally enquired into at least three Independent Third Parties to obtain relevant quotations (which were higher than the prices offered by Guangxi Automobile Group) and had made reference to the prices of the relevant products sold by Guangxi Automobile Group to other customer, which is also a customer and a related party of the Group. In this regard, we also obtained information on the purchase costs of the relevant products offered by Guangxi Automobile Group to such customer. We noted that the prices of components/products sold by the Guangxi Automobile Group to the Group were lower than the relevant prices sold to such customer. In addition, the Directors advised us that the Group had also procured Guangxi Automobile Group to manufacture certain parts/ materials (which were originally produced by the Group itself) in late 2019/ early 2020 on a temporary basis in accordance with the Group’s production plan. For these temporary procurements, the Group had made reference to the Group’s own manufacturing and related costs to assess the fairness of the prices of such parts/ materials (“Our Due Diligence on Previous Purchase (Materials and Parts) Transactions”).

As confirmed by the Directors, the GX Purchase Transactions to be conducted pursuant to the Supplemental Agreement will follow the same internal control procedures in relation to the Purchase (Materials and Parts) Transactions, details of which are set out in the Company’s circular in relation to the 2020–2022 Master Agreement dated 27 December 2019. 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

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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,

we consider the effective implementation of such internal control measures would help to ensure fair pricing of the Purchase (Materials and Parts) Transactions (including the GX Purchase Transactions). Having also considered Our Due Diligence on Previous Purchase (Materials and Parts) Transactions, we do not doubt the effectiveness of the internal control measures.

In light of the above, we are of the view that the terms of the GX Purchase Transactions to be conducted pursuant to the Supplemental Agreement are on normal commercial terms and are fair and reasonable.

The New Annual Caps and the Revised Annual Caps

Set out below are (i) the existing Annual Caps of the Purchase (Materials and Parts) Transactions for each of the three years ending 31 December 2022; and (ii) the Revised Annual Caps for each of the three years ending 31 December 2022, for details please refer to the Board Letter:

	Existing Annual Caps for the			Revised Annual Caps for the		
	year ending 31 December			year ending 31 December		
	2020	2021	2022	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>
GL Purchase Transactions	60,277	67,825	84,298	60,277	67,825	84,298
WS Purchase Transactions	85,531	86,468	95,731	85,531	86,468	95,731
GXGY Purchase Transactions	6,471	16,717	32,060	6,471	16,717	32,060
GX Purchase Transactions (i.e. the New Annual Caps)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>95,905</u>	<u>270,466</u>	<u>348,779</u>
Sub-total	152,279	171,010	212,089	248,184	441,476	560,868
Buffer of about 10%	<u>15,321</u>	<u>17,190</u>	<u>21,211</u>	<u>25,416</u>	<u>44,724</u>	<u>56,432</u>
Aggregate annual caps for Purchase (Materials and Parts) Transactions (i.e. the Revised Annual Caps)	<u>167,600</u>	<u>188,200</u>	<u>233,300</u>	<u>273,600</u>	<u>486,200</u>	<u>617,300</u>

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

Pursuant to the Supplemental Agreement, the annual caps of the GL Purchase Transactions, the WS Purchase Transactions and the GXGY Purchase Transactions remain unchanged for each of the three years ending 31 December 2022.

With reference to the Board Letter, the Wuling Industrial Group has initiated various projects for the manufacturing and sale of new energy vehicles (primarily electric vehicles) and has gradually launched certain new models of electric vehicles (including electric logistics vehicles) to the market since 2019, which is expected to bring vigorous growth in sales volume of electric vehicles in the coming years. As advised by the Directors, the New Annual Caps for the GX Purchase Transactions were based on the estimated types, quantities and prices of products to be purchased for the manufacturing of electric vehicles and were determined by the relevant business divisions of the Wuling Industrial Group taking into account estimated demand of its new models of electric vehicles in the coming years. For our due diligence purpose, we obtained a calculation of the New Annual Caps. We noted from the calculation that the estimated transaction amounts for the GX Purchase Transactions during each of the three years ending 31 December 2022 were determined based on (i) the types of products to be purchased from the Guangxi Automobile Group, (ii) the unit prices of the respective products and (iii) estimated quantities to be purchased for the respective types of products (a summary of the same is contained in the section headed “Estimated quantities and unit prices of the electric vehicle-related parts and accessories under the GX Purchase Transactions” of the Board Letter). The quantities of the material and parts products correspond to the quantities of electric vehicles, which are the Group’s new models of electric vehicles (including the G100 model launched in 2019).

