

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 or registered institution in securities, 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 and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the 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)

**DISCLOSABLE TRANSACTIONS AND CONNECTED TRANSACTIONS
IN RELATION TO CAPITAL INCREASE IN WULING NEW ENERGY
AND
CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF SPECIAL GENERAL MEETING**

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



Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 8 to 40 of this circular. A letter from the Independent Board Committee including its recommendations to the Independent Shareholders is set out on pages 41 and 42 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders on the transactions contemplated under the Capital Increase Agreement, the agreements in relation to the Disposals, the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps) is set out on pages 43 to 67 of this circular.

A notice convening a special general meeting of Wuling Motors Holdings Limited to be held on Wednesday, 29 June 2022 at 10:00 a.m. at Unit 1603-04, 16/F Causeway Bay Plaza One, 489 Hennessy Road, Causeway Bay, Hong Kong is set out on pages 96 to 98 of this circular. A form of proxy for use at the SGM is also enclosed. Such form of proxy is also published at the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.wuling.com.hk).

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 Hong Kong 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.

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 (www.hkexnews.hk).

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.

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 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 but in any event not later than 48 hours before the time appointed for the holding of the SGM or adjourned meeting. Completion and return of the form of proxy will not preclude Shareholders from attending and voting at the SGM or any adjourned meeting thereof if they so wish.

7 June 2022

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DEFINITIONS

In this circular, the following terms shall have the following respective meanings unless the context otherwise requires:

“2022–2024 New Energy Framework Agreement”	the framework agreement dated 31 March 2022 entered into between Wuling Industrial and Wuling New Energy in relation to the Continuing Connected Transactions for the period from the Effective Date to 31 December 2024 (both dates inclusive);
“Announcement”	the announcement of the Company dated 31 March 2022 regarding the disclosable transactions and connected transactions in relation to the Capital Increase in Wuling New Energy and the Continuing Connected Transactions;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Annual Cap(s)”	the proposed annual caps of the transactions under the 2022–2024 New Energy Framework Agreement for each of the three years ending 31 December 2024;
“Board”	the board of directors;
“Capital Increase”	the capital contribution by the Company and Wuling Industrial pursuant to the Capital Increase Agreement;
“Capital Increase Agreement”	the conditional capital increase agreement dated 31 March 2022 entered into between the Company, Guangxi Automobile, Wuling Industrial and Wuling New Energy;
“Company”	Wuling Motors Holdings Limited, a company incorporated under the laws of Bermuda with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 305);
“Continuing Connected Transaction(s)”	the Sales Transactions, the Modification Services, the Purchase (Materials and Parts) Transactions, the Purchase (Finished Products) Transactions, and the Technical Support Services;
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“Director(s)”	the director(s) of the Company;

DEFINITIONS

“Disposals”	including the transfer of the New Energy Assets as the capital contribution by Wuling Industrial to Wuling New Energy, the transfer of Inventory and Toolings by Wuling Industrial to Wuling New Energy and the assignment of the jointly-owned Patent by Wuling Industrial and Guangxi Automobile to Wuling New Energy as contemplated under the Capital Increase Agreement and the respective agreements in relation to the transfer of Inventory and Toolings and the assignment of Patent;
“Effective Date”	the date of the Independent Shareholders’ approval of the 2022–2024 New Energy Framework Agreement;
“Employee Share Scheme”	employee share investment scheme(s) to be made for the benefit of the employees of Wuling New Energy;
“Employee Share Scheme Platform”	a limited liability company or other legal entity to be established by employees of Wuling New Energy for the implementation of the Employee Share Scheme;
“First Asset Injection Valuation Report”	the valuation report in respect of the valuation of the non-cash assets as at 31 December 2021 (i.e., the valuation date) to be injected by Guangxi Automobile to Wuling New Energy pursuant to the First Capital Injection Contact issued by the PRC Valuer on 17 February 2022;
“First Capital Injection Contract”	the capital increase contract entered into between Guangxi Automobile and Wuling New Energy on 6 January 2022 pursuant to which Guangxi Automobile will contribute capital to Wuling New Energy in the sum of RMB1.6 billion which is to be satisfied by way of cash amounting to RMB553,858,565.63 (including the capital contribution of RMB50 million in cash by Guangxi Automobile on 14 January 2022) and non-cash assets amounting to RMB1,046,141,434.37 (which was based on the First Asset Injection Valuation Report and taking into account of the related VAT amounting to RMB99,037,853.69) and of which RMB700 million was contributed to the registered capital of Wuling New Energy and the remaining balance of RMB900 million was contributed to the capital reserves of Wuling New Energy;

DEFINITIONS

“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders regarding the transactions contemplated under the Capital Increase Agreement, the agreements in relation to the Disposals, the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps);
“Guangxi Automobile”	廣西汽車集團有限公司 (Guangxi Automobile Holdings Limited*), a state-controlled company established in the PRC, being the ultimate beneficial controlling Shareholder of the Company which is indirectly interested in approximately 56.54% of the total number of Shares in issue of the Company;
“Guangxi SASAC”	廣西壯族自治區人民政府國有資產監督管理委員會 (Stateowned Assets Supervision and Administration Commission of the People’s Government of Guangxi Zhuang Autonomous Region);
“Group”	the Company and its subsidiaries;
“HKFRS”	Hong Kong Financial Reporting Standards;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent committee of the Board comprising Mr. Ye Xiang, Mr. Wang Yuben and Mr. Mi Jianguo, being all of the independent non-executive Directors, established for the purposes of advising the Independent Shareholders regarding the transactions contemplated under the Capital Increase Agreement, the agreements in relation to the Disposals, the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps);
“Independent Shareholders”	Shareholders other than any persons who are interested in the Capital Increase Agreement and/or the 2022–2024 New Energy Framework Agreement or who are prohibited to vote under the Listing Rules;

DEFINITIONS

“Independent Third Parties”	Parties who are independent of the Company and connected persons of the Company;
“Inventory”	the inventory of Wuling Industrial which comprises certain amount of raw materials, semi-finished products and finished products pertaining to the New Energy Business to be transferred by Wuling Industrial to Wuling New Energy on completion the Capital Increase;
“Latest Practicable Date”	31 May, 2022, being the latest practicable date for the purpose of ascertaining certain information contained herein prior to the printing of this circular;
“Letter of Intent”	the letter of intent entered into between Guangxi Automobile, the Company, Wuling Industrial and Wuling New Energy on 1 December 2021;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Agreement”	the loan agreement entered into between the Company and Wuling Industrial on 19 February 2021, further details of which are set out in the Company’s announcement dated 19 February 2021;
“Modification Services”	provision of vehicles modification services (including installation and assembly of upper structure assembly, front extension storage assembly and accessories) by the Wuling Industrial Group to Wuling New Energy;
“New Energy Assets”	certain assets and equipment pertaining to the New Energy Business, which comprise primarily 407 sets of equipment and machinery, a motor vehicle, certain number of electronic equipment and computer software and certain costs incurred in construction in progress and research and development projects, to be contributed by Wuling Industrial to Wuling New Energy under the Capital Increase;
“New Energy Assets Transfer Agreement”	the transfer agreement to be entered into between Wuling Industrial and Wuling New Energy pursuant to which Wuling Industrial shall transfer the New Energy Assets to Wuling New Energy on completion of the portion of capital injection by Wuling Industrial to Wuling New Energy by the transfer of the non-cash assets under the Capital Increase;

DEFINITIONS

“New Energy Assets Valuation Report”	the valuation report in respect of, inter alia, the New Energy Assets of Wuling Industrial as at 31 December 2021 issued by the Valuer dated 31 March 2022;
“New Energy Business”	refers to the research and development, manufacture and sale of new energy vehicles in the PRC, which includes but not limited to highly competitive electric and plug-in hybrid new energy vehicles, as well as other new energy smart travel products, subject to the compliance of the requirements of the applicable laws and regulations;
“Patent”	the patents and the proprietary technology relating to production of new energy vehicles jointly owned by Guangxi Automobile and Wuling Industrial, which comprise 6 sets of project technology packages constituted by 30 patented technologies and 5 proprietary technologies;
“PRC”	the People’s Republic of China;
“PRC Valuer”	China Faith Appraisers Co., Ltd (北京國友大正資產評估有限公司), being an independent professional appraisal firm recognized by the relevant government authority(ies), appointed by Guangxi Automobile to perform the valuation of the non-cash assets to be injected by Guangxi Automobile to Wuling New Energy pursuant to the First Capital Injection Contract (i.e. the First Asset Injection Valuation Report);
“Proposed Annual Caps”	the proposed annual caps of each of the Sales Transactions, the Modification Services, the Purchase (Materials and Parts) Transactions, the Purchase (Finished Products) Transactions, and the Technical Support Services and the aggregate amounts of the Continuing Connected Transactions (as appropriate) set out in the 2022–2024 New Energy Framework Agreement for each of the three years ending 31 December 2024;
“Purchase (Finished Products) Transactions”	purchase of vehicles and related products by the Wuling Industrial Group from Wuling New Energy;
“Purchase (Materials and Parts) Transactions”	purchase of consumables, raw materials and automotive components (including chassis) by the Wuling Industrial Group from Wuling New Energy;
“Purchase Transactions”	the Purchase (Finished Products) Transactions and the Purchase (Materials and Parts) Transactions;

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“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Transactions”	sales of automotive components and related accessories by the Wuling Industrial Group to Wuling New Energy;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be convened and held on Wednesday, 29 June 2022 at 10:00 a.m. at Unit 1603-04, 16/F Causeway Bay Plaza One, 489 Hennessy Road, Causeway Bay, Hong Kong for the purpose of considering and, if thought fit, approving the Capital Increase Agreement, the agreements in relation to the Disposals and the 2022–2024 New Energy Framework Agreement with respect to the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps) together with the transactions contemplated thereunder by the Independent Shareholders;
“Shares”	ordinary share(s) of HK\$0.004 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Listing Rules;
“Technical Support Services”	provision of technical support services by Wuling New Energy to the Wuling Industrial Group;
“Toolings”	the toolings of Wuling Industrial which comprises the related moulds and toolings pertaining to the New Energy Business to be transferred by Wuling Industrial to Wuling New Energy on completion the Capital increase;
“VAT”	the value-added tax;
“Valuer”	Jones Lang Lasalle Corporate Appraisal and Advisory Limited (仲量聯行企業評估及諮詢有限公司), being an independent professional appraisal firm appointed jointly by the Company and Wuling Industrial to perform the respective valuations of the New Energy Assets, Inventory, Toolings and Patent in relation to the transactions as contemplated under the Capital Increase Agreement and the respective agreements of the Disposals (i.e. the New Energy Assets Valuation Report);

DEFINITIONS

“Wuling Industrial”	柳州五菱汽車工業有限公司 (Liuzhou Wuling Motors Industrial Company Limited*), a company established in the PRC and a non-wholly owned subsidiary of the Company;
“Wuling Industrial Group”	Wuling Industrial and its subsidiaries;
“Wuling New Energy”	柳州五菱新能源汽車有限公司 (Liuzhou Wuling New Energy Motors Company Limited*), a company established in the PRC and a wholly owned subsidiary of Guangxi Automobile as at the date of the Announcement; and
“%”	per cent.

In this circular, unless otherwise specified, amounts in RMB are converted to HK\$ at the conversion rate at RMB\$1.00 = HK\$1.1721 for illustration only. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at such rate or any other rates.

Certain English translation of Chinese names or words in this circular are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.

* For identification purpose only

LETTER FROM THE BOARD



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. Yang Jianyong
Mr. Wei Mingfeng

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

*Principal place of business
in Hong Kong:*

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

7 June 2022

To the Shareholders

Dear Sir or Madam,

**DISCLOSABLE TRANSACTIONS AND CONNECTED TRANSACTIONS
IN RELATION TO CAPITAL INCREASE IN WULING NEW ENERGY
AND
CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

References are made to the Company's announcements dated 1 December 2021 and 31 March 2022 in relation to the proposed Capital Increase, the Disposals and the Continuing Connected Transactions contemplated under the Capital Increase Agreement and the 2022–2024 New Energy Framework Agreement, respectively.

The purpose of this circular is to provide you with, among other things, (i) details of the transactions contemplated under the Capital Increase Agreement, the agreements in relation to the Disposals and the 2022–2024 New Energy Framework Agreement; (ii) the letter from the Independent Board Committee to the Independent Shareholders giving its recommendations in respect of the transactions contemplated under the Capital Increase Agreement, the agreements in relation to the Disposals and the 2022–2024 New Energy Framework Agreement with respect to the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps); (iii) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders containing its advice and recommendations on

LETTER FROM THE BOARD

the transactions contemplated under the Capital Increase Agreement, the agreements in relation to the Disposals and the 2022-2024 New Energy Framework Agreement with respect to the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps); (iv) other information as required under the Listing Rules; and (v) the notice of the SGM.

CAPITAL INCREASE IN WULING NEW ENERGY

On 31 March 2022, the Company, Guangxi Automobile, Wuling Industrial and Wuling New Energy entered into the Capital Increase Agreement, the principal terms of which are set out below.

The Capital Increase and payment terms

Pursuant to the Capital Increase Agreement, (i) the Company conditionally agreed to contribute RMB305.6 million in cash, of which RMB133.70 million will be contributed to the registered capital of Wuling New Energy and the remaining balance of RMB171.90 million will be contributed to the capital reserves of Wuling New Energy; (ii) Wuling Industrial conditionally agreed to contribute RMB300 million, by way of (a) transfer of certain assets and equipment pertaining to the New Energy Business valued at RMB84,866,478.39 (inclusive of the related VAT amounting to RMB8,310,714.53); and (b) cash in the sum of RMB215,133,521.61, part of which shall be applied by Wuling New Energy for the assignment of the Patent and purchase of Inventory and Toolings from Wuling Industrial, of which RMB131.25 million will be contributed to the registered capital of Wuling New Energy and the remaining balance of RMB168.75 million will be contributed to the capital reserves of Wuling New Energy; (iii) the Employee Share Scheme Platform to be set up will contribute RMB80 million in cash, of which RMB35 million will be contributed to the registered capital of Wuling New Energy and the remaining balance of RMB45 million will be contributed to the capital reserves of Wuling New Energy. The subscription price for each registered capital of Wuling New Energy is RMB2.2857.

As contemplated under the Letter of Intent, Guangxi Automobile and Wuling New Energy have entered into the First Capital Injection Contract pursuant to which Guangxi Automobile would make capital contribution to Wuling New Energy in the sum of RMB1.6 billion which would be satisfied by way of cash amounting to RMB553,858,565.63 (including the capital contribution of RMB50 million made by Guangxi Automobile in cash on 14 January 2022) and non-cash assets amounting to RMB1,046,141,434.37 (which was based on the valuation of RMB947,103,580.68 as assessed in the First Asset Injection Valuation Report and taking into account of the related VAT amounting to RMB99,037,853.69) and of which RMB700 million shall be contributed to the registered capital of Wuling New Energy and the remaining balance of RMB900 million shall be contributed to the capital reserves of Wuling New Energy.

Subject to fulfilment of the conditions precedent to the Capital Increase, the Company and Wuling Industrial shall pay their respective capital contribution on the date when Guangxi Automobile completes its capital contribution (save for the transfer of the construction in progress and the lands) or 29 June 2022 (whichever is later). The parties are entitled to extend the said payment date to a later date as mutually agreed.

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As a result of the Capital Increase, the registered capital of Wuling New Energy will be increased from RMB700,000,000 to RMB999,950,000, whereas, the capital reserves of Wuling New Energy will be increased from RMB900,000,000 to RMB1,285,650,000.

The basis of the determination of the subscription price for each registered capital of Wuling New Energy was arrived at with reference to (i) the aggregate valuation of the cash and non-cash assets to be contributed to Wuling New Energy by Guangxi Automobile pursuant to the First Capital Injection Contract as computed by (i) the cash of RMB553,858,565.63 and (ii) the non-cash assets of RMB1,046,141,434.37 (which was based on the valuation of RMB947,103,580.68 as at 31 December 2021 (i.e., the valuation date) as assessed in the First Asset Injection Valuation Report and taking into account of the related VAT amounting to RMB99,037,853.69) which are in aggregate amounting to RMB1,600 million; and (ii) the subscription price of the capital contribution by Guangxi Automobile to Wuling New Energy under the First Capital Injection Contract.

The cash capital contribution to be made by the Company and Wuling Industrial will be funded by internal resources of the Group including the repayment proceeds from Wuling Industrial of the loan granted by the Company to Wuling Industrial under the Loan Agreement.

The total amount to be contributed by the Company and Wuling Industrial was determined based on the estimated working capital requirement of Wuling New Energy for its initial stage of operation during 2022 and the respective shareholding of the Company and Wuling Industrial in Wuling New Energy. The aggregate contribution to be made by the Company and Wuling Industrial, which amounts to RMB605.6 million, would enable the Group to have an equity interests of approximately 26.5% in Wuling New Energy upon completion of the Capital Increase and the proposed increase in the share capital of Wuling New Energy under the Employee Share Scheme.

Disposals

As contemplated under the Letter of Intent and for the purpose of integrating and reorganizing the New Energy Business of the Group which are at present primarily undertaken by Wuling Industrial and in connection with the Capital Increase, Wuling Industrial will transfer and assign certain assets and patents pertaining to the New Energy Business to Wuling New Energy either by way of capital contribution or transfer.

Pursuant to the Capital Increase Agreement, out of the contribution of RMB300 million to be made by Wuling Industrial to Wuling New Energy, RMB84,866,478.39 will be satisfied by the transfer of the New Energy Assets. The valuation of the New Energy Assets as capital contribution of Wuling New Energy was determined based on the independent valuation of the New Energy Assets as at 31 December 2021 (i.e., the valuation date) of approximately RMB84,866,000 (after taking into account of the related VAT amounting to approximately RMB8,310,000).