We noted that the New Annual Cap represents increase of approximately 182% and 29% during the year ending 31 December 2021 and the year ending 31 December 2022 respectively and such increases are due to the increase in quantities of products to be purchased (which also correspond to the quantity of electric vehicle). Based on the calculation and as advised by the Directors, Wuling Industrial Group plans to manufacture 5,000 (among which 3,000 vehicles are to be manufactured after effective of the Supplemental Agreement), 8,500 and 11,000 electric vehicles for each of the three years ending 31 December 2022. In this regard, we obtained an internal new energy vehicles product plan from the Group. We noted from the product plan the sales target of the Group’s new models of electric vehicles from 2020 to 2025. The sales target of the Group’s electric vehicles as contained in the product plan is in line with the manufacturing plan as contained in the calculation (“Our Due Diligence on the Product Plan”).

As advised by the Directors, the New Annual Caps have also been determined with reference to, among others, the development of the PRC automobile industry and the new energy vehicle sector, details of which are contained in the Board Letter. In addition to those outlined in the Board Letter, we noted from the PRC National Bureau of Statistics (<http://www.stats.gov.cn/>) that (i) enterprises above designated size in PRC manufactured a total of 1.19 million new energy vehicles in 2019, representing a compounded annual growth

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rate of approximately 37.78% from 2016 to 2019; (ii) new energy vehicles represented only approximately 1.61% of total vehicle production (by enterprises above designated size in PRC) in 2016 and such percentage increased to approximately 4.66% in 2019; and (iii) in 2019, retail sales of consumer goods of vehicle type in the PRC amounted to approximately RMB3,939 billion. We also noted that the PRC Ministry of Industry and Information Technology (<http://www.miit.gov.cn/>) published the Planning for the Development of the New Energy Automobile Industry (2021–2035) (Draft for Comments), which outlined the development plan for the PRC new energy automobile industry during 2021 to 2035. According to such planning, it is targeted that the new energy vehicle sales would represent 25% of total vehicle sales in 2025.

Having considered the development of the PRC automobile industry and the new energy vehicle sector and the historical growth of the Group's electric vehicle sales as highlighted above and Our Due Diligence on the Product Plan, we do not doubt the reasonableness of the Group's manufacturing plan for electric vehicles as contained in the calculation (and hence the demand for related material and parts products).

As illustrated above, the Company applied a buffer of approximately 10% to “the sum of annual caps for the GL Purchase Transactions, WS Purchase Transactions, GXGY Purchase Transactions and the GX Purchase Transactions” when determining the Revised 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.

Taking into account the above, we consider the New Annual Caps and the Revised Annual Caps be fair and reasonable.

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 GX Purchase Transactions and the Purchase (Materials and Parts) Transactions must be restricted by the New Annual Caps and Revised Annual Caps respectively; (ii) the terms of the Purchase (Materials and Parts) Transactions (including the GX Purchase 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 Purchase (Materials and Parts) Transactions (including the GX Purchase 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 Purchase (Materials and Parts) Transactions (including the GX Purchase Transactions) (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the Revised Annual Caps/the New Annual Caps. In the event that the total amounts of the the GX Purchase Transactions/the Purchase (Materials and Parts) Transactions are anticipated to exceed the New Annual Caps/the Revised Annual Caps, or that there is any proposed material

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amendment to the terms of the GX Purchase Transactions/the Purchase (Materials and Parts) 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	Interest in controlled corporation (<i>Note</i>)	356,622,914	11.60%
	Beneficial owner	4,636,350	0.15%
	Interest held by spouse	<u>2,472,720</u>	<u>0.08%</u>
	Sub-total	<u>363,731,984</u>	<u>11.83%</u>
Mr. Yuan Zhijun	Beneficial owner	<u>3,000,000</u>	<u>0.10%</u>
Mr. Ye Xiang	Beneficial owner	<u>1,030,300</u>	<u>0.03%</u>

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

* The percentages above have been rounded up (if any) based on a total of 3,075,161,332 Shares in issue as at the Latest Practicable Date.

(ii) Substantial Shareholders

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

Long Position

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>356,622,914</u>	<u>11.60%</u>
Mr. Lee Shing	Interest in controlled corporation (<i>Note 1</i>)	Corporate	356,622,914	11.60%
	Beneficial owner (<i>Note 2</i>)	Personal	4,636,350	0.15%
	Interest held by spouse (<i>Note 2</i>)	Family	2,472,720	0.08%
	Sub-total		<u>363,731,984</u>	<u>11.83%</u>
Wuling (Hong Kong) Holdings Limited (“Wuling HK”) (<i>Note 3</i>)	Beneficial owner	Corporate	1,864,698,780	60.64%
Wuling Motors (Hong Kong) Company Limited (“Wuling Motors”) (<i>Note 3</i>)	Interest in controlled corporation	Corporate	1,864,698,780	60.64%
Guangxi Automobile Holdings Limited (“Guangxi Automobile”) (<i>Note 3</i>)	Interest in controlled corporation	Corporate	1,864,698,780	60.64%

Notes:

- (1) Mr. Lee Shing is beneficially interested in 356,622,914 Shares, which interests are held by Dragon Hill, a company wholly-owned by Mr. Lee Shing. 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 Shing 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.

* The percentages above have been rounded up (if any) based on a total of 3,075,161,332 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 ARRANGEMENTS SIGNIFICANT TO THE GROUP

In addition to the Supplemental Agreement entered into between Wuling Industrial and Guangxi Automobile, details of which were fully disclosed in this 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 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 with 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 with 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.

- (b) 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.
- (c) On 26 April 2019, Wuling Industrial and Shanghai Yipu Automatic Equipment Co., Limited* (上海詣譜 動化裝 有限公司) (“Shanghai Yipu”) entered into an equipment purchase framework agreement (the “Shanghai Yipu Equipment Purchase Framework Agreement”) in relation to any purchase of equipment and/or production line/toolings by the 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 the Wuling Industrial Group (such as after-sale services, installations and testings) pursuant to the Shanghai Yipu 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 Shanghai Yipu 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.
- (d) On 22 November 2019, Wuling Industrial and Guangxi Automobile entered into the 2020–2022 Master Agreement in relation to the continuing connected transactions of the Group to be carried out between the Wuling Industrial Group and the Guangxi Automobile Group, 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) for the term of three years from 1 January 2020 to 31 December 2022. Details of the 2020–2022 Master Agreement were fully described in the Company’s announcement dated 22 November 2019 and the Company’s circular dated 27 December 2019.
- (e) On 29 December 2019, Wuling Industrial and Liuzhou Zhuotong Automotive Parts and Components Company Limited* (柳 卓通汽車部件有限公司) (“Liuzhou Zhuotong”), both being subsidiaries of the Company and in the capacity as vendors, and Liuzhou AAM Automotive Driveline System Co., Ltd.* (柳 美橋汽車 動 有限公司) (the “JV Company”), as purchaser, entered into a sale and purchase agreement (the “Assets Sale and Purchase Agreement”), pursuant to which the parties have conditionally agreed to the sale and purchase of the WL Assets (comprising 4 sets of machinery, 361 sets of station appliances and 1 set of IT equipment) and the LZ Assets (comprising 36 sets of machinery and 6 sets of IT

equipment), collectively as the “Assets”. The Assets shall then be employed by the JV Company to carry out the business in developing, manufacturing and selling independent rear drive axles assembly, prop shafts, Salisbury drive axles (including drive axles assembly), passenger vehicle e-drive units of new energy vehicles and other driveline components for motor vehicles. Details of the Assets Sale and Purchase Agreement were fully described in the Company’s announcement dated 29 December 2019.