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Under the Capital Increase Agreement and for completion of the capital contribution attributable to the New Energy Assets, Wuling Industrial and Wuling New Energy shall enter into the New Energy Assets Transfer Agreement to effect the transfer from which the list of assets and their respective values subject to the transfer shall be materially the same as the particulars as detailed in the New Energy Assets Valuation Report.

Completion of the New Energy Assets Transfer Agreement will be conditional upon the satisfaction of the following conditions:

- (1) there having been no laws, regulations, judgments, rulings, orders, decisions or injunctions of any court or relevant governmental authorities that restrict or prohibit the completion of the New Energy Assets Transfer Agreement;
- (2) all government approvals (if applicable) and any third party consents and approvals necessary for the execution, delivery and performance of the New Energy Assets Transfer Agreement having been obtained and are in full force and effect;
- (3) the conditions of the New Energy Assets having met the requirements for normal use in all material respects;
- (4) all encumbrances against the New Energy Assets having been discharged and Wuling Industrial having full and effective control over the New Energy Assets and there having been no mortgage, pledge, seizure and other rights or circumstances that shall affect completion of the New Energy Assets Agreement.

Wuling New Energy will have the right to waive the conditions set out in (1) to (4) above.

In accordance with the Capital Increase Agreement, the Inventory, Toolings and Patent will not form part of the New Energy Assets to be contributed by Wuling Industrial to Wuling New Energy. Wuling New Energy shall purchase the Inventory and Toolings from Wuling Industrial and Wuling Industrial and Guangxi Automobile shall assign the jointly-owned Patent to Wuling New Energy. The Patent specified for the production of the new energy vehicles of the Group, i.e., the electric logistic vehicles, is currently jointly owned by Guangxi Automobile and Wuling Industrial as determined by the development and registration processes of the specific patented and proprietary technologies. In connection with the Capital Increase, Guangxi Automobile and Wuling Industrial have mutually agreed that their respective entitlements in the Patent will be determined based on the actual costs and expenses incurred by respective parties in the development and registration processes. Based on the New Energy Assets Valuation Report, the assessed value of the Patent is RMB52,218,000 (inclusive of the related VAT amounting to RMB2,956,000), of which 0.167% and 99.833%, would be entitled by Guangxi Automobile and Wuling Industrial respectively. The carrying values of the Patent as shown in the account of the Group as at 31 December 2021 was nil. The ownership of the Patent will be assigned by Guangxi Automobile and Wuling Industrial to Wuling New Energy upon completion of the Capital Increase Agreement.

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The transfer of the Inventory and Toolings will be conditional upon the satisfaction of the following conditions:

- (1) the transfer of Inventory and Toolings having been approved by the board of directors of Wuling Industrial and the shareholder's decision of Wuling New Energy;
- (2) the filing of the related valuation report in respect of the Inventory and Toolings having been completed by Guangxi Automobile;
- (3) the capital contribution by Wuling Industrial contemplated under the Capital Increase Agreement (including the contribution by non-cash assets and cash) and the transactions contemplated under the Capital Increase Agreement having been approved by the Independent Shareholders at the SGM;
- (4) the transfer of Inventory and Toolings by Wuling Industrial to Wuling New Energy and the transactions contemplated under the agreement in relation to the transfer of Inventory and Toolings having been approved by the Independent Shareholders at the SGM;
- (5) there having been no laws, regulations, judgments, rulings, orders, decisions or injunctions of any court or relevant governmental authorities that restrict or prohibit the transfer of Inventory and Toolings;
- (6) all government approvals (if applicable) and any third party consents and approvals necessary for the execution, delivery and performance of the agreement in relation to the transfer of Inventory and Toolings having been obtained and are in full force and effect;
- (7) the conditions of the Inventory and Toolings having met the requirements for normal use in all material respects; and
- (8) all encumbrances against the Inventory and Toolings having been discharged and Wuling Industrial having full and effective control over the Inventory and Toolings and there having been no mortgage, pledge, seizure and other rights or circumstances that shall affect the transfer of Inventory and Toolings.

Wuling New Energy has the right to waive the conditions set out in (5) to (8) above. As at the Latest Practicable Date, save for the condition set out in (6) above, none of the above conditions has been satisfied.

The assignment of Patent will be conditional upon the satisfaction of the following conditions:

- (1) the Capital Increase Agreement having been approved by all the parties involved and become unconditional;

LETTER FROM THE BOARD

- (2) the assignment of Patent having been approved by the board of directors of Guangxi Automobile and the shareholders' decision of Wuling Industrial;
- (3) the filing of the related valuation report in respect of the Patent having been completed by Guangxi Automobile;
- (4) the assignment of Patent by Wuling Industrial to Wuling New Energy and the transactions contemplated under the agreement in relation to the assignment of Patent having been approved by the Independent Shareholders at the SGM;
- (5) there having been no laws, regulations, judgments, rulings, orders, decisions or injunctions of any court or relevant governmental authorities that restrict or prohibit the assignment of Patent;
- (6) all government approvals (if applicable) and any third party consents and approvals necessary for the execution, delivery and performance of the agreement in relation to the assignment of Patent having been obtained and are in full force and effect;
- (7) Guangxi Automobile and Wuling Industrial having full and effective control over the Patent and there having been no mortgage, pledge, seizure and other rights or circumstances that shall affect the assignment of the Patent; and
- (8) Guangxi Automobile and Wuling Industrial having completed the registration procedures for the change of ownership of the Patent and the owner of the Patent having been changed to Wuling New Energy.

Wuling New Energy has the right to waive the conditions set out in (5) to (8) above. As at the Latest Practicable Date, save for the condition set out in (6) above, none of the above conditions has been satisfied.

The consideration for the purchase of the Inventory shall not be more than RMB111,150,924.50, which shall be determined with reference to the independent valuation of the Inventory as at 31 December 2021 (i.e., the valuation date) (inclusive of the related VAT) plus a buffer of approximately 10% and the pricing will be finally determined in accordance with the pricing principles generally applied to the continuing connected transactions of the Group, i.e. (a) with reference to the relevant market prices; or (b) (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 from Wuling Industrial Group to Independent Third Parties. The consideration for the purchase of the Toolings shall be RMB12,490,957.62, (inclusive of the related VAT amounting to RMB1,437,012.82) which was determined with reference to the independent valuation of the Toolings as at 31 December 2021 (i.e., the valuation date). The consideration for the assignment of the Patent shall be RMB52,318,102 (inclusive of the related VAT amounting to RMB2,961,402) (of which approximately RMB90,000 (inclusive of the related VAT) shall be payable to Guangxi Automobile), which was determined with reference to the independent valuation of the Patent as at 31 December 2021 (i.e., the valuation date). The consideration for the Inventory, Toolings and Patent shall be paid out of the cash to be contributed by Wuling Industrial to Wuling New Energy under the Capital Increase Agreement.

LETTER FROM THE BOARD

In connection with the Disposals, the Company and Wuling Industrial engaged the Valuer to perform an independent valuation of the assets of the Wuling Industrial pertaining to the New Energy Business as at 31 December 2021 (i.e. the valuation date and the New Energy Assets Valuation Report). A summary of the results (by categories) is listed below and a summary of the final report issued by the Valuer on 31 March 2022 is set out in Appendix I to this circular.

Particulars	Note	At Book Values	At Assessed	Increase/ (Decrease) in values RMB'000	At Assessed
		(exclusive of VAT) as at 31 December 2021 RMB'000	Values (exclusive of VAT) as at 31 December 2021 RMB'000		Values (inclusive of VAT) as at 31 December 2021 RMB'000
New Energy Assets	1	80,675	76,556	(4,119)	84,866
Inventory		87,582	89,422	1,840	101,046
Toolings		—	11,054	11,054	12,491
Patent	2	—	49,262	49,262	52,218
Total		168,257	226,294	58,037	250,621

Notes:

- A summary of the key assets and equipment with their respective valuation under the category of New Energy Assets are detailed below:

Particulars	Description	At Book	At Assessed	Increase/ (Decrease) in values RMB'000	At Assessed
		Values (exclusive of VAT) as at 31 December 2021 RMB'000	Values (exclusive of VAT) as at 31 December 2021 RMB'000		Values (inclusive of VAT) as at 31 December 2021 RMB'000
Plant and machinery	Welding production lines consists of 172 sets of equipment	24,869	21,767	(3,102)	24,597
	Assembly production lines consists of 73 sets of equipment	10,208	9,539	(669)	10,778
	105 sets of equipment for testing functions	10,787	10,468	(319)	11,829
	3 sets of model forming equipment	2,940	2,812	(128)	3,177
	Other production equipment	3,634	3,504	(130)	3,946
	Sub-total	52,438	48,090	(4,348)	54,327
Computer	Computer and electronic equipment	2,655	2,510	(145)	2,836
	Computer software	4,859	5,231	372	5,545
	Sub-total	7,514	7,741	227	8,381
Transmission systems and equipment	One motor vehicle	23	25	2	28
Development Expenditure — Others	Development Expenditure — Others	20,700	20,700	—	22,130
Total		80,675	76,556	(4,119)	84,866

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2. Included in the assessed values of RMB52,218,000 (inclusive of the related VAT), approximately RMB90,000 is entitled by Guangxi Automobile, which is determined by the ratio of the respective actual expenses incurred by Wuling Industrial and Guangxi Automobile in obtaining the Patent.
3. In consideration of the relocation costs involved in the transfer of certain other equipment, machineries and production lines which were used for the production of New Energy Business by Wuling Industrial and were assessed as in good conditions and could be used for the production for other business activities of Wuling Industrial, the Company and Wuling Industrial decided to keep such equipment, machineries and production lines in the existing location for continuous use by Wuling Industrial for other business activities.

Conditions Precedent for the Capital Increase

Completion of the Capital Increase Agreement will be conditional upon the satisfaction of the following conditions:

- (1) the Capital Increase having been approved by Guangxi Automobile, the sole shareholder of Wuling New Energy;
- (2) the amended and restated articles of association of Wuling New Energy and all the necessary documents having become effective;
- (3) the First Asset Injection Valuation Report and the related valuation reports in respect of the New Energy Assets having been filed with or approved by Guangxi SASAC;
- (4) the approval in respect of the Capital Increase having been obtained from Guangxi SASAC;
- (5) the Capital Increase Agreement and the transactions contemplated under the Capital Increase Agreement (including the Disposals) having been approved by the Independent Shareholders at the SGM;
- (6) the 2022–2024 New Energy Framework Agreement having been entered into and the transactions contemplated under the 2022–2024 New Energy Framework Agreement having been approved by the Independent Shareholders at the SGM.

None of the conditions precedent can be waived. As at the Latest Practicable Date, save for above condition precedent (1), none of the conditions precedent has been satisfied.

Composition of the Board and Supervisory Board

Upon completion of the Capital Increase Agreement, the board of directors of Wuling New Energy shall consist of five directors, three of which shall be nominated by Guangxi Automobile, one of which shall be nominated by the Company and one of which shall be a director representing the employees.

Wuling New Energy shall also set up a supervisory board which will comprise three supervisors. Guangxi Automobile, the Company and the employees will each nominate one supervisor.

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THE 2022–2024 NEW ENERGY FRAMEWORK AGREEMENT

In connection with the Capital Increase Agreement, on 31 March 2022, Wuling Industrial and Wuling New Energy entered into the 2022–2024 New Energy Framework Agreement for a term of three financial years ending 31 December 2024 to govern the Continuing Connected Transactions between the Wuling Industrial Group and Wuling New Energy, subject to completion of the Capital Increase Agreement. The principal terms of the 2022–2024 New Energy Framework Agreement are set out below:

Proposed Continuing Connected Transactions

The principal terms of the 2022–2024 New Energy Framework Agreement are summarized as follows:

- Date : 31 March 2022
- Parties : (a) Wuling Industrial, a non-wholly owned subsidiary of the Company; and
(b) Wuling New Energy, being an associate of the Guangxi Automobile, the connected person of the Company under the Listing Rules
- Scope of products and services to be provided or received : The Continuing Connected Transactions to be carried are categorized into five types as follows:

(1) Sale Transactions

The Wuling Industrial Group has conditionally agreed to supply certain automotive components and related accessories for production and trading purposes (including various types of power supply system products, various types of automotive parts and accessories, raw materials (including steel) and other consumables and materials) to Wuling New Energy.

(2) Modification Services

The Wuling Industrial Group has conditionally agreed to provide vehicles modification services (including installation and assembly of upper structure assembly, front extension storage assembly and accessories) to Wuling New Energy.

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(3) *Purchase (Materials and Parts) Transactions*

The Wuling Industrial Group has conditionally agreed to purchase certain consumables, raw materials and automotive components for production and trading purposes (including various types of automotive parts and accessories, moulds and toolings, scrap materials, and accessories) from Wuling New Energy.

(4) *Purchase (Finished Products) Transactions*

The Wuling Industrial Group has conditionally agreed to purchase vehicles and related products from Wuling New Energy for trading purpose.

(5) *Technical Support Services*

The Wuling Industrial Group has conditionally agreed to acquire technical support service in relation to the production of vehicles from Wuling New Energy.

- Term : From the Effective Date to 31 December 2024 (both dates inclusive)
- Pricing principles : The pricing for the products or services supplied to Wuling New Energy, or vice versa will be determined on the following principles:
- (a) With reference to the relevant market prices; or
 - (b) (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 from Wuling Industrial Group to Independent Third Parties.
- Payment terms : Payments for the products or services supplied to Wuling New Energy, or vice versa will be settled by way of cash or such other manner as agreed by the parties and in accordance with the agreed timing and manners as specified in the actual sales contracts to be entered into between Wuling Industrial Group and Wuling New Energy.

The payment terms will be on market terms which are no less favourable than those available from Wuling Industrial Group to Independent Third Parties.

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Termination : If any transaction under the 2022–2024 New Energy Framework Agreement fails to meet the requirements under the Listing Rules with regard to continuing connected transactions, such transaction shall be terminated immediately. If any sale contract and the transactions contemplated thereunder fail to meet the principles of the 2022–2024 New Energy Framework Agreement or would result in the actual amount of the relevant transactions under the 2022–2024 New Energy Framework Agreement on annual basis exceeding the Annual Cap, such sale contract shall then be terminated.

In addition, the 2022–2024 New Energy Framework Agreement should be terminated upon occurrence of any of the following events:

- (i) all transactions proceeded pursuant to the 2022–2024 New Energy Framework Agreement having been terminated pursuant to the arrangements hereabove mentioned; or
- (ii) three-month written notice of termination having been served by a party to the 2022–2024 New Energy Framework Agreement.

Condition precedent : The 2022–2024 New Energy Framework Agreement is conditional upon:

- (i) the 2022–2024 New Energy Framework Agreement having been approved by the Independent Shareholders at the SGM;
- (ii) completion of the Capital Increase Agreement;
- (iii) the compliance of any other applicable laws and regulations (including but not limited to the Listing Rules) by parties.

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The Proposed Annual Caps

Set out below are the Annual Caps proposed by the Directors for each of the three years ending 31 December 2024 in respect of the transaction contemplated under the 2022–2024 New Energy Framework Agreement:

	Proposed Annual Caps		
	Year ending 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sale Transactions	268,200	830,000	1,148,000
Modification Services	10,500	13,200	15,200
Purchase Transactions			
— Materials and Parts	44,000	88,000	132,000
— Finished Products	<u>423,000</u>	<u>550,000</u>	<u>770,000</u>
Aggregate Proposed Annual Caps for Purchase Transactions	<u><u>467,000</u></u>	<u><u>638,000</u></u>	<u><u>902,000</u></u>
Technical Support Services	<u><u>62,000</u></u>	<u><u>23,000</u></u>	<u><u>6,900</u></u>

The Continuing Connected Transactions under the 2022–2024 New Energy Framework Agreement are categorized into five main categories namely the Sale Transactions, the Modification Services, the Purchase (Materials and Parts) Transactions, the Purchase (Finished Products) Transactions, and the Technical Support Services, which are determined in accordance with the nature of the subject products/services and activities. Pursuant to the 2022–2024 New Energy Framework Agreement, (i) the Proposed Annual Caps of a particular Continuing Connected Transaction cannot be applied to any other Continuing Connected Transactions; and (ii) the buffer (the “**Buffer**”) with regard to a specific category of Continuing Connected Transaction with similar nature, namely the Sale Transactions, the Modification Services, the Purchase (Materials and Parts) Transactions, the Purchase (Finished Products) Transactions, and the Technical Support Services, could be applied for such type of Continuing Connected Transaction (within the same category) to be carried out between any member of the Wuling Industrial Group and Wuling New Energy upon complying with the terms and conditions stipulated in the 2022–2024 New Energy Framework Agreement. The Buffer of each category of Continuing Connected Transaction has been set at about approximately 10% of the estimated aggregate transaction amounts, on annual basis, of the relevant category of Continuing Connected Transactions.

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Basis of determination of the Proposed Annual Caps

Proposed Annual Caps for the Sale Transactions and Modification Services

The Proposed Annual Caps for the Sale Transactions and Modification Services were determined by reference to (a) the target production volume of Wuling New Energy for the respective three years ending 31 December 2022, 2023 and 2024, which is further described under the paragraph “Target production volume” below; (b) the types and nature, estimated quantities and unit prices of the products and services to be supplied/acquired pursuant to the 2022–2024 New Energy Framework Agreement for the respective three years ending 31 December 2022, 2023 and 2024 which are further described under the paragraph “Estimated quantities and unit prices of the products and services to be supplied and acquired” below; (c) the changes in price range of products to be purchased or sold to Wuling New Energy as a result of the changes in types of products offered; and (d) a buffer of approximately 10% for (i) any transactions of similar nature which may be entered into with Wuling New Energy in each of the three years ending 31 December 2022, 2023 and 2024; and (ii) any unforeseeable circumstances, in particular, unexpected market fluctuations, changes in government policies on automobile industry, fluctuations in raw material costs and increase in labour costs, is also considered.

(a) Target production volume

Set out below are the target production volume of Wuling New Energy for the respective three years ending 31 December 2022, 2023 and 2024:

	Target Production Volume (Number of vehicles) Year ending 31 December		
	2022	2023	2024
G50 Platform	—	3,000	9,000
G100 Platform	15,600	22,000	27,000
G200 Platform	5,000	30,000	46,000
G300 Platform	<u>—</u>	<u>—</u>	<u>3,000</u>
Total	<u>20,600</u>	<u>55,000</u>	<u>85,000</u>

The target production volume of Wuling New Energy has been determined with reference to the following:

1. the schedule of manufacturing and sale of new energy vehicles including G100 new energy vehicles, G100 refrigerated vehicles, G100 postal car and G100 five seater logistics vehicles according to the Group’s Catalog for the Promotion and Application of New Energy Vehicles in the PRC published in 2020;
2. the launch of new energy logistics vehicles on the new G200 platform, G050 platform and G300 platform to cater to the market demand since 2022, 2023 and 2024 respectively;

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3. In view of the increase in sale volume of electric logistic vehicles by over 110% calculated on a year-on-year basis to more than 10,000 vehicles for the year ended 31 December 2021, the Group expects that the production and sale of new energy vehicles will continue to surge in the forthcoming future and the demand for the main parts and components necessary for the assembly and production of new energy vehicles will continue to rise accordingly; and
4. According to the Ministry of Industry and Information Technology (MIIT), the PRC's annual sale of new energy vehicle reached approximately 3.5 million units, representing an increase of approximately 160% comparing to 2021.

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

Set out below are the types and nature, estimated quantities and unit prices of the products and services to be supplied for the Sale Transactions and Modification Services pursuant to 2022–2024 New Energy Framework Agreement:

Sale Transactions

	Year ending 31 December		
	2022	2023	2024
11 types of front/rear skin Price range: RMB100 to RMB180 per unit	82,000 units (Estimated total value: RMB11,850,195)	162,000 units (Estimated total value: RMB23,708,030)	210,000 units (Estimated total value: RMB30,584,185)
36 types of fender, side panel welding assembly, top cover, middle rail trim panel welding parts, compartment floor welding assembly, frame welding Price range: RMB15 to RMB1,150 per unit	183,600 units (Estimated total value: RMB75,654,048)	552,000 units (Estimated total value: RMB189,391,140)	772,000 units (Estimated total value: RMB253,607,450)
4 types of support frame Price range: RMB2 to RMB10 per unit	20,000 units (Estimated total value: RMB90,300)	120,000 units (Estimated total value: RMB541,800)	180,000 units (Estimated total value: RMB812,700)
Steel Price range: RMB6,600 to RMB6,900 per tone	2,120 tones (Estimated total value: RMB14,066,200)	9,520 tones (Estimated total value: RMB64,736,000)	9,520 tones (Estimated total value: RMB64,736,000)
4 types of rear axle Price range: RMB1,800 to RMB3,100 per unit	20,000 units (Estimated total value: RMB44,822,570)	53,000 units (Estimated total value: RMB121,414,200)	76,000 units (Estimated total value: RMB178,237,480)

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	Year ending 31 December		
	2022	2023	2024
4 types of left/right front suspension Price range: RMB1,100 to RMB1,300 per unit	20,000 units (Estimated total value: RMB21,550,852)	53,000 units (Estimated total value: RMB60,082,640)	76,000 units (Estimated total value: RMB86,785,280)
4 types of front axle and steering parts Price range: RMB290 to RMB360 per unit	20,000 units (Estimated total value: RMB6,277,950)	53,000 units (Estimated total value: RMB17,820,600)	76,000 units (Estimated total value: RMB25,917,660)
4 types of hood latch assembly, brake hose Price range: RMB14 to RMB120 per unit	32,000 units (Estimated total value: RMB2,424,840)	66,000 units (Estimated total value: RMB6,033,120)	84,000 units (Estimated total value: RMB8,067,810)
4 types of electric motors Price range: RMB2,000 to RMB2,300 per unit	1,200 units (Estimated total value: RMB27,000,000)	17,600 units (Estimated total value: RMB39,600,000)	21,600 units (Estimated total value: RMB48,600,000)
4 types of engines Price: RMB6,000 to RMB8,000 per unit	5,000 units (Estimated total value: RMB31,500,000)	30,000 units (Estimated total value: RMB189,000,000)	45,000 units (Estimated total value: RMB283,500,000)
5 types of instrument panels and sub-instrument panels Price range: RMB27 to RMB151 per unit	29,000 units (Estimated total value: RMB2,673,430)	65,000 units (Estimated total value: RMB6,288,300)	88,000 units (Estimated total value: RMB8,481,540)
39 types of trim panels, cover panels, door panel assemblies Price range: RMB2 to RMB71 per unit	170,000 units (Estimated total value: RMB3,196,350)	103,500 units (Estimated total value: RMB20,010,900)	1,557,000 units (Estimated total value: RMB30,703,320)
32 types of other parts and accessories Price range: RMB0.25 to RMB140 per unit	181,000 units (Estimated total value: RMB2,727,550)	921,000 units (Estimated total value: RMB16,023,100)	1,348,000 units (Estimated total value: RMB24,082,250)
Total	RMB243,834,285	RMB754,649,830	RMB1,044,115,675
Proposed Annual Caps for the Sale Transactions with approximately 10% buffer	RMB268,200,000	RMB830,000,000	RMB1,148,000,000

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Modification Services

	Year ending 31 December		
	2022	2023	2024
Installation of upper structure assembly (optional pedal) Price range: RMB4,500 to RMB5,500 per unit	1,500 units (Estimated total value: RMB7,111,500)	2,000 units (Estimated total value: RMB9,506,500)	2,300 units (Estimated total value: RMB10,899,400)
Nameplate Price: RMB1 to RMB2 per unit	2,500 units (Estimated total value: RMB3,750)	3,000 units (Estimated total value: RMB4,500)	3,500 units (Estimated total value: RMB5,250)
Factory Sign — Wuling Motors Price: RMB4 to RMB5 per unit	2,500 units (Estimated total value: RMB12,000)	3,000 units (Estimated total value: RMB14,400)	3,500 units (Estimated total value: RMB16,800)
Wuling Automobile Logo Price: RMB10 to RMB12 per unit	1,500 units (Estimated total value: RMB17,010)	2,000 units (Estimated total value: RMB22,680)	2,300 units (Estimated total value: RMB26,082)
High brake lights Price: RMB20 to RMB30 per unit	1,500 units (Estimated total value: RMB39,750)	2,000 units (Estimated total value: RMB53,000)	2,300 units (Estimated total value: RMB60,950)
Upper structure of front extension storage assembly Price: RMB2,000 to RMB2,500 per unit	1,000 units (Estimated total value: RMB2,101,400)	1,000 units (Estimated total value: RMB2,101,400)	1,200 units (Estimated total value: RMB2,521,680)
Tarpaulin Price: RMB300 to RMB400 per unit	1,000 units (Estimated total value: RMB320,000)	1,000 units (Estimated total value: RMB320,000)	1,200 units (Estimated total value: RMB384,000)
Total	RMB9,605,410	RMB12,022,480	RMB13,914,162
Proposed Annual Caps for the Modification Services with approximately 10% buffer	RMB10,500,000	RMB13,200,000	RMB15,200,000

Proposed Annual Caps for the Purchase (Materials and Parts) Transactions

The Annual caps for the Purchase (Materials and Parts) Transactions were determined by reference to (a) the target production volume of G100 sanitation vehicle (classified as one type of refitted vehicle under the business segment of “Commercial Vehicles Assembly”) planned to be manufactured by Wuling Industrial for the respective three years ending 31 December 2022, 2023 and 2024; (b) the estimated unit price of the chassis planned to be

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sourced from Wuling New Energy for the production of this G100 sanitation vehicle; and (c) a buffer of approximately 10% for (i) any transactions of similar nature which may be entered into with Wuling New Energy in each of the three years ending 31 December 2022, 2023 and 2024; and (ii) any unforeseeable circumstances, in particular, unexpected market fluctuations, changes in government policies on automobile industry, fluctuations in raw material costs and increase in labour costs, is also considered.

Set out below are the target production volume and the estimated unit price of the materials and parts to be acquired for the Purchase (Materials and Parts) Transactions pursuant to 2022–2024 New Energy Framework Agreement

Purchase (Materials and Parts) Transactions

	Year ending 31 December		
	2022	2023	2024
Chassis for G100 Sanitation Vehicle	500 units	1,000 units	1,500 units
Price: RMB80,000–90,000 per unit	(Estimated total value: RMB40,150,000)	(Estimated total value: RMB80,300,000)	(Estimated total value: RMB120,450,000)
Proposed Annual Caps for the Purchase (Materials and Parts) Transactions with approximately 10% buffer	RMB44,000,000	RMB88,000,000	RMB132,000,000

Proposed Annual Caps for the Purchase (Finished Products) Transactions and Technical Support Services

The Proposed Annual Caps for the Purchase (Finished Products) Transactions and Technical Support Services were determined by reference to (a) the target business volume of the exporting business of new energy vehicles of Wuling Industrial, primarily for the markets in Japan and United States which shipments of vehicles have been commenced, for the respective three years ending 31 December 2022, 2023 and 2024; (b) the estimated unit price of the new energy vehicles planned to be sourced from Wuling New Energy for the exporting business; (c) the current contracts executed with the respective customers for the technical support services; and (d) a buffer of approximately 10% for (i) any transactions of similar nature which may be entered into with Wuling New Energy in each of the three years ending 31 December 2022, 2023 and 2024; and (ii) any unforeseeable circumstances, in particular, unexpected market fluctuations, changes in government policies on automobile industry, fluctuations in raw material costs and increase in labour costs, is also considered.

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Set out below are the target business volume of the exporting business and the estimated unit price of the finished products and services to be acquired for the Purchase (Finished Products) Transactions and Technical Support Services pursuant to 2022–2024 New Energy Framework Agreement

Purchase (Finished Products) Transactions

	Year ending 31 December		
	2022	2023	2024
G100\G200\G050\G300 and other kinds of electric vehicles Price range: RMB50,000–RMB150,000	6,900 units (Estimated total value: RMB385,675,000)	8,640units (Estimated total value: RMB504,130,000)	11,600 units (Estimated total value: RMB702,345,000)
Proposed Annual Caps for the Purchase (Finished products) Transactions with approximately 10% buffer	RMB423,000,000	RMB550,000,000	RMB770,000,000

Technical Support Services

	Year ending 31 December		
	2022	2023	2024
G100, G200 New Energy Vehicles	Estimated total value RMB27,878,000	Estimated total value RMB5,280,000	—
G50, G300 and other New Energy Vehicles	Estimated total value RMB28,512,000	Estimated total value RMB15,840,000	Estimated total value RMB6,336,000
Total	RMB56,390,000	RMB21,120,000	RMB6,336,000
Proposed Annual Caps for the Technical Support Services with approximately 10% buffer	RMB62,000,000	RMB23,000,000	RMB6,900,000

Note: The proposed annual caps for the technical support services fee to be paid by the Wuling Industrial Group to Wuling New Energy for the respective three years ending 31 December 2022, 2023 and 2024 are determined by the expected annual working hours to be spent on each new energy vehicles technical services multiply the market hourly rate and expected numbers of technicians required.

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INTERNAL CONTROL PROCEDURES

The Wuling Industrial Group has adopted and implemented standard internal control procedures on all purchases and sales transactions, which cover the Sale Transactions, the Modification Services, the Purchase Transactions and the Technical Support Services to 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.

Sale Transactions and the Modification Services

The Wuling Industrial Group has adopted and implemented its standard pricing policies on both the sale transactions with Independent Third Parties and the Sale Transactions and the Modification Services under the 2022–2024 New Energy Framework Agreement in order to ensure the above payment terms and pricing basis of the Sale Transactions and the Modification Services will be on market terms or on terms which are no less favourable than those available to Independent Third Parties, i.e. charging of a reasonable profit margin over the cost of production. The standard pricing policies adopted by the Wuling Industrial Group cover the pricing policies and procedures of all the sale transactions of the Wuling Industrial Group.

With respect to raw materials, the sale department (the “**Sale Department**”) of the Wuling Industrial Group would make references to the updated market prices of the raw materials in the open market as well as the latest traded and quoted prices that are available by the leading suppliers of such raw materials. The market price data will be updated on a monthly basis under normal circumstance and on a more frequent basis if the relevant market is volatile.

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

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

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Purchase Transactions and the Technical Support Services

Standard control procedures over the purchasing activities of the Wuling Industrial Group, which comprise, inter alia, supplier selection processes, price determination processes and product quality evaluation processes, were adopted and implemented on both the purchase transactions with Independent Third Parties and the Purchase Transactions and the Technical Support Services under the 2022–2024 New Energy Framework Agreement in order to ensure the above payment terms and pricing basis of the Purchase Transactions and the Technical Support Services will be on market terms or on terms which are no less favourable than those available from Independent Third Parties.

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, 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 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 Wuling New Energy 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 Wuling New Energy are reasonable as compared to the profit margins earned by the Wuling Industrial Group.

When determining the market prices of vehicles purchased, the Wuling Industrial Group will obtain the market prices of similar products from its authorized distributors to assess the prices charged by Wuling New Energy at least once every year or whenever there is a proposed change to the purchase price and/or the selling price. The Wuling Industrial Group currently has an extensive distribution network of authorized distributors for specialized vehicles, which provides essential updated market prices data of the competitors in this particular market segment.

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Independent Non-Executive Directors and Auditors' Review

In addition, the Sale Transactions, the Modification Services, the Purchase Transactions and the Technical Support Services 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 the Sale Transactions, the Modification Services, the Purchase Transactions and the Technical Support Services, will be set out in the Company's next annual report following the occurrence of such transactions. In order to facilitate the review process, Wuling New Energy 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 Sale Transactions, the Modification Services, the Purchase Transactions and the Technical Support Services contemplated under the 2022–2024 New Energy Framework Agreement will be conducted on normal commercial terms or better and not prejudicial to the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE, DISPOSALS AND THE 2022–2024 NEW ENERGY FRAMEWORK AGREEMENT

Capital Increase and Disposals

The Group, including Wuling Industrial and its subsidiaries, is principally engaged in the manufacturing and trading of automotive components, vehicles' power supply systems and commercial vehicles assembly (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.

On the back of the support from the national policies regarding environmental protection and new energy, new energy vehicles continued to receive promising market response and attention. The Group has been allocating resources to develop environmental transportation in compliance with the national policies and the new trend in the industry.

As disclosed in the interim report of the Company for the six months ended 30 June 2021 the annual report of the Company for the year ended 31 December 2021, in response to market development and competition, the Group had formulated diversified strategies for the commercial vehicles assembly division. New energy logistics vehicles were actively developed to serve the specific needs from the market. At the same time, efforts were also made to strengthen strategic partnership with dealers, promoting brand influence in the industry, and swiftly building up a mature sale force for our new energy vehicles. Encouraging reception of our new energy vehicles was received in the market, in which the sale volume of electric logistic vehicles was impressively increased to more than 10,000 vehicles, representing an increase of 113% as compared to the approximately 4,700 electric logistic vehicles sold in 2020. In order to capture the business potential and to maintain our market competitiveness, continuous development and launching of new models with an effective capacity expansion plan targeting at scale operation are essential for the Group.

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Meanwhile, in the context of significant transformation in the global automobile industry, Guangxi Automobile, the parent company of the Group plans to use Wuling New Energy as a platform to optimize and reorganize its new energy vehicle business, assets, personnel and other resources. Guangxi Automobile has agreed to contribute approximately RMB1.6 billion by way of cash and non-cash assets, which include land use right and production plant facilities comprising primarily a new production base located in the Liudong district in Liuzhou. Such production base, which occupies a site area of approximately 550,000 square meters, is planned to be constructed with the state-of-the-art technology in the automobile industry in the PRC and installed with the advance automated production lines which perform the requisite welding, painting and final assembly processes for the production of new energy vehicles. In response to the tremendous business opportunity and technological breakthroughs associated with the 14th Five-Year Plan, such production base aims at the advance level of industry standard in automation, flexibility, energy saving and intelligentization in order to achieve high level of environmental protection and production intelligence in our production of new energy vehicles.

The parties to the Capital Increase Agreement will discuss with each other on any further capital contribution required if and when Wuling New Energy has any further capital needs.

The entering into the Capital Increase Agreement with Guangxi Automobile and Wuling Industrial will help the Group to forge its new energy vehicle business segment with a unique platform and specific business strategies and will be beneficial to the long-term development of the Group in the new energy vehicle business.

After taking consideration the aforementioned benefit from entering into the Capital Increase Agreement for the long-term development of the Group in the new energy vehicle business, the Directors are of the view that contribution of RMB305.6 million in cash for the Capital increase can make good use of the cash on hand by the Group to maximize the return on assets and expand the business of the Group rather than keeping it in bank for certain interest income or other investments under the existing unfavorable economic environment.