- (f) On 2 January 2020, the Company announced a rights issue exercise for the raising of a total of approximately HK\$205.01 million, before expenses, by way of the issue of new Shares of the Company on the basis of one (1) rights share for every two (2) shares held on 21 February 2020 (i.e., the record date) at the subscription price of HK\$0.20 per rights share (the “Rights Issue”). In the Rights Issue, Wuling (Hong Kong) Holdings Limited and Dragon Hill Development Limited, respectively controlling and substantial shareholder of the Company, had irrevocably and unconditionally undertaken to, among other things, apply for and pay for the certain number of rights shares of the Company as provisionally allotted to them, whereas, the rights shares not taken up by the shareholders of the Company were fully underwritten by the underwriter, Zhongtai International Securities Limited and/or other sub-underwriters to the Rights Issue. According to the right issue exercise, the net proceeds of the Rights Issue which amounted to approximately HK\$200.01 million would be fully used as a partial repayment of all of the outstanding amount of the convertible loan notes of the Company (the “Convertible Loan Notes”) in the amount of approximately HK\$260.00 million (including both outstanding principal and related interests) upon its maturity on 23 May 2020. The Rights Issue subsequently became unconditional on 10 March 2020 and was completed on 16 March 2020 where a total number of 1,025,053,777 new Shares were allotted and issued accordingly. On 23 May 2020, the Convertible Loan Notes were fully redeemed by the Company. Details of the Rights Issue were fully described in the Company’s announcements dated 2 January 2020, 29 January 2020 and 16 March 2020 and the Company’s prospectus dated 24 February 2020.
- (g) On 28 April 2020, Wuling Industrial and Wuling Auto Tech, a wholly-owned subsidiary of Guangxi Automobile, entered into an equipment purchase framework agreement (the “Wuling Auto Tech Equipment Purchase Framework Agreement”) in relation to any purchase of equipment, machineries and/or toolings by the Wuling Industrial Group from Wuling Auto Tech and such other transactions to meet the actual needs of the Wuling Industrial Group pursuant to the terms of the Wuling Auto Tech Equipment Purchase Framework Agreement and any other sale and purchase agreement(s) to be entered into between the Wuling Industrial Group (as purchaser) and Wuling Auto Tech (as vendor) in the event that Wuling Auto Tech is selected as successful bidder of tender(s) published by the Wuling Industrial Group for supply of equipment, machineries and/or toolings to the Wuling Industrial Group commencing from 28 April 2020 to 31 December 2020. Details of the Wuling Auto Tech Equipment Purchase Framework Agreement were fully described in the Company’s announcement dated 28 April 2020.

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 2019 (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 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 the 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 with the businesses of the Group. Although Mr. Yuan is taken to have competing interests in SGMW by virtue of their common directorships, he fulfills 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 2019, being the date to which the latest published consolidated audited financial statements of the Group were made up.

On 9 October 2020, 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 24 July 2020, the interim results announcement and the interim report of the Company for the six months ended 30 June 2020 published by the Company on 28 August 2020 and 8 September 2020, respectively. During the six months ended 30 June 2020, the Group experienced a significant decrease of approximately 52.1% in the gross profit (as compared to the corresponding period in 2019) due to the material adverse impact from the outbreak of the coronavirus (COVID-19) global pandemic in early 2020, in which (i) serious extent of suspension and disruption in the operations of the Group led to a significant decrease in the business volume of the Group, in particular the automotive components and other industrial services division; and (ii) additional costs were incurred in the adoption and implementation of the requisite health and safety measures and procedures in the production facilities of the Group in order to provide a safety and an appropriate working environment for the staff members upon resumption of production of the Group. Besides, the Group also recorded a significant increase in the research and development expenses by approximately RMB72.1 million (as compared to the corresponding period in 2019) due to continuous launches of new products and the implementation of certain technological upgrade and enhancement projects by the Group. In addition, the Group recorded a significant increase in the finance costs by approximately RMB60.5 million (as compared to the corresponding period in 2019) due to the increase in borrowings and bill discounting activities by the Group. The adverse impact from the above unfavourable factors was further aggravated by the impairment losses made against