Meanwhile, as disclosed in the annual report of the Company for the year ended 31 December 2021, despite the increase in the cost of raw materials and the tightening supply of semiconductor which caused impacts in planned production schedule, profitability performance of the automotive components and other industrial services division continued to improve because of the successful launches of new products to new customers and the stepped up production of components for the electric vehicles, including the car axles products supplying to the hot selling, Wuling Hongguang Mini EV. In addition, continuous internal management optimization and improving efficiency had also contributed to the business performance of the division.

As contemplated under the Letter of Intent and upon completion of the Capital Increase, Wuling New Energy will focus on the business activities relating to trading and manufacturing of new energy vehicles, whereas, Wuling Industrial Group will serve as the strategic key supplier by supplying automotive components and parts to Wuling New Energy for its production of new energy vehicles. It is considered the continuous expansion in the production of new energy vehicles of Wuling New Energy following completion of the Capital Increase

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would provide increasing business opportunities to the automotive components and other industrial services division of Wuling Industrial Group from which the benefits of scale operation and further business diversification would gradually be crystalized.

Besides engaging in the manufacturing and trading of automotive components, parts and power supply systems for the production new energy vehicles, the Group, through Wuling Industrial at present plans to retain certain particular business activities in relation to the new energy vehicles where the Group has comparative advantages in operation upon completion of the Capital Increase and the Disposals. These particular business activities include (i) the production of refitted electric vehicles with specific purpose, such as the sanitation vehicle, where the production processes involved and technical standards applied are similar on both traditional petrol and new energy vehicles and the existing sale and distribution of Wuling Industrial could be effectively utilized; and (ii) the acting as the main marketing arm of new energy vehicles produced by Wuling New Energy to the overseas markets, where the existing sale and distribution of Wuling Industrial (the overseas sale department) could be effectively utilized. In this regard, the potential continuing connected transactions between the Group and Wuling New Energy associated these retained business activities under the context of the Listing Rules would be governed by the 2022–2024 New Energy Framework Agreement.

Besides, it is also considered the Disposals associated with the Capital Increase would provide an opportunity to Wuling Industrial for further streamlining its operation processes which would allow Wuling Industrial to dispose certain assets at a profit and to enhance its internal management optimization and efficiency which would be beneficial to the profitability performance of the Group.

The 2022–2024 New Energy Framework Agreement

Since Wuling Industrial Group has been providing centralized procurement services to its group companies, customers, and suppliers, including the Guangxi Automobile Group, for the supply of raw materials, mainly steels, and utilities services, which include water and electricity suppliers, such centralized procurement function, to cope with the Group's strategy to forge its new energy vehicles business segment under the Capital Increase Agreement, can (i) strengthens the business relationship with Wuling New Energy; (ii) facilitates the procurement process of Wuling New Energy; and (iii) enhances the efficiency and productivity of Wuling New Energy through the benefits of bulk purchases.

In addition, Wuling Industrial Group has been actively promoting its automotive components business to the electric vehicles segment and will serve as the strategic key supplier by supplying automotive components and parts to Wuling New Energy for its production of new energy vehicles following completion of the Capital Increase. Under these circumstances the 2022–2024 New Energy Framework Agreement, were being entered into in setting out the principal terms and condition of the transactions to be carried out between the parties. As explained above, it is considered the continuous expansion in the production of new energy vehicles of Wuling New Energy following completion of the Capital Increase would provide increasing business opportunities to the automotive components and other industrial services division of Wuling Industrial Group from which the benefits of scale operation and further business diversification would gradually be crystalized and that Wuling

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Industrial Group will maintain and enhance its diversified revenue stream by supplying products and services to Wuling New Energy by capturing the business opportunity in new energy vehicles industry.

Furthermore, in consideration of the cost and efficiency in the production and marketing of certain specialized new energy vehicles, such as the sanitation vehicle, where the production processes involved and technical standards applied are similar on both traditional petrol and new energy vehicles and the existing sale and distribution of Wuling Industrial could be effectively utilized, it is planned that Wuling Industrial will continue to manufacture the refitted vehicle for of new energy sanitation vehicle, i.e. G100 sanitation vehicle following the completion of the Capital Increase. Meanwhile, in consideration of the cost and efficiency in the marketing of new energy vehicles to the overseas markets by the Group, where the existing sale and distribution of Wuling Industrial (the overseas sale department) could be effectively utilized, it is also planned that Wuling Industrial will continue to act as the main marketing arm of the new energy vehicles for overseas markets of the Group following the completion of the Capital Increase.

Given that the Continuing Connected Transactions under the 2022–2024 New Energy Framework Agreement are in the ordinary and usual course of business of the Group, and will be negotiated on an arm's length basis and will be provided on normal commercial terms or on terms which are no less favourable than those available to the Independent Third Parties from the Group, the Directors (including the independent non-executive Directors) consider that the terms of the 2022–2024 New Energy Framework Agreement and the Annual Caps were 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.

INFORMATION ON GUANGXI AUTOMOBILE

Guangxi Automobile, through its direct and indirect wholly owned subsidiaries, is interested in 1,864,698,780 Shares, representing approximately 56.54% of the total number of Shares in issue of the Company, and is the ultimate controlling Shareholder of the Company. As at the Latest Practicable Date, Guangxi Automobile is a state-controlled company established in the PRC with the State-owned Assets Supervision and Administration Commission of the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府國有資產監督管理委員會), being the registered shareholder empowered by the People's Government of Guangxi Zhuang Autonomous Region (廣西壯族自治區人民政府). Guangxi Automobile, together with its subsidiaries, including the Group, is mainly engaged in the trading, manufacturing and design of (i) various types of vehicles, primarily passenger coaches and mini-buses, automotive parts and accessories; (ii) various types of machinery, moulds and tools for production of automobiles, engines, and other relevant parts; (iii) the provision of related services, including the technical advisory, information, production, after sales services and the supply of power and water services, etc., in relation to the aforementioned products and equipment; and (iv) rental of property and other related services.

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INFORMATION ON WULING INDUSTRIAL

Wuling Industrial was established on 30 October 2006 as a state-owned company in the PRC. It has been converted into a sino-foreign joint venture since 17 August 2007. Wuling Industrial is currently owned as to approximately 60.9% by the Company and as to approximately 39.1% by Guangxi Automobile. Wuling Industrial and its subsidiaries are principally engaged in the manufacturing and trading of automotive components, vehicles' power supply systems and commercial vehicles assembly, as well as trading of raw materials, water and power supply services.

INFORMATION ON WULING NEW ENERGY

Background

Wuling New Energy is a company incorporated in the PRC on 4 June 2021 and is currently a wholly-owned subsidiary of Guangxi Automobile. It had no business activities from the incorporation date to 31 December 2021.

As contemplated under the Letter of Intent, Guangxi Automobile intends to use Wuling New Energy as a platform to integrate and reorganize its new energy vehicle related assets and businesses, which are at present primarily undertaken by Wuling Industrial and the Company intends to forge a new energy vehicle business segment from its existing main business segment of commercial vehicle assembly by investing in Wuling New Energy to fully explore and develop the new energy vehicle business.

Principal Business of Wuling New Energy

According to the business certificate of Wuling New Energy, Wuling New Energy's principal business includes, among others, research and development, manufacture and sale of new energy vehicles in the PRC, which includes but not limited to highly competitive electric and plug-in hybrid new energy vehicles, as well as other new energy smart travel products, subject to the compliance of the requirements of the applicable laws and regulations. Other than implementing the necessary procedures and transactions as contemplated under the First Capital Injection Contract, i.e. the transfer of relevant non-cash assets by Guangxi Automobile to Wuling New Energy as mentioned below and the re-designation of certain employees from Wuling Industrial to carry out the above necessary procedures and transactions and to prepare for the commencement of its business operations, at present Wuling New Energy does not have any material business activities.

Upon completion of the Capital Increase, Wuling New Energy will be converted into foreign-invested enterprise and will be principally engaged in the aforementioned business activities, which represents primarily the New Energy Business currently undertaken by Wuling Industrial and is classified under the business segment of "Commercial Vehicles Assembly". In this regard, Wuling New Energy will focus on the business activities relating to trading and manufacturing of new energy vehicles, whereas, Wuling Industrial Group will serve as the strategic key supplier by supplying automotive components and parts to Wuling New Energy for its production of new energy vehicles.

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Financial Information of Wuling New Energy

The audited net asset value as at 31 December 2021, and the audited revenue and net losses of Wuling New Energy for the period ended 31 December 2021 were Nil.

Below is a summary of the unaudited financial information of Wuling New Energy as at 31 March 2022.

	31 March 2022 (Unaudited) <i>RMB'000</i>
Non-current assets	945,690
Current assets	132,091
Current liabilities	1,249
Non-current liabilities	—
Net assets	1,076,532
Total equities	1,076,532
comprising:	
Paid up share capital	479,663
Capital reserves	616,710
Accumulated losses	(19,841)
Revenue for the period from 1 January 2022 to 31 March 2022	0
Net losses for the period from 1 January 2022 to 31 March 2022	(19,841)

First Capital Injection Contract

As contemplated under the Letter of Intent, Guangxi Automobile and Wuling New Energy have entered into the First Capital Injection Contract pursuant to which Guangxi Automobile will make capital contribution to Wuling New Energy in the sum of RMB1.6 billion which would be satisfied by way of cash amounting to RMB553,858,565.63 (including the capital contribution of RMB50 million made by Guangxi Automobile in cash on 14 January 2022) and non-cash assets amounting to RMB1,046,141,434.37 (which was based on the valuation as at 31 December 2021 (i.e., the valuation date) as assessed in the First Asset Injection Valuation Report and taking into account of the related VAT amounting to RMB99,037,853.69, details and the basis of which are summarised below) and of which RMB700 million was contributed to the registered capital of Wuling New Energy and the remaining balance of RMB900 million was contributed to the capital reserves of Wuling New Energy.

Injection of non-cash assets by Guangxi Automobile

To facilitate the operations of Wuling New Energy, Guangxi Automobile has agreed to inject certain non-cash assets, which include land use right and production plant facilities comprising primarily a new production base located in the Liudong district in Liuzhou. Such production base, which occupies a site area of approximately 550,000 square meters, is planned to be constructed with the state-of-the-art technology in the automobile industry in

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the PRC and installed with the advance automated production lines which perform the requisite welding, painting and final assembly processes for the production of new energy vehicles.

Below is a summary of the non-cash assets to be injected by Guangxi Automobile to Wuling New Energy pursuant to the First Capital Injection Contract, which was determined in accordance with their valuation as at 31 December 2021 (i.e., the valuation date) as assessed in the First Asset Injection Valuation Report (taking into account of the related VAT) issued by the PRC Valuer on 17 February 2022.

Particulars	At Book Values (exclusive of VAT) as at 31 December 2021 <i>RMB'000</i>	At Assessed Values (exclusive of VAT) as at 31 December 2021 <i>RMB'000</i>	Increase in Values <i>RMB'000</i>	At Assessed Values (inclusive of VAT) as at 31 December 2021 <i>RMB'000</i>
Equipment and machinery	43,819.8	45,757.3	1,937.5	51,705.7
Construction in progress (Note 1)	740,914.3	767,029.3	26,115.0	848,129.3
Land use rights (Note 2)	128,593.0	131,012.7	2,419.7	142,803.8
Software	3,316.6	3,304.3	(12.3)	3,502.6
Total	<u>916,643.7</u>	<u>947,103.6</u>	<u>30,459.9</u>	<u>1,046,141.4</u>

Notes:

- The item of construction in progress comprise primarily four main construction contracts for the construction of: (i) the painting production plant, comprehensive station, petro-chemical storage and wastage treatment facilities with a planned floor area of 51,587 square meter; (ii) the logistic center and quality testing plant with a planned floor area of 39,692 square meter; (iii) the welding production plant with a planned floor area of 59,752 square meter; and (iv) the assembly production plant with a planned floor area of 75,699 square meter.
- The items comprise the following two pieces of land which are being used for the construction of the production facilities (including the above main construction contracts) to be occupied by Wuling New Energy.

Ref	Land use right No.	Address	Date of Acquisition	Usage	Registered Owner (prior to the injection)	Lease terms (Years)	Site area (m ²)
a.	桂 (2019) 柳州市不動產 權第0125814號	柳東新區中歐產業園一 期、二期啟動區 D-1-2、D-4-2地塊	29 March 2019	Industrial	Guangxi Automobile	50	386,192.87
b.	桂 (2020) 柳州市不動產 權第0007051號	柳東新區中歐產業園一 期、二期啟動區 D-1-2-1、D-4-2-1地塊	16 December 2019	Industrial	Guangxi Automobile	49.3	163,231.00

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According to the First Asset Injection Valuation Report, the value of equipment and machinery, construction in progress, land use rights and software are estimated through different approaches after taking consideration of the type and conditions of the subject assets.

Regarding the equipment and machinery, the market approach was primarily utilized for those assets where an active secondary market exists. Verified market comparables is the best proof of transacted value as it reflects the dynamics of secondary market. Factors such as the availability and desirability of particular types of machines are vital consideration, as supply and demand is an influencing factor on the transactions. For all other assets without active secondary market, the PRC Valuer relied on the cost approach, where an estimate is made on the cost of reproduction new or replacement cost, less allowance for depreciation or loss of value arising from condition, utility, age, wear and tear, and obsolescence, taking into consideration past and present maintenance policy, and rebuilding history, if any, and current utilization. The PRC Valuer has been provided with a listing of the machinery and equipment. The PRC Valuer has relied considerably on this plus on other information such as equipment specifications and other documents provided. The PRC Valuer has not carried out a full mechanical survey, nor have inspected other machinery and equipment, which are covered, unexposed or inaccessible, and our assessments on these non-inspected assets are based on the premise that these items are in a condition that commensurate with age and usage. The PRC Valuer has not investigated the title nor any liabilities affecting the tangible assets. No consideration was made for any outstanding amount owed under financing agreements, if any.

The PRC Valuer is of the opinion that the market values (exclusive of VAT) of equipment and machinery as at the valuation date equal to RMB 45,757,300.

Regarding the construction in progress, the PRC Valuer has assumed that they will be completed in accordance with the latest development schedules provided to the PRC Valuer by Guangxi Automobile. The PRC Valuer has adopted the cost approach, where an estimate is made on the cost of reconstruction of facilities to the stage of construction as at the valuation date, taking into consideration the price change and cost of occupied capital. The PRC Valuer has taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date, without considering the remainder of the cost and fees expected to be incurred for completing the development. The PRC Valuer has relied on the accrued construction cost and professional fees information provided by Guangxi Automobile according to the different stages of construction of the properties as at the valuation date.

The PRC Valuer is of the opinion that the market value (exclusive of VAT) of construction in progress as at the valuation date equal to RMB 767,029,281.

Regarding the land use rights, the PRC Valuer has adopted the comparison approach and coefficient correction approach of published land price method. The results obtained by the above two valuation methods are quite similar. Therefore, the arithmetic average was taken as the market values. The comparison approach, by making reference to comparable sales transactions as available in the market, rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors. Key assumptions include: (a) transaction status; (b) land price index; (c) homogenous region; (d)

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specific factor and (e) residual maturity factors. The PRC Valuer also adopted coefficient correction approach of published land price method based on the urban benchmark land price and the price coefficient correction table published by local government. The PRC Valuer compared multiple influential factors of the target land to the benchmark case given by local government, and adjusted the benchmark land price according to previous comparison result and coefficient correction table published by local government. Key assumptions include: (a) convenience in public transport; (b) municipal infrastructure; (c) industrial agglomeration and development; (d) urban regional planning; (e) specific factors; (f) preferential policies given by local government and (g) residual maturity factors. Regarding the software, the valuer adopted the comparison approach by inquiring software price of suppliers.

The PRC Valuer is of the opinion that the market values (exclusive of VAT) of land use rights as at the valuation date equal to RMB 131,012,700.

Capital structure of Wuling New Energy following the Capital Increase

Assuming that there is no change to the capital structure of Wuling New Energy other than the Capital Increase, the capital structure of Wuling New Energy following completion of the Capital Increase are as follows:

	After completion of the capital injection pursuant to the First Capital Injection Contract by Guangxi Automobile				Immediately upon completion of the Capital Increase			
	Registered Capital (RMB)	Capital Reserves (RMB)	Total (RMB)	Approximate percentage of equity interest	Registered Capital (RMB)	Capital Reserves (RMB)	Total (RMB)	Approximate percentage of equity interest
Guangxi Automobile	700,000,000	900,000,000	1,600,000,000	100%	700,000,000	900,000,000	1,600,000,000	70.00%
The Company	—	—	—	—	133,700,000	171,900,000	305,600,000	13.37%
Wuling Industrial	—	—	—	—	131,250,000	168,750,000	300,000,000	13.13%
Employee Share Scheme Platform	—	—	—	—	35,000,000	45,000,000	80,000,000	3.50%
Total:	<u>700,000,000</u>	<u>900,000,000</u>	<u>1,600,000,000</u>	<u>100.00%</u>	<u>999,950,000</u>	<u>1,285,650,000</u>	<u>2,285,600,000</u>	<u>100.00%</u>

FINANCIAL EFFECTS OF THE CAPITAL INCREASE AND THE DISPOSALS

Upon completion of the Capital Increase, Wuling New Energy will be owned as to 70%, 13.37% and 13.13% by Guangxi Automobile, the Company and Wuling Industrial, respectively. As such, the results of the Wuling New Energy will not be consolidated into the financial statements of the Group and is expected to be accounted for as an associate using equity accounting in the Group's financial statement with effect from the completion date of the Capital Increase.

It is estimated that as a result of the Disposals, the Group will recognise a net gain of approximately RMB57,000,000, as computed by the value of the consideration of the Disposals less the respective carrying values of the New Energy Assets, Inventory, Toolings and Patent as at 31 December 2021 and after taking into consideration of the estimated expenses related to the Disposals.

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IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Guangxi Automobile through its direct and indirect wholly-owned subsidiaries, is interested in approximately 56.54% of the total number of Shares in issue of the Company, and is the ultimate controlling shareholder of the Company. As at the Latest Practicable Date, Guangxi Automobile owns 100% equity interest of Wuling New Energy. Therefore, Wuling New Energy is an associate of Guangxi Automobile and a connected person of the Company under the Listing Rules. Accordingly, the Capital Increase, the Disposals and the Continuing Connected Transactions contemplated under the 2022–2024 New Energy Framework Agreement constitute connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules.

The Company will disclose the information in relation to the Continuing Connected Transactions in its subsequent published annual report and accounts in accordance with Rule 14A.49 of the Listing Rules.

The Capital Increase Agreement and Disposals

As the highest of the applicable percentage ratios (as calculated in accordance with Rule 14.06 of the Listing Rules) for the Capital Increase is 5% or more but is less than 25%, the Capital Increase constitutes a disclosable transaction of the Company under Rule 14.06 of the Listing Rules. As the highest of the applicable percentage ratios for the Disposals is 5% or more but is less than 25%, the Disposals also constitutes a disclosable transaction of the Company.

The transactions contemplated under the Capital Increase Agreement and the Disposals are subject to the requirements of reporting, announcement and approval of the Independent Shareholders at the SGM by way of poll pursuant to Chapter 14 and Chapter 14A of the Listing Rules.

The 2022–2024 New Energy Framework Agreement

As the highest of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) for the Proposed Annual Caps for each of the Sale Transactions and the Purchase Transactions contemplated under the 2022–2024 New Energy Framework Agreement, on annual basis, is higher than 5% and such Proposed Annual Caps are more than HK\$10 million, the Sale Transactions and the Purchase Transactions constitute continuing connected transactions for the Company and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios for the Proposed Annual Caps for each of the Modification Services and the Technical Support Services contemplated under the 2022–2024 New Energy Framework Agreement, on annual basis, is more than 0.1% but less than 5%, the Modification Services and the Technical Support Services constitute continuing connected transactions which are subject to the announcement, reporting and annual review requirements under Rule 14A.76 of the Listing Rules, but exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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GENERAL

Mr. Yuan Zhijun, being an executive Director and the director of each of Guangxi Automobile and Wuling New Energy, was abstained from voting on the Board resolutions passed to approve the Capital Increase Agreement, the agreements in relation to the Disposals and the 2022–2024 New Energy Framework Agreement, together with the transactions contemplated thereunder (including but not limited to the respective Proposed Annual Caps). Mr. Yang Jianyong and Mr. Wei Mingfeng, being executive Directors and a director and senior executive respectively of Guangxi Automobile, declared their respective interests as director and/or senior executive of Guangxi Automobile prior to the voting on the Board resolutions passed to approve the Capital Increase Agreement, the agreements in relation to the Disposals and the 2022–2024 New Energy Framework Agreement, together with the transactions contemplated thereunder (including but not limited to the respective Proposed Annual Caps).

As at the Latest Practicable Date, Mr. Yuan Zhijun and his associates held 3,000,000 Shares, representing approximately 0.09% of the total number of Shares in issue of the Company. Mr. Wei Mingfeng and his associates held 270,000 Shares and 335,400 share options under the share option scheme of the Company, representing approximately 0.02% of the total number of Shares in issue of the Company. Mr. Yang Jianyong and his associates did not hold any Shares of the Company as at the Latest Practicable Date.

Save as disclosed above, no other Director is regarded having a material interest in the Capital Increase Agreement, the agreements in relation to the Disposals and the 2022–2024 New Energy Framework Agreement and is required to abstain from voting on the Board resolutions to approve the the Capital Increase Agreement, the agreements in relation to the Disposals and the 2022–2024 New Energy Framework Agreement, together with the transactions contemplated thereunder (including but not limited to the respective Proposed Annual Caps).

As at the Latest Practicable Date, Guangxi Automobile, through its direct and indirect wholly-owned subsidiaries, was interested in approximately 56.54% of the total number of Shares in issue, and was the ultimate controlling shareholder of the Company. Guangxi Automobile and its associates will abstain from voting at the SGM in respect of the Capital Increase Agreement, the agreements in relation to the Disposals, the 2022–2024 New Energy Framework Agreement and the transactions contemplated thereunder as a result of having material interest therein. Saved as disclosed in this circular, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no other Shareholder is required to abstain from voting at the SGM.

The Independent Board Committee (which consists all of independent non-executive Directors) has been established to advise the Independent Shareholders on the terms of the Capital Increase Agreement, the agreements in relation to the Disposals, the Sale Transactions and the Purchase Transactions (including their respective Proposal Annual Caps) together with the transactions as contemplated thereunder, and to advise the Independent Shareholders on how to vote, taking into account the Recommendations on the same to be given by Gram Capital.

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The Company has appointed Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders to consider the terms of the Capital Increase Agreement, the agreements in relation to the Disposals, the Sale Transactions and the Purchase Transactions (including their respective Proposal Annul Caps), together with the transactions as contemplated thereunder.

The Company will seek approval from the Independent Shareholders in accordance with the requirements of the Listing Rules. An SGM will be convened at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Capital Increase Agreement, the agreements in relation to the Disposals, the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps) and the transactions contemplated thereunder.

BOOK CLOSURE FOR SGM ATTENDANCE

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 24 June 2022 to Wednesday, 29 June 2022 (both dates inclusive), during which period no transfer of Shares will be registered.

In order to be eligible to attend and vote at the SGM, unregistered holders of Shares should ensure all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 23 June 2022.

SGM AND PROXY ARRANGEMENT

A notice convening the SGM to be held on Wednesday, 29 June 2022 at 10:00 a.m. at Unit 1603-04, 16/F Causeway Bay Plaza One, 489 Hennessy Road, Causeway Bay, Hong Kong is set out on pages 96 to 98 of this circular for the purpose of considering and, if thought fit, passing the resolution in relation to the transactions contemplated under the Capital Increase Agreement, the 2022–2024 New Energy Framework Agreement, respectively.

Pursuant to the Listing Rules and the Bye-law, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll vote results will be published by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.wuling.com.hk). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. In calculating the aforesaid 48 hours period, no account will be taken of any part of a day that is

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a public holiday. Accordingly, the form of proxy must be delivered not later than 10:00 a.m. on Monday, 27 June 2022. Completion and delivery of the form of proxy will not preclude you from attending and voting at the SGM if you so wish.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 41 and 42 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Capital Increase Agreement, the agreements in relation to the Disposals and the 2022-2024 New Energy Framework Agreement with respect to the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps) and the transactions contemplated thereunder. Your attention is also drawn to the letter of advice from Gram Capital set out on pages 43 to 67 of this circular which contains, amongst other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Capital Increase Agreement, the agreements in relation to the Disposals and the 2022-2024 New Energy Framework Agreement with respect to the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps) and the transactions contemplated thereunder.

The independent non-executive Directors, whose views are set out in the letter from the Independent Board Committee contained in this circular, consider that the Capital Increase Agreement, the agreements in relation to the Disposals and the 2022-2024 New Energy Framework Agreement with respect to the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps) and the transactions contemplated thereunder are fair and reasonable, and executed in normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

FURTHER INFORMATION

Your attention is drawn to the other sections and appendices in this circular. You should consider carefully all the information set out in the circular before making a decision about the Capital Increase Agreement, the agreements in relation to the Disposals and the 2022–2024 New Energy Framework Agreement with respect to the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps) and the transactions contemplated thereunder, respectively.

By Order of the Board
Wuling Motors Holdings Limited
Yuan Zhijun
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendations, prepared for the purpose of incorporation in the circular, from the Independent Board Committee to the Independent Shareholders in respect of the Capital Increase, the Disposals, the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps).



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)

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSABLE TRANSACTIONS AND CONNECTED TRANSACTIONS IN RELATION TO CAPITAL INCREASE IN WULING NEW ENERGY AND CONTINUING CONNECTED TRANSACTIONS

7 June 2022

We refer to the circular of the Company to the Shareholders dated 7 June 2022 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Capital Increase Agreement, the agreements in relation to the Disposals, the 2022–2024 New Energy Framework Agreement with respect to the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps) and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Gram capital as set out on pages 43 to 67 of the Circular and the letter from the Board as set out on pages 8 to 40 of the Circular.

Having considered the terms of the Capital Increase Agreement, the agreements in relation to the Disposals, the 2022–2024 New Energy Framework Agreement with respect to the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps) and the transactions contemplated thereunder, the advice and recommendations of Gram Capital and the relevant information contained in the letter from the Board, we are of the opinion that the terms of the Capital Increase Agreement, the agreements in relation to the Disposals, the 2022–2024 New Energy Framework Agreement with respect to the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps)

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

and the transactions contemplated thereunder are on normal commercial terms in the ordinary and usual course of business of the Company, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions proposed to approve the Capital Increase Agreement, the agreements in relation to the Disposals, the 2022–2024 New Energy Framework Agreement with respect to the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps) and the transactions contemplated thereunder.

Yours faithfully

For and on behalf of

The Independent Board Committee of

Wuling Motors Holdings Limited

Mr. Ye Xiang Mr. Wang Yuben Mr. 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 Capital Increase, the Disposals, the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps) for the purpose of inclusion in this circular.



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

7 June 2022

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

Dear Sir/Madam,

DISCLOSABLE AND CONNECTED TRANSACTIONS IN RELATION TO CAPITAL INCREASE IN WULING NEW ENERGY (INCLUDING THE DISPOSALS AS CONTEMPLATED THEREUNDER) AND 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 Capital Increase, the Disposals, the Sale Transactions and the Purchase Transactions (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 7 June 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 31 March 2022, the Company, Guangxi Automobile, Wuling Industrial and Wuling New Energy entered into the Capital Increase Agreement. Pursuant to the Capital Increase Agreement:

- (i) the Company conditionally agreed to contribute RMB305.6 million in cash, of which RMB133.70 million will be contributed to the registered capital of Wuling New Energy and the remaining balance of RMB171.90 million will be contributed to the capital reserves of Wuling New Energy;
- (ii) Wuling Industrial conditionally agreed to contribute RMB300 million, by way of (a) transfer of certain assets and equipment pertaining to the New Energy Business valued at RMB84,866,478.39 (inclusive of the related VAT amounting to

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RMB8,310,714.53); and (b) cash in the sum of RMB215,133,521.61, part of which shall be applied by Wuling New Energy for the assignment of the Patent and purchase of Inventory and Toolings from Wuling Industrial, of which RMB131.25 million will be contributed to the registered capital of Wuling New Energy and the remaining balance of RMB168.75 million will be contributed to the capital reserves of Wuling New Energy;

- (iii) the Employee Share Scheme Platform to be set up will contribute RMB80 million in cash, of which RMB35 million will be contributed to the registered capital of Wuling New Energy and the remaining balance of RMB45 million will be contributed to the capital reserves of Wuling New Energy; and
- (iv) the subscription price for each registered capital of Wuling New Energy is RMB2.2857.

In connection with the Capital Increase Agreement, Wuling Industrial and Wuling New Energy entered into the 2022–2024 New Energy Framework Agreement on 31 March 2022 for a term of three financial years ending 31 December 2024 to govern the Continuing Connected Transactions (including the Sale Transactions and the Purchase Transactions between the Wuling Industrial Group and Wuling New Energy), subject to completion of the Capital Increase Agreement.

With reference to the Board Letter, the Capital Increase and the Disposals constitute disclosable and connected transactions for the Company and are subject to the reporting, announcement, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Sale Transactions and the Purchase 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 or better 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 resolutions 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.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in respect of (i) the continuing connected transactions of the Company as contained in the Company's circular dated 21 December 2021; (ii) the continuing connected transactions of the Company as contained in the Company's circular dated 27 April 2021; and (iii) the continuing connected transactions of the Company as contained in the Company's circular dated 9 October 2020. Notwithstanding the

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aforesaid past engagements, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

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.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group or Wuling Industrial, and we were furnished with the New Energy Assets Valuation Report as prepared by the Valuer, which is set out in Appendix I to the Circular. Since we are not experts in the valuation of assets or business, we have relied solely upon the New Energy Assets Valuation Report for the valuation of the New Energy Assets, the Inventory, the Toolings and the Patent as at 31 December 2021.

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

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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 Wuling Industrial and its subsidiaries, is principally engaged in the manufacturing and trading of automotive components, vehicles' power supply systems and commercial vehicles assembly (which covers the new energy vehicles, represented primarily by the electric vehicles), as well as the trading of raw materials, water and power supply services.

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2021 as extracted from the Company's annual report for the year ended 31 December 2021 (the "2021 Annual Report"):

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2020 <i>RMB'000</i>	Year on year change %
Revenue	14,408,507	15,382,213	(6.33)
— Vehicles' power supply system	2,759,012	3,115,390	(11.44)
— Automotive components and other industrial services	7,114,330	7,148,068	(0.47)
— Commercial vehicles assembly	4,489,599	5,097,664	(11.93)
— Others	45,566	21,091	116.04
Gross profit	1,085,847	1,209,428	(10.22)
Loss for the year attributable to owners of the Company	(24,148)	(33,403)	(27.71)

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As depicted from the above table, the Group recorded revenue of approximately RMB14.41 billion for the year ended 31 December 2021 (“FY2021”), representing decrease of approximately 6.33% as compared to that for the year ended 31 December 2020 (“FY2020”). With reference to the 2021 Annual Report, the decrease was mainly attributable to the decrease in revenue from vehicles’ power supply system segment and commercial vehicles assembly segment.

The Group’s gross profit for FY2021 was approximately RMB1.09 billion, representing a decrease of approximately 10.22% as compared to FY2020. With reference to the 2021 Annual Report, such decrease was mainly due to the increase in the cost of raw materials and tightening supply of the semiconductor for FY2021.

Despite decrease in the Group’s gross profit from FY2020 to FY2021, the loss for FY2021 attributable to owners of the Company decreased by approximately 27.71% as compared to that for FY2020. With reference to the 2021 Annual Report, such decrease was mainly attributable to increase in other income, reduction in general and administrative expenses and finance costs, as partially offset by increase in research and development expenses.

With reference to the 2021 Annual Report, the Group will strive to maintain a prominent market share of the Group’s existing popular product models, and at the same time, explore the opportunity for future growth potential to further improving the profitability of the commercial vehicles assembly division, through implementation of active business strategies in promoting new models, primarily the new energy vehicles on the back of the favourable government policy and economic environment.

Information on Wuling Industrial

With reference to the Board Letter, Wuling Industrial was established on 30 October 2006 as a state-owned company in the PRC. It has been converted into a sino-foreign joint venture since 17 August 2007. Wuling Industrial is currently owned as to approximately 60.9% by the Company and as to approximately 39.1% by Guangxi Automobile. Wuling Industrial and its subsidiaries are principally engaged in the manufacturing and trading of automotive components, vehicles’ power supply systems and commercial vehicles assembly, as well as trading of raw materials, water and power supply services.

Information on Wuling New Energy

With reference to the Board Letter, Wuling New Energy is a company incorporated in the PRC on 4 June 2021 and is currently a wholly-owned subsidiary of Guangxi Automobile. It had no business activities from the incorporation date to 31 December 2021. The audited net asset value of Wuling New Energy as at 31 December 2021 was nil.

Guangxi Automobile intends to use Wuling New Energy as a platform to integrate and reorganize its new energy vehicle related assets and businesses, which are at present primarily undertaken by Wuling Industrial and the Company intends to forge a new energy vehicle

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business segment from its existing main business segment of commercial vehicle assembly by investing in Wuling New Energy to fully explore and develop the new energy vehicle business.

Wuling New Energy's principal business includes, among others, research and development, manufacture and sale of new energy vehicles in the PRC, which includes but not limited to highly competitive electric and plug-in hybrid new energy vehicles and other new energy smart travel products, subject to the compliance of the requirements of the applicable laws and regulations. At present, other than implementing the necessary procedures and transactions as contemplated under the First Capital Injection Contract, i.e. the transfer of relevant non-cash assets by Guangxi Automobile to Wuling New Energy and the re-designation of certain employees from Wuling Industrial to carry out the above necessary procedures and transactions and to prepare for the commencement of its business operations, Wuling New Energy does not have any material business activities.

Reasons for and benefits of the Transactions

Capital Increase and Disposals

With reference to the Board Letter, on the back of the support from the national policies regarding environmental protection and new energy, new energy vehicles continued to receive promising market response and attention. The Group has been allocating resources to develop environmental transportation in compliance with the national policies and the new trend in the industry.

In response to market development and competition, the Group had formulated diversified strategies for the commercial vehicles assembly division. New energy logistics vehicles were actively developed to serve the specific needs from the market. At the same time, efforts were also made to strengthen strategic partnership with dealers, promoting brand influence in the industry, and swiftly building up a mature sale force for the Group's new energy vehicles. In order to capture the business potential and to maintain the Group's market competitiveness, continuous development and launching of new models with an effective capacity expansion plan targeting at scale operation are essential for the Group.