certain long overdue receivable balances and the carrying values of property, plant and equipment of the automotive components and other industrial services division of approximately RMB16.0 million and RMB35.0 million, respectively. As a result, the Group reported (i) a net loss of approximately RMB294.0 million during the six months ended 30 June 2020 as compared to the net profit of approximately RMB12.5 million for the corresponding period in 2019; and (ii) a loss attributable to the owners of the Company of approximately RMB198.7 million for the six months ended 30 June 2020 as compared to the loss attributable to the owners of the Company of approximately RMB3.0 million for the corresponding period in 2019.

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 2019 (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 Friday, 30 October 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 the Supplemental 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 Friday, 30 October 2020 at 10 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 9 October 2020 (the “Circular”).

“THAT:

- (a) the Supplemental Agreement (copy of which have been tabled at the meeting and signed by the chairman of the meeting for identification purpose), in relation to the revision of certain terms of the 2020–2022 Master Agreement and the adoption of New Annual Caps for the GX Purchase 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 Supplemental 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 Supplemental 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, 9 October 2020

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 Tuesday, 27 October 2020 to Friday, 30 October 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 Hong Kong 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 Friday, 23 October 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, at Level 54, Hopewell Centre, 183 Queen's 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.

NOTICE OF THE SGM

PRECAUTIONARY MEASURES AND SPECIAL ARRANGEMENTS FOR THE SGM

The holding of the SGM in order to comply with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the bye-laws of the Company could potentially create a significant risk in terms of the spread of the coronavirus (COVID-19) because of large crowds coming together.

To reduce the risk of spreading the COVID-19 and for the health and safety of the attendees of the SGM, the Company wishes to remind the Shareholders and their proxies as follows:

No attendance

Those individual Shareholders who have any symptoms of upper respiratory system diseases or are under any quarantine requirements are advised not to attend the SGM in person.

Not later than 48 hours before the time of the SGM

For the health and safety of the Shareholders, the Company would like to encourage the Shareholders to exercise their right to vote at the SGM by appointing the chairman of the SGM as their proxy instead of attending the SGM in person. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof should they subsequently so wish. Shareholders may appoint the chairman of the SGM to attend and vote on their behalf by completing and depositing the forms of proxy enclosed with the circular with the Company's Hong Kong branch share registrar below:

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

At the venue of the SGM

Considering the outbreak of the coronavirus (COVID-19), certain measures will be implemented at the SGM with a view to addressing the risk to attendees of infection, including without limitation: (i) all attendees being required to (a) undergo compulsory body temperature check; (b) complete a health declaration (a copy of the form is enclosed with this circular), which may be used for contact tracing, if required; and (c) wear surgical masks prior to admission to the SGM venue; (ii) attendees who are subject to health quarantine prescribed by the HK Government not being admitted to the SGM venue; (iii) all attendees being required to wear surgical masks throughout the SGM; (iv) each attendee being assigned a designated seat at the time of registration to ensure social distancing; (v) no refreshment packs or coffee/tea being provided; and (vi) the management will be available either in person or through video conference facilities to host the SGM and answer questions from Shareholders.

The Company will keep the evolving COVID-19 situation under review and may implement additional measures which it will announce closer to the date of the SGM.

As at the date of this notice, the Board comprises Mr. Yuan Zhijun (Chairman), Mr. Lee Shing (Vice-chairman and Chief Executive Officer), Mr. 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.