Meanwhile, in the context of significant transformation in the global automobile industry, Guangxi Automobile, the parent company of the Group plans to use Wuling New Energy as a platform to optimize and reorganize its new energy vehicle business, assets, personnel and other resources. Guangxi Automobile has agreed to contribute approximately RMB1.6 billion by way of cash and non-cash assets, which include land use right and production plant facilities comprising primarily a new production base located in the Liudong district in Liuzhou. Such production base, which occupies a site area of approximately 550,000 square meters, is planned to be constructed with the state-of-the-art technology in the automobile industry in the PRC and installed with the advance automated production lines which perform the requisite welding, painting and final assembly processes for the production of new energy vehicles. In response to the tremendous business opportunity and technological breakthroughs associated with the 14th Five-Year Plan, such production base aims at the advance level of

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industry standard in automation, flexibility, energy saving and intelligentization in order to achieve high level of environmental protection and production intelligence in the Group's production of new energy vehicles.

The entering into the Capital Increase Agreement with Guangxi Automobile and Wuling Industrial will help the Group to forge its new energy vehicle business segment with a unique platform and specific business strategies and will be beneficial to the long-term development of the Group in the new energy vehicle business.

Besides, it is also considered the Disposals associated with the Capital Increase would provide an opportunity to Wuling Industrial for further streamlining its operation processes which would allow Wuling Industrial to dispose certain assets at a profit and to enhance its internal management optimization and efficiency which would be beneficial to the profitability performance of the Group.

Continuing connected transactions (including the Sale Transactions and the Purchase Transactions)

With reference to the Board Letter, since Wuling Industrial Group has been providing centralized procurement services to its group companies, customers, and suppliers (including the Guangxi Automobile Group) for the supply of raw materials and utilities services. Such centralized procurement function, to cope with the Group's strategy to forge its new energy vehicles business segment under the Capital Increase Agreement, can (i) strengthens the business relationship with Wuling New Energy; (ii) facilitates the procurement process of Wuling New Energy; and (iii) enhances the efficiency and productivity of Wuling New Energy through the benefits of bulk purchases.

In addition, Wuling Industrial Group has been actively promoting its automotive components business to the electric vehicles segment and will serve as the strategic key supplier by supplying automotive components and parts to Wuling New Energy for its production of new energy vehicles following completion of the Capital Increase. Under these circumstances the 2022–2024 New Energy Framework Agreement, were being entered into in setting out the principal terms and condition of the transactions to be carried out between the parties. As explained above, it is considered the continuous expansion in the production of electric vehicles of Wuling New Energy following completion of the Capital Increase would provide increasing business opportunities to the automotive components and other industrial services division of Wuling Industrial Group from which the benefits of scale operation and further business diversification would gradually be crystalized and that Wuling Industrial Group will maintain and enhance its diversified revenue stream by supplying products and services to Wuling New Energy by capturing the business opportunity in new energy vehicles industry.

Furthermore, in consideration of the cost and efficiency in the production and marketing of certain specialized new energy vehicles, such as the sanitation vehicle, where the production processes involved and technical standards applied are similar on both traditional petrol and new energy vehicles and the existing sale and distribution of Wuling Industrial could be effectively utilized, it is planned that Wuling Industrial will continue to manufacture the refitted vehicle for new energy sanitation vehicle, i.e. G100 sanitation vehicle following

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the completion of the Capital Increase. Meanwhile, in consideration of the cost and efficiency in the marketing of new energy vehicles to the overseas markets by the Group, where the existing sale and distribution of Wuling Industrial (the overseas sale department) could be effectively utilized, it is also planned that Wuling Industrial will continue to act as the main marketing arm of the new energy vehicles for overseas markets of the Group following the completion of the Capital Increase.

Detailed reasons for the Transactions are set out under the section headed “REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE, DISPOSALS AND THE 2022–2024 NEW ENERGY FRAMEWORK AGREEMENT” of the Board Letter.

Potential of new energy vehicles industry

Set out below are the sales volume of passenger vehicles (including other fuel passenger vehicles) and other fuel passenger vehicles (including common hybrid fuel, plug-in hybrid fuel, pure electrical vehicles, fuel cells vehicles, natural gas vehicles and other alternative fuel vehicles) in the PRC during the five years ended 31 December 2021, being the latest five full-year statistics published by Wind Financial Terminal.

	2017	2018	2019	2020	2021
Sales volume of passenger vehicles in the PRC	24,718,321	23,709,782	21,444,180	20,177,731	21,481,537
Sales volume of other fuel passenger vehicles in the PRC	722,587	1,273,861	1,284,637	1,495,722	3,931,312

As show in the above table, the sales volume of passenger vehicles in the PRC recorded year-on-year decrease during each of year 2018, 2019 and 2020, and recovered in year 2021. Sales volume of passenger vehicles in the PRC decreased from approximately 24.72 million units for year 2017 to approximately 21.48 million units for year 2021.

Despite the decrease in sales volume of passenger vehicles in the PRC from 2017 to 2021, the sales volume of other fuel passenger vehicles in the PRC recorded year-on-year increase during each of 2018, 2019, 2020 and 2021. Sales volume of other fuel passenger vehicles in the PRC increased substantially from approximately 0.72 million units for year 2017 to approximately 3.93 million units for year 2021, representing a compound annual growth rate of approximately 52.73%.

The above statistics indicated the growth potential of the new energy vehicles industry.

We also noted that the government of the PRC issued various favourable government policies for new energy vehicles to support its development in recent years, such as subsidies arrangement for new energy vehicles, exemption of vehicle purchase tax for new energy vehicles, parallel credits policy on vehicle manufacturers and importers arrangement, guidance for the development of electric vehicle charging infrastructure, etc. In addition, in October 2020, the State Council of the PRC published the 《新能源汽车产业发 展规划 (2021–2035)》(New Energy Vehicle Industry Development Plan (2021–2035)*) (the “**NEV Plan 2021-2035**”), stipulating that the development of new energy vehicle is a must for China to

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transform to a powerful automobile country. The State Counsel of the PRC has set the target to raise the penetration rate of new energy vehicles to 20% of China's passenger vehicle market by 2025, and battery electric vehicle is expected to become the mainstream new energy vehicle type among the new vehicles sold.

Having considered the above reasons for and benefits of the Transactions and the potential of the new energy vehicles industry as demonstrated above, we concur with the Directors' view that the Transactions are conducted in the ordinary and usual course of business of the Company and in the interests in the Company and the Shareholders as a whole.

Principal terms of the Transactions

A. Capital Increase in Wuling New Energy

The Capital Increase and payment terms

Pursuant to the Capital Increase Agreement:

- (i) the Company conditionally agreed to contribute RMB305.6 million in cash, of which RMB133.70 million will be contributed to the registered capital of Wuling New Energy and the remaining balance of RMB171.90 million will be contributed to the capital reserves of Wuling New Energy;
- (ii) Wuling Industrial conditionally agreed to contribute RMB300 million, by way of (a) transfer of certain assets and equipment pertaining to the New Energy Business valued at RMB84,866,478.39 (inclusive of the related VAT amounting to RMB8,310,714.53); and (b) cash in the sum of RMB215,133,521.61, part of which shall be applied by Wuling New Energy for the assignment of the Patent and purchase of Inventory and Toolings from Wuling Industrial, of which RMB131.25 million will be contributed to the registered capital of Wuling New Energy and the remaining balance of RMB168.75 million will be contributed to the capital reserves of Wuling New Energy;
- (iii) the Employee Share Scheme Platform to be set up will contribute RMB80 million in cash, of which RMB35 million will be contributed to the registered capital of Wuling New Energy and the remaining balance of RMB45 million will be contributed to the capital reserves of Wuling New Energy; and
- (iv) the subscription price for each registered capital of Wuling New Energy is RMB2.2857.

As contemplated under the Letter of Intent, Guangxi Automobile and Wuling New Energy have entered into the First Capital Injection Contract pursuant to which Guangxi Automobile would make capital contribution to Wuling New Energy in the sum of RMB1.6 billion of which RMB700 million shall be contributed to the registered capital of Wuling New Energy and the remaining balance of RMB900 million shall be contributed to the capital reserves of Wuling New Energy.

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Subject to fulfilment of the conditions precedent to the Capital Increase, the Company and Wuling Industrial shall pay their respective capital contribution on the date when Guangxi Automobile completes its capital contribution (save for the transfer of the construction in progress and the lands) or 29 June 2022 (whichever is later). The parties are entitled to extend the said payment date to a later date as mutually agreed.

The cash capital contribution to be made by the Company and Wuling Industrial will be funded by internal resources of the Group including the repayment proceeds from Wuling Industrial of the loan granted by the Company to Wuling Industrial under the Loan Agreement.

With reference to the Board Letter, the respective contributions of RMB305.6 million by the Company and RMB300 million by Wuling Industrial were determined based on the available cash on hand of the Group and also having considered the working capital requirement needed for operation of the Group subsequent to such contributions and the estimated working capital requirements of Wuling New Energy for its initial stage of operation during the year of 2022. In addition, the aggregate contributions to be made by the Company and Wuling Industrial, which amounts to RMB605.6 million, would also enable the Group to have equity interests of approximately 26.50% in Wuling New Energy upon completion of the Capital Increase and the proposed increase in the share capital of Wuling New Energy under the Employee Share Scheme.

Capital structure of Wuling New Energy following the Capital Increase

Assuming that there is no change to the capital structure of Wuling New Energy other than the Capital Increase, the capital structure of Wuling New Energy following completion of the Capital Increase are as follows:

	After completion of the capital injection pursuant to the First Capital Injection Contract by Guangxi Automobile				Immediately upon completion of the Capital Increase			
	Registered Capital (RMB)	Capital Reserves (RMB)	Total (RMB)	Approximate percentage of equity interest	Registered Capital (RMB)	Capital Reserves (RMB)	Total (RMB)	Approximate percentage of equity interest
Guangxi Automobile	700,000,000	900,000,000	1,600,000,000	100%	700,000,000	900,000,000	1,600,000,000	70.00%
The Company	—	—	—	—	133,700,000	171,900,000	305,600,000	13.37%
Wuling Industrial	—	—	—	—	131,250,000	168,750,000	300,000,000	13.13%
Employee Share Scheme Platform	—	—	—	—	35,000,000	45,000,000	80,000,000	3.50%
Total	<u>700,000,000</u>	<u>900,000,000</u>	<u>1,600,000,000</u>	<u>100%</u>	<u>999,950,000</u>	<u>1,285,650,000</u>	<u>2,285,600,000</u>	<u>100%</u>

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Disposals

Pursuant to the Capital Increase Agreement, out of the contribution of RMB300 million to be made by Wuling Industrial to Wuling New Energy, RMB84,866,478.39 will be satisfied by the transfer of the New Energy Assets. The valuation of the New Energy Assets as capital contribution of Wuling New Energy was determined based on the independent valuation of the New Energy Assets as at 31 December 2021 (i.e., the valuation date) of approximately RMB84,866,000 (after taking into account of the related VAT amounting to approximately RMB8,310,000).

Under the Capital Increase Agreement and for completion of the capital contribution attributable to the New Energy Assets, Wuling Industrial and Wuling New Energy shall enter into the New Energy Assets Transfer Agreement to effect the transfer from which the list of assets and their respective values subject to the transfer shall be materially the same as the particulars as detailed in the New Energy Assets Valuation Report.

In accordance with the Capital Increase Agreement, the Inventory, Toolings and Patent will not form part of the New Energy Assets to be contributed by Wuling Industrial to Wuling New Energy. Wuling New Energy shall purchase the Inventory and Toolings from Wuling Industrial; and Wuling Industrial and Guangxi Automobile shall assign the jointly-owned Patent to Wuling New Energy.

The consideration for the purchase of the Inventory shall not be more than RMB111,150,924.50 (the “**Inventory Consideration**”), which shall be determined with reference to the independent valuation of the Inventory as at 31 December 2021 (i.e., the valuation date) (inclusive of the related VAT) plus a buffer of approximately 10% and the pricing will be finally determined in accordance with the pricing principles generally applied to the continuing connected transactions of the Group, i.e. (a) with reference to the relevant market prices; or (b) (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 from Wuling Industrial Group to Independent Third Parties.

The consideration for the purchase of the Toolings shall be RMB12,490,957.62, (inclusive of the related VAT amounting to RMB1,437,012.82) (the “**Toolings Consideration**”) which was determined with reference to the independent valuation of the Toolings as at 31 December 2021 (i.e., the valuation date).

The consideration for the assignment of the Patent shall be RMB52,318,102 (inclusive of the related VAT amounting to RMB2,961,402) (the “**Patent Consideration**”) (of which approximately RMB90,000 (inclusive of the related VAT) shall be payable to Guangxi Automobile), which was determined with reference to the independent valuation of the Patent as at 31 December 2021 (i.e., the valuation date). The consideration for the Inventory, Toolings and Patent shall be paid out of the cash to be contributed by Wuling Industrial to Wuling New Energy under the Capital Increase Agreement.

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The New Energy Assets Valuation Report

Set out below are the valuation results of the New Energy Assets, Inventory, Toolings and Patent according to the New Energy Assets Valuation Report:

	At assessed values (exclusive of VAT) as at 31 December 2021	At assessed values (inclusive of VAT) as at 31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
New Energy Assets	76,556	84,866
Inventory	89,422	101,046
Toolings	11,054	12,491
Patent	49,262	52,218

For our due diligence purpose, we reviewed and enquired into (i) the terms of engagement of the Valuer; (ii) the Valuer's qualification in relation to the preparation of the New Energy Assets Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for conducting the New Energy Assets Valuation Report. From the mandate letter and other relevant information provided by the Valuer and based on our interview with them, we were satisfied with the terms of engagement of the Valuer as well as their qualification for preparation of the New Energy Assets Valuation Report. The Valuer also confirmed that they are independent to the Group and Wuling New Energy.

The New Energy Assets Valuation Report was prepared by the Valuer by way of summation method under cost approach. Assets were being valued using the different valuation approaches after taking consideration of the type and conditions of the subject assets. Regarding the New Energy Assets and Toolings, market approach was primarily utilized for those assets where an active secondary market exists, and for all other assets without active secondary market, the Valuer relied on cost approach. Regarding the Inventory, the Valuer adopted market approach. Regarding the Patent, the Valuer adopted replacement cost method under the cost approach in arriving at the market value.

Detailed basis of valuation methods selection was set out in Appendix I to the Circular.

Given that (i) in the New Energy Assets Valuation Report, assets were being valued using different valuation approaches (including market approach and cost approach) after taking consideration of the type and conditions of the subject assets; (ii) income approach requires subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projections are also needed to arrive at an indication of value, we did not consider other approaches to assess the valuation results of the New Energy Assets, Inventory, Toolings and Patent under the New Energy Assets Valuation Report.

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We further reviewed and enquired into the Valuer on the methodology adopted and the basis and assumptions adopted in the New Energy Assets Valuation Report in order for us to understand the New Energy Assets Valuation Report. We also discussed the key assumptions and parameters under the New Energy Assets Valuation Report.

Under the New Energy Assets Valuation Report:

- (1) The New Energy Assets were categorised as (a) tangible assets, including (i) property, plant, and equipment; (ii) construction in progress; (iii) development expenditure — others; and (b) intangible assets, including software.

Where assets being appraised have active secondary markets, with comparables readily available in the marketplace, the Valuer utilized the market approach for its value conclusion. To arrive at the market value from the market approach, the Valuer considered additional costs that are typical in the industry.

For our due diligence purpose, we obtained information on market prices and costing in respect of certain assets being appraised. Based on our observation and discussion with the Valuer, we have no doubt on the aforesaid valuations.

Where active secondary market does not exist for the assets being appraised, the Valuer valued the assets by using the cost approach. Under the cost approach, the Valuer took into account replacement cost, effective age, age-life analysis, physical depreciation, functional/obsolescence of the assets being appraised.

For our due diligence purpose, we obtained information on the aforesaid factors in respect of certain assets being appraised. Based on our observation and discussion with the Valuer, we have no doubt on the aforesaid valuations.

- (2) In respect of the Inventory, based on the quantities and conditions of the inventories as at the valuation date provided by the Company, market values were derived by multiplying the quantities with the corresponding market prices less the sum of costs of disposal and reasonable profit allowance for the selling effort.

For our due diligence purpose, we obtained information on market prices, costs and selling effort allowance in respect of certain assets being appraised. Based on our observation and discussion with the Valuer, we have no doubt on the aforesaid valuations.

- (3) The Toolings were valued by the Valuer by using the cost approach. Under the cost approach, the Valuer took into account replacement cost, effective age, age-life analysis, physical depreciation, functional/obsolescence of the assets being appraised.

For our due diligence purpose, we obtained information on the aforesaid factors in respect of certain assets being appraised. Based on our observation and discussion with the Valuer, we have no doubt on the aforesaid valuations.

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- (4) The market value of the Patent was estimated based on the historical costs of direct material, manufacturing supplies, direct labor, return on investment and the associated interest expense in relation to the development of the Patent.

For our due diligence purpose, we obtained information on the above factors in respect of the Patent. Based on our observation and discussion with the Valuer, we have no doubt on the aforesaid valuations.

During our discussion with the Valuer, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted for the New Energy Assets Valuation Report.

Having considered our independent work performed on the New Energy Assets Valuation Report and that

- (i) the contributions to be made by the Company and Wuling Industrial to Wuling New Energy are in proportion to their equity interest to be obtained under the Capital Increase Agreement;
- (ii) the assessed value of the New Energy Assets (inclusive of VAT) as at 31 December 2021 according to the New Energy Assets Valuation Report approximates to the amount of contribution to be made by Wuling Industrial to Wuling New Energy by way of transferring the New Energy Assets;
- (iii) the maximum Inventory Consideration is equivalent to the assessed value of the Inventory (inclusive of VAT) as at 31 December 2021 according to the New Energy Assets Valuation Report plus a buffer of approximately 10% to cover possible increase in pricing which will be finally determined in accordance with the pricing principles generally applied to the continuing connected transactions of the Group; and
- (iv) the Toolings Consideration and the Patent Consideration approximate to the assessed values of the Toolings and the Patent (inclusive of VAT) respectively as at 31 December 2021 according to the New Energy Assets Valuation Report,

we are of the view that the contributions to be made by the Company and Wuling Industrial to Wuling New Energy and the considerations under the Disposals are fair and reasonable.

Composition of the Board and Supervisory Board

Upon completion of the Capital Increase Agreement, the board of directors of Wuling New Energy shall consist of five directors, three of which shall be nominated by Guangxi Automobile, one of which shall be nominated by the Company and one of which shall be a director representing the employees.

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Wuling New Energy shall also set up a supervisory board which will comprise three supervisors. Guangxi Automobile, the Company and the employees will each nominate one supervisor.

Detailed terms of the Capital Increase and the Disposals are set out in the Board Letter.

Taking into account the principal terms of the Capital Increase and the Disposals as set out above, we consider that the terms of the Capital Increase and the Disposals are fair and reasonable.

Financial effects of the Capital Increase and the Disposals

With reference to the Board Letter, upon completion of the Capital Increase, Wuling New Energy will be owned as to 70%, 13.37% and 13.13% by Guangxi Automobile, the Company and Wuling Industrial, respectively. As such, the results of the Wuling New Energy will not be consolidated into the financial statements of the Group and is expected to be accounted for as an associate using equity accounting in the Group's financial statement with effect from the completion date of the Capital Increase.

With reference to the Board Letter, it is estimated that as a result of the Disposals, the Group will recognise a net gain of approximately RMB57,000,000, as computed by the value of the consideration of the Disposals less the respective carrying values of the New Energy Assets, Inventory, Toolings and Patent as at 31 December 2021 and after taking into consideration of the estimated expenses related to the Disposals.

B. Sale Transactions

Principal terms

Set out below are the principal terms of the Sale Transactions as contemplated under the 2022–2024 New Energy Framework Agreement, details of which are set out in the section headed “Proposed Continuing Connected Transactions” of the Board Letter.

Date

31 March 2022

Parties

Wuling Industrial and Wuling New Energy

Scope of products to be provided

The Wuling Industrial Group has conditionally agreed to supply certain automotive components and related accessories for production and trading purposes (including various types of power supply system products, various types of automotive parts and accessories, raw materials (including steel) and other consumables and materials) to Wuling New Energy. Based on the calculation of the Proposed Annual Caps (including the Proposed Annual Caps for the Sale Transactions and the Purchase Transactions) (the “**Calculation**”) we obtained

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from the Company, the major target products under the Sale Transactions include front/rear skin, fender, side panel welding assembly, top cover, middle rail trim panel welding parts, compartment floor welding assembly, frame welding, support frame, steel, rear axle, left/right front suspension, front axle and steering parts, hood latch assembly, brake hose, electric motors, engines, instrument panels, sub-instrument panels, trim panels, cover panels, door panel assemblies, other parts and accessories.

Term

From the Effective Date to 31 December 2024 (both dates inclusive)

Payment terms

Payments for the products supplied to Wuling New Energy will be settled by way of cash or such other manner as agreed by the parties and in accordance with the agreed timing and manners as specified in the actual sales contracts to be entered into between Wuling Industrial Group and Wuling New Energy.

The payment terms will be on market terms which are no less favourable than those available from Wuling Industrial Group to Independent Third Parties.

Pricing principles

The pricing for the products supplied to Wuling New Energy will be determined on the following principles: (a) With reference to the relevant market prices; or (b) (if market prices are not available) on fair basis, and on normal commercial terms or on terms which are no less favorable than those offered by Wuling Industrial Group to Independent Third Parties.

With reference to the section headed “INTERNAL CONTROL PROCEDURES” of the Board Letter, the Wuling Industrial Group has adopted and implemented standard internal control procedures on all purchases and sales transactions, which cover the Sale Transactions, to ensure the payment terms and pricing basis thereof will be on market terms or on terms which are no less favourable than those available to Independent Third Parties. We consider the effective implementation of the internal control measures will ensure fair pricing of the Sale Transactions and in compliance with its pricing policy.

The Proposed Annual Caps in respect of the Sale Transactions (the “Sale Cap(s)”)

Set out below are the Sale Cap for each of the three years ending 31 December 2024:

	Year ending 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Sale Caps	268,200	830,000	1,148,000

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Detailed basis of determination of the above Sale Caps is set out under the section headed “Proposed Annual Caps for the Sale Transactions and Modification Services” of the Board Letter.

With reference to the Board Letter and as confirmed by the Directors, the Sale Caps were determined by reference to (a) the target production volume of Wuling New Energy for the respective three years ending 31 December 2022, 2023 and 2024, (b) the types and nature, estimated quantities and unit prices of the products and services to be supplied/acquired pursuant to the 2022–2024 New Energy Framework Agreement (which are required to support the aforesaid target production of Wuling New Energy) for the respective three years ending 31 December 2022, 2023 and 2024; (c) the changes in price range of products to be purchased by or sold to Wuling New Energy as a result of the changes in types of products offered; and (d) a buffer of approximately 10% for (i) any transactions of similar nature which may be entered into with Wuling New Energy in each of the three years ending 31 December 2022, 2023 and 2024; and (ii) any unforeseeable circumstances, in particular, unexpected market fluctuations, changes in government policies on automobile industry, fluctuations in raw material costs and increase in labour costs, is also considered.

We obtained the Calculation from the Company and noticed that the Calculation is based on and consistent with the above basis and factors for determining the Sale Caps.

Target production volume

Set out below are the target production volume of Wuling New Energy for the respective three years ending 31 December 2022, 2023 and 2024 as extracted from the Board Letter:

	Target production volume (number of vehicles)		
	Year ending 31 December		
	2022	2023	2024
G50 Platform	—	3,000	9,000
G100 Platform	15,600	22,000	27,000
G200 Platform	5,000	30,000	46,000
G300 Platform	—	—	3,000
Total	<u>20,600</u>	<u>55,000</u>	<u>85,000</u>

As depicted from the above tables, the highest target annual production volume for the three years ending 31 December 2024 was 85,000 vehicles. Based on the information provided by the Company, the planned production capacity of Wuling New Energy is 200,000 vehicles per annum, (such capacity is ready to be achieved upon completion of the Capital Increase and the Disposals, subject to commencement of operation), which covers the aforesaid highest target annual production volume for the three years ending 31 December 2024.

Based on the information provided by the Company, the Group’s sale volume under G100 Platform (being the only existing platform) was 4,706 for FY2020 and 10,016 for FY2021 (representing an increase of approximately 113%). The target production volume of G100

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Platform for the year ending 31 December 2022 (“FY2022”) represents an increase of approximately 56% as compared to the Group’s sale volume under G100 Platform for FY2021. The target production volume of G100 Platform for the year ending 31 December 2023 (“FY2023”) represents an increase of approximately 41% as compared to that for FY2022. The target production volume of G100 Platform for the year ending 31 December 2024 (“FY2024”) represents an increase of approximately 23% as compared to that for FY2023. Having considered the increase in the Group’s sale volume under G100 Platform from FY2020 to FY2021, we consider the above increases in target production volume of G100 Platform for the three years ending 31 December 2024 to be acceptable.

With reference to the Board Letter and as confirmed by the Directors, Wuling New Energy target to launch new energy logistics vehicles on the new G200 platform in the second half of FY2022, G50 platform in FY2023 and G300 platform in FY2024 to cater for market demand. In view of the aforesaid increase in the Group’s sale volume under G100 Platform from FY2020 to FY2021, the Directors expect that the production and sale of new energy vehicles will continue to surge in the forthcoming future and the demand for the main parts and components necessary for the assembly and production of new energy vehicles will continue to rise accordingly.

We noticed that the target production volume of G200 platform will increase significantly from FY2022 to FY2024. The Directors advised that (i) as Wuling New Energy target to launch new energy logistics vehicles on the new G200 platform in the second half of FY2022, the target production volume of G200 platform for FY2022 will be relatively low (target production volume for new models for only half a year); (ii) it is appropriate for Wuling New Energy to significantly increase the target production volume for these new models in the second year after launching; and (iii) in the third year after launching, the growth in target production volume for these new models will be less.

As aforementioned, sales volume of other fuel passenger vehicles in the PRC increased substantially from approximately 0.72 million units for year 2017 to approximately 3.93 million units for year 2021, representing a compound annual growth rate of approximately 52.73%. We also noted that the government of the PRC issued various favourable government policies for new energy vehicles to support its development in recent years, such as subsidies arrangement for new energy vehicles, exemption of vehicle purchase tax for new energy vehicles, parallel credits policy on vehicle manufacturers and importers arrangement, guidance for the development of electric vehicle charging infrastructure, etc. In addition, the NEV Plan 2021–2035 stipulated that the development of new energy vehicle is a must for China to transform to a powerful automobile country. The State Counsel of the PRC has set the target to raise the penetration rate of new energy vehicles to 20% of China’s passenger vehicle market by 2025, and battery electric vehicle is expected to become the mainstream new energy vehicle type among the new vehicles sold.

Given the above, we consider that it is reasonable for Wuling New Energy to increase its target production volume.

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Estimated quantities and unit prices of the products to be supplied

Detailed types and nature, estimated quantities and unit prices of the products to be supplied under the Sale Transactions are set out under the section headed “Basis of determination of the Proposed Annual Caps” of the Board Letter. We noticed that the Calculation is consistent with the aforementioned data.

For our due diligence purpose, we (i) discussed with the Company regarding the types, nature and estimated quantities of the products required for Wuling New Energy’s production of new energy vehicles; and (ii) obtained certain historical sales record of such products which support the product unit prices adopted under the Calculation.

Buffer

The Calculation incorporated a buffer of approximately 10% for (i) any transactions of similar nature which may be entered into with Wuling New Energy in each of the three years ending 31 December 2022, 2023 and 2024; and (ii) any unforeseeable circumstances, in particular, unexpected market fluctuations, changes in government policies on automobile industry, fluctuations in raw material costs and increase in labour costs. We also noted from other Hong Kong listed companies’ circulars regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps is common among listed companies in Hong Kong.

In light of the above, we consider the Sale Caps for the three years ending 31 December 2024 to be fair and reasonable.

Shareholders should note that as the Sale Caps for the three years ending 31 December 2024 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of revenue to be generated from the Sale Transactions. Consequently, we express no opinion as to how closely the actual revenue to be generated from the Sale Transactions will correspond with the Sale Caps.

Having considered the principal terms of the Sale Transactions as set out above, we consider that the terms of the Sale Transactions (including their Proposed Annual Caps) are on normal commercial terms and are fair and reasonable.

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C. Purchase Transactions

Principal terms

Set out below are the principal terms of the Purchase Transactions as contemplated under the 2022–2024 New Energy Framework Agreement, details of which are set out in the section headed “Proposed Continuing Connected Transactions” of the Board Letter.

Date

31 March 2022

Parties

Wuling Industrial and Wuling New Energy

Scope of products to be received

Under the Purchase (Materials and Parts) Transactions: The Wuling Industrial Group has conditionally agreed to purchase certain consumables, raw materials and automotive components for production and trading purposes (including various types of automotive parts and accessories, moulds and toolings, scrap materials, and accessories) from Wuling New Energy. Based on the Calculation, the major target products under the Purchase (Materials and Parts) Transactions include chassis for G100 sanitation vehicle.

Under the Purchase (Finished Products) Transactions, the Wuling Industrial Group has conditionally agreed to purchase vehicles and related products from Wuling New Energy for trading purpose.

Term

From the Effective Date to 31 December 2024 (both dates inclusive)

Payment terms

Payments for the products purchased from Wuling New Energy will be settled by way of cash or such other manner as agreed by the parties and in accordance with the agreed timing and manners as specified in the actual sales contracts to be entered into between Wuling Industrial Group and Wuling New Energy.

The payment terms will be on market terms which are no less favourable than those available to Wuling Industrial Group from Independent Third Parties.

Pricing principles

The pricing for the products supplied to Wuling Industrial will be determined on the following principles: (a) With reference to the relevant market prices; or (b) (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 Wuling Industrial Group from Independent Third Parties.

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With reference to the section headed “INTERNAL CONTROL PROCEDURES” of the Board Letter, the Wuling Industrial Group has adopted and implemented standard internal control procedures on all purchases and sales transactions, which cover the Purchase Transactions, to ensure the payment terms and pricing basis thereof will be on market terms or on terms which are no less favourable than those available to Independent Third Parties. We consider the effective implementation of the internal control measures will ensure fair pricing of the Purchase Transactions and in compliance with its pricing policy.

The Proposed Annual Caps in respect of the Purchase Transactions

Set out below are the Proposed Annual Caps in respect of the Purchase (Materials and Parts) Transactions and the Purchase (Finished Products) Transactions (the “**Purchase (MP) Cap(s)**” and the “**Purchase (FP) Cap(s)**”) for each of the three years ending 31 December 2024:

	Year ending 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Purchase (MP) Caps	44,000	88,000	132,000
Purchase (FP) Caps	423,000	550,000	770,000

Detailed bases of determination of the Purchase (MP) Caps and the Purchase (FP) Caps are set out under the sections headed “Proposed Annual Caps for the Purchase (Materials and Parts) Transactions” and “Proposed Annual Caps for the Purchase (Finished Products) Transactions and Technical Support Services” of the Board Letter.

Purchase (MP) Caps

With reference to the Board Letter, the Purchase (MP) Caps were determined by reference to (a) the target production volume of G100 sanitation vehicle (classified as one type of refitted vehicle under the business segment of “Commercial Vehicles Assembly”) planned to be manufactured by Wuling Industrial for the respective three years ending 31 December 2022, 2023 and 2024; (b) the estimated unit price of the chassis planned to be sourced from Wuling New Energy for the production of this G100 sanitation vehicle; and (c) a buffer of approximately 10% for (i) any transactions of similar nature which may be entered into with Wuling New Energy in each of the three years ending 31 December 2022, 2023 and 2024; and (ii) any unforeseeable circumstances, in particular, unexpected market fluctuations, changes in government policies on automobile industry, fluctuations in raw material costs and increase in labour costs, is also considered.

Target production volume

With reference to the Board Letter, the target production volume of G100 sanitation vehicle planned to be manufactured by Wuling Industrial are 500 units, 1,000 units and 1,500 units for FY2022, FY2023 and FY2024 respectively.

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According to Wind Financial Terminal, number of sanitation vehicles in the PRC increased from approximately 385,000 units in 2016 to approximately 531,000 units in 2020, representing an increase of approximately 37.92% during the period. In addition, according to the NEV Plan 2021-2035, the proportion of new energy vehicles in the public areas of national ecological conservation pilot zone and the key air pollution prevention and control regions should not be less than 80%.

In light of the above, we do not doubt the aforesaid target production volume of G100 sanitation vehicle planned to be manufactured by Wuling Industrial.

Estimated quantities and unit prices of the products to be purchased

Detailed estimated quantities and unit prices of the materials and parts to be purchased under the Purchase (Materials and Parts) Transactions are set out under the section headed “Basis of determination of the Proposed Annual Caps” of the Board Letter. We noticed that the Calculation is consistent with the aforementioned data.

For our due diligence purpose, we (i) discussed with the Company regarding the estimated quantities of the products required for Wuling Industrial’s production of G100 sanitation vehicle; and (ii) obtained certain historical sales record of such products which support the product unit prices adopted under the Calculation.

Buffer

The Calculation incorporated a buffer of approximately 10% for (i) any transactions of similar nature which may be entered into with Wuling New Energy in each of the three years ending 31 December 2022, 2023 and 2024; and (ii) any unforeseeable circumstances, in particular, unexpected market fluctuations, changes in government policies on automobile industry, fluctuations in raw material costs and increase in labour costs. We also noted from other Hong Kong listed companies’ circulars regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps is common among listed companies in Hong Kong.

In light of the above, we consider the Purchase (MP) Caps for the three years ending 31 December 2024 to be fair and reasonable.

Purchase (FP) Caps

With reference to the Board Letter, the Purchase (FP) Caps were determined by reference to (a) the target business volume of the exporting business of new energy vehicles of Wuling Industrial, primarily for the markets in Japan and United States which shipments of vehicles have been commenced, for the respective three years ending 31 December 2022, 2023 and 2024; (b) the estimated unit price of the new energy vehicles planned to be sourced from Wuling New Energy for the exporting business; and (c) a buffer of approximately 10% for (i) any transactions of similar nature which may be entered into with Wuling New Energy in each of the three years ending 31 December 2022, 2023 and 2024; and (ii) any unforeseeable

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circumstances, in particular, unexpected market fluctuations, changes in government policies on automobile industry, fluctuations in raw material costs and increase in labour costs, is also considered.

Target business volume

With reference to the Board Letter, the target business volume of the exporting business of new energy vehicles of Wuling Industrial are 6,900 units, 8,640 units and 11,600 units for FY2022, FY2023 and FY2024 respectively.

For our due diligence purpose, we obtained from the Company: (i) copy of a master supply agreement entered into between Wuling Industrial and its customer in United States in March 2021, which indicated the customer's purchase intention of over 10,000 units of new energy vehicles; (ii) copy of a technology development contract entered into between Wuling Industrial and its customer in Japan in November 2020, pursuant to which the customer engaged Wuling Industrial to design and develop one type of new energy vehicle. As advised by the Directors, upon successful design and development of the aforesaid new energy vehicle, the Japanese customer will also commence purchase of this type of new energy vehicles from Wuling Industrial; and (iii) copies of invoices which demonstrated the commencement of Wuling Industrial sales of new energy vehicles to overseas customers.

According to EV-volumes.com (a platform providing global market data of electric vehicles industry, providing complete databases for car sales statistics, vehicle population, charging infrastructure, plug-in vehicle specifications and buying incentives.), global electric vehicle sales reached 6.75 million units in 2021, representing an increase of approximately 108 % as compared to that in 2020. These figures indicated the potential of the global electric vehicles industry.

In light of the above, we do not doubt the aforesaid target business volume of the exporting business of new energy vehicles of Wuling Industrial.

Estimated unit prices of the vehicles to be purchased

Detailed estimated unit prices of the vehicles to be purchased under the Purchase (FP) Transactions are set out under the section headed "Basis of determination of the Proposed Annual Caps" of the Board Letter. We noticed that the Calculation is consistent with the aforementioned data.

As advised by the Directors, the estimated unit prices of the vehicles to be purchased under the Purchase (FP) Transactions were determined with reference to production cost and the target selling prices of the vehicles to be offered by Wuling New Energy to Independent Third Parties.

Buffer

The Calculation incorporated a buffer of approximately 10% for (i) any transactions of similar nature which may be entered into with Wuling New Energy in each of the three years ending 31 December 2022, 2023 and 2024; and (ii) any unforeseeable circumstances, in

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particular, unexpected market fluctuations, changes in government policies on automobile industry, fluctuations in raw material costs and increase in labour costs. We also noted from other Hong Kong listed companies' circulars regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps is common among listed companies in Hong Kong.

In light of the above, we consider the Purchase (FP) Caps for the three years ending 31 December 2024 to be fair and reasonable.

Shareholders should note that as the Proposed Annual Caps in respect of the Purchase Transactions for the three years ending 31 December 2024 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of cost to be incurred from the Purchase Transactions. Consequently, we express no opinion as to how closely the actual revenue to be generated from the Purchase Transactions will correspond with their Proposed Annual Caps.

Having considered the principal terms of the Purchase Transactions as set out above, we consider that the terms of the Purchase Transactions (including their Proposed Annual Caps) are on normal commercial terms and are fair and reasonable.

Listing Rules implication on continuing connected transactions

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Sale Transactions and the Purchase Transactions must be restricted by their respective Proposed Annual Caps; (ii) the terms of the Sale Transactions and the 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 Sale Transactions and the 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 Sale Transactions and the Purchase Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded their respective Proposed Annual Caps. In the event that the total amounts of the Sale Transactions and the Purchase Transactions are anticipated to exceed their respective Proposed Annual Caps, or that there is any proposed material amendment to the terms of the Sale Transactions and the Purchase 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 Sale Transactions and the Purchase Transactions and thus the interest of the Independent Shareholders would be safeguarded.

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RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms or better and are fair and reasonable; and (ii) the Transactions are 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 resolutions to be proposed at the SGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

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

Note:

Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

** For identification purpose only*

The following is the text of a report prepared for the purpose of incorporation in this circular received from Jones Lang Lasalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation of the New Energy Assets, Inventory, Toolings and Patent as at 31 December 2021.

INTRODUCTION

This report has been prepared in accordance with instructions from Wuling Motors Holdings Limited (the “Company”) to express an independent opinion of the market value of the New Energy Vehicle Business (the “NEV Business”, or the Target) undertaken by Liuzhou Wuling Motors Industrial Company Limited (柳州五菱汽車工業有限公司, the “Wuling Industrial”) as at 31 December 2021 (the “Valuation Date”). The report which follows is dated 31 March 2022 (the “Report Date”).

PURPOSE OF VALUATION

The purpose of this valuation is for public disclosure reference.

BASIS OF VALUE

Our valuation was carried out on a market value basis. Market value is defined as “*estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*”.

We have conducted our valuation in accordance with the International Valuation Standards 2017 issued by the International Valuation Standards Council. We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject assets. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

INDEPENDENCE DECLARATION

JLL confirms that to the best of our knowledge and belief, we are independent of the Company and have not contravened any independence requirements stipulated as per our professional memberships. Our fee is not contingent upon our conclusion of value.

RELIANCE ON EXTERNAL INFORMATION

Many of the inputs within the Valuation make use of external information obtained from the Company and/or the Target and other public sources. We have relied to a considerable extent upon such information relating to aspects of the Target including but not limited to its financial features. We have assumed that the information and data provided by these sources is accurate and truthful, but we make no representation as to the accuracy or completeness of such information. For all information sourced, JLL has not audited, corroborated and is not obliged to conduct due diligence to verify for their accuracy and truthfulness. A commonly

referenced, though not exhaustive, list of such information includes the historical financial information of the Target, representations made by the Company and/or their professional advisors, financial/economic databases and technical papers from the professional services/academic sectors.

STANDARDS

For this Valuation we have been guided by the International Valuation Standards 2017 issued by the International Valuation Standards Council.

BACKGROUND

Guangxi Automobile Holdings Limited (廣西汽車集團有限公司, Guangxi Automobile), a state-controlled company established in the PRC, is the ultimate beneficial controlling Shareholder of the Company which is indirectly interested in approximately 56.54% of the total number of Shares in issue of the Company.

Guangxi Automobile intends to use its wholly-owned subsidiary, Liuzhou Wuling New Energy Motors Company Limited (柳州五菱新能源汽車有限公司, the “Wuling New Energy”) as a platform to integrate and reorganize its new energy vehicle related assets and businesses, which are at present primarily undertaken by Wuling Industrial.

The Company intends to forge a new energy vehicle business segment from its existing main business segment (the “NEV Business”) of commercial vehicle assembly by investing in Wuling New Energy to fully explore and develop the new energy vehicle business. Accordingly, Guangxi Automobile, the Company, Wuling Industrial and Wuling New Energy have entered into a Letter of Intent which has been disclosed on 1 December 2021.

MAJOR ASSUMPTIONS

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following key assumptions in determining the market value of the equity interest have been made:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target;
- The operational and contractual terms stipulated in the relevant contracts and agreements will be honoured;
- The facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business and maintain a competitive edge;
- The operating licenses and incorporation documents of the Target provided to us are assumed to be reliable and legitimate;
- The financial and operational information provided to us by the Target are assumed to be accurate; and

- There are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value.

APPROACH AND METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long-time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

Given the unique characteristics of the Target, there are substantial limitations for the income approach and the market approach for valuing the underlying asset. Firstly, the income approach requires subjective assumptions to which the valuation is highly sensitive and detailed operational information and long-term financial projections are also needed to arrive at an indication of value. Secondly, the market approach relies generally on deriving value through a measure of the values of market comparables or transactions. Since the NEV Business is still in its early stage and in a loss-making position, there was a lack of market comparables or transactions available as at the Valuation Date to derive an indicative value with a sufficient level of accuracy. Therefore, we have applied cost approach in determining our opinion of value.

Under the cost approach, the summation method is typically adopted for a valuation subject when its value is primarily a factor of the values of the valuation subject's holding assets and liabilities. Under the summation method, each identifiable asset and liability of the Target is being valued using the appropriate valuation approaches, and our opinion of value of the Valuation Subject is derived by adding component assets and deducting component liabilities. Details about the methodology on the individual assets and liabilities are discussed in the following sections.

SUMMARY OF THE SUMMATION METHOD

Based on our discussion with the management, the following table summarizes all the assets that currently supports the operation of the New Energy Business. Under summation method, we have considered the type of assets and their conditions when arriving at their market values. We adopted appropriate valuation methodology for different subjects.

	Book Value <i>(RMB'000)</i>
<i>Tangible Assets</i>	
Property, Plant, and Equipment	113,774
Construction in Progress	1,449
Inventories	87,582
Development Expenditure — Others	30,367
Development Expenditure — Process Tooling	Nil
<i>Intangible Assets</i>	
Intangible Asset — Software	9,442
Intangible Asset — Patent Portfolios	Nil

1. Valuation of Tangible Assets

1.1. Background of the Tangible Assets

The tangible assets comprise mainly of press line, paint shop, welding machines, robotic arms, motor vehicles, office equipment, tools and molds, plant facilities, construction in progress and development expenditure.

The chronological ages of the major machinery range from 1 to 17 years old. The machinery and equipment are mostly custom built to in-house design while some are standard manufacture.

1.2. Methodology and Assumptions

In the Report, we have adopted both the cost approach and the market approach in arriving at our estimate of Market Value of Tangible assets. For more details about the methodology and the valuation assumptions, please refer to Appendix I(a).

1.3. Summary of Valuation

Based on the results of our investigations and analysis outlined in Appendix I(a), we are of the opinion that the Market Values of the Tangible Assets as at the Valuation Date are as follows:

	Market Value <i>(RMB'000)</i>
<i>Tangible Assets</i>	
Property, Plant, and Equipment	109,498
Construction in Progress	529
Development Expenditure — Others	30,367
Development Expenditure — Process Tooling	11,054

2. Valuation of Inventories

2.1. Background of the Inventories

The inventories consist mainly of raw materials for the manufacture of motor vehicles and vehicles ready for sale.

2.2. Methodology and Assumptions

In the Report, based on the quantities and conditions of the inventories as at the Valuation Date provided by the Company, the Market Values were derived by multiplying the quantities with the corresponding market prices less the sum of costs of disposal and reasonable profit allowance for the selling effort.

For details of assumptions, please refer to Appendix I(b).

2.3. Summary of Valuation

Based on the results of our investigations and analysis outlined in Appendix I(b), we are of the opinion that the Market Value of the inventories as at the Valuation Date is RMB 89,422,000.

3. Valuation of Intangible Assets

3.1. Background of the Intangible Assets

The intangible assets to support the NEV Business include 30 pieces of software and 6 patent portfolios. The software consists mainly of system applications used in the process of the design and manufacture of motor vehicles.

The 6 patent portfolios consist of 30 patented technologies and 5 technical know-hows (the “Patent Portfolios”). Each Patent Portfolio is a set of patented technology and technology know-hows that supports the development and manufacturing of new energy vehicle and was co-owned by the Wuling Industrial and Guangxi Automobile as at the

Valuation Date. From January 2019 to December 2021, Wuling Industrial and Guangxi Automobile has contributed RMB 56,117,617.84 and RMB 93,825.00 respectively to the actual expenditure on the development of the Patent Portfolios.

Among those intangible assets, 13 pieces of software will be injected to Wuling New Energy by Wuling Industrial, while 17 pieces of software will remain in Wuling Industrial. The 6 patent portfolios will be sold to Wuling New Energy by Wuling Industrial and Guangxi Automobile.

3.2. Methodology and Assumptions

In the Report, we have adopted both the cost approach and the market approach in arriving at our estimate of Market value of the Software, and the replacement cost method under the cost approach with consideration of the nature and background of the Patent Portfolios. For details of methodology and valuation assumption, please refer to Appendix I(a) and Appendix I(c).

3.3. Summary of Valuation

Based on the results of our investigations and analysis outlined in Appendix I(a) and Appendix I(c), we are of the opinion that the Market Value of the Software and Patent Portfolios as at the Valuation Date is RMB 11,030,000 and RMB 49,262,000 respectively.

VALUATION COMMENTS

In general, we have undertaken the necessary and appropriate valuation procedures in the valuation of the subject items as at the Valuation date. The methodologies adopted are generally considered being suitable with regards to the nature of the relevant assets and liabilities. The user of the Valuation Report should be aware of the condition relating to the validity period of the report, which is one year as stated in the Valuation Report.

Commentary on the Impact of Novel Coronavirus COVID-19 on Valuation

We are instructed to provide our opinion of value as per the Valuation Date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, it has come to our attention that the outbreak of Novel Coronavirus disease (COVID-19) has caused significant disruption to economic activities around the world. This disruption has increased the risk towards the achievability of the financial projections/assumptions. It may also have a negative impact towards investment sentiment, and hence any form of required rate of return as well as liquidity of any asset. As of the Report Date, it is uncertain how long the disruption will last and to what extent it will affect the economy. As a result, it has caused volatility and uncertainty that values may change significantly and unexpectedly even over short periods. The period required to negotiate a transaction may also extend considerably beyond the

normally expected period, which would also reflect the nature and size of the asset. Readers are reminded that we do not intend to provide an opinion of value as of any date after the Valuation Date in this Report.

RISK FACTORS

We caution readers to be aware of the following risks which we believe could influence the Market Value of the Target. Such risks can range from very subject specific factors to more systematic factors.

Management

The management of the Target may not be what is desirable or necessary or may vary according to existing plans which would have the effect of altering the subjects' value.

Microeconomic Considerations

The Target can be directly or indirectly affected by characteristics and changing forces of supply and demand for the contributing inputs and/or the produced goods and services associated with the Target. These forces work to impact the magnitude of the gap between inflows and outflows regarding the Target and thus its value. Variations in the degree of competition or in barriers to entry are key drivers of changes to supply whilst consumption preferences, income levels or the availability of substitutes are key drivers of changes to demand.

Technological Change

Changes in the rate of advancement of technology, the propensity for any particular technology to have an effect on the Target and the degree to which technological advancement is impacting and will continue to impact the Target can disrupt its desirability, competitiveness, efficiency and/or indirectly impact the products and services considered substitutes or complements for it and thus its value.

Social, Political and Macroeconomic Considerations

Various economic, political and social phenomena surrounding the Target may change so as to affect our opinion of value of the Valuation. International or nationwide policy and/or legislative changes that alter existing rights and obligations may directly or indirectly influence the Target. Macroeconomic circumstances including inflation, interest rate fluctuations and existing and forecast levels of growth in the broader economy may also have an effect. Societal factors encompassing the perception and preferences of people in general may swing rendering the Target more or less desirable and thus more or less valuable.

Environmental Conditions

Phenomena within the physical environment can severely impact the factors of production and demand factors within an economy for the Target. The occurrence of natural disasters, resource depletion and variations in climate conditions may influence resource availability and prices for inputs on the supply side or may influence market access and preferences for products and services associated to the Target from end-user demand. Such phenomena will ultimately influence the value of the Target.

OPINION OF VALUE

Based on the results of our investigations and analyses outlined in this report, we are of the opinion that the market value of the as at the Valuation Date is RMB 301,162,000. As advised by the management, to be in line with the current reorganization plan, all the assets supporting the NEV business were divided into three categories. The details are summarized in the following table.

	Book Value (RMB'000)			All Assets Supporting the NEV Business	Market Value (RMB'000)			Market Value (RMB'000) inclusive of VAT		
	Assets to be injected to Wuling New Energy	Assets to be sold to Wuling New Energy	Assets remaining in Wuling Industrial		Assets to be injected to Wuling New Energy	Assets to be sold to Wuling New Energy	Assets remaining in Wuling Industrial	All Assets Supporting the NEV Business	Assets to be injected to Wuling New Energy	Assets to be sold to Wuling New Energy
<i>Tangible Assets</i>										
Property, Plant, and Equipment	54,534	—	59,239	113,774*	50,096	—	59,402	109,498	56,608	—
Construction in Progress	582	—	868	1,449*	529	—	—	529	584	—
Inventories	—	87,582	—	87,582	—	89,422	—	89,422	—	101,046
Development Expenditure — Others	20,700	—	9,667	30,367	20,700	—	9,667	30,367	22,130	—
Development Expenditure — Process Tooling	—	—	—	—	—	11,054	—	11,054	—	12,491
<i>Intangible Assets</i>										
Intangible Asset — Software	4,859	—	4,583	9,442	5,231	—	5,799	11,030	5,545	—
Intangible Asset — Patent Portfolio	—	—	—	—	—	49,262	—	49,262	—	52,218
<i>Market Value of the Total Asset Value of the New Energy Business</i>										
	80,675	87,582	74,356*	242,614	76,556	149,738	74,868	301,162	84,866*	165,755

**Notes:*

- For reference purpose, Market Value inclusive of value-added tax (VAT) are estimation based on the applicable tax rate of individual asset as advised by the management of the Company. The actual figures might be different subject to the amount on VAT invoices and other requirements of the PRC State Taxation Administration.
- The difference between the sum-up figure of individual asset and the figure of Total Asset Value is due to rounding.

LIMITING CONDITIONS

This report and opinion of value are subject to our Limiting Conditions as attached.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Johnny Lee

Director

Simon M.K. Chan

Executive Director

LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.
2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.
3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.
4. The management and the Board of the Company/engagement parties have reviewed and agreed on the report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.
6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal and the full settlement of the fees and all the expenses.
8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.
10. This report has been prepared solely for public disclosure purpose. The report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.
11. This report is confidential to the client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference Date. In accordance with our standard practice, we must state that this report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
12. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. You agree to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.
15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/engagement parties and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.
16. This report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of values are not intended by the author, and should not be construed by the reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.
17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

VALUERS' PROFESSIONAL DECLARATION

The following valuers certify, to the best of their knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.

- The reported analyses, opinions, and conclusions are independent and objective.
- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.
- The valuers' compensation is not contingent upon the quantum of the value assessed, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the International Valuation Standards published by the International Valuation Standards Council.
- The under mentioned persons provided professional assistance in the compilation of this report.

Johnny Lee

Director

Albert Mak

Assistant Analyst

Simon M.K. Chan

Executive Director

Hunter Z.W. He

Senior Director

Carol X.T. Huang

Assistant Manager

APPENDIX I(a) — TANGIBLE ASSETS AND SOFTWARE**1. Background of the Tangible Assets and Software*****1.1. Background of the Tangible Assets***

The tangible assets comprise mainly of press line, paint shop, welding machines, robotic arms, motor vehicles, office equipment, tools and molds, plant facilities, construction in progress and development expenditure.

The chronological ages of the major machinery range from 1 to 17 years old. The machinery and equipment are mostly custom built to in-house design while some are standard manufacture.

1.2. Background of the Software

The software consist mainly of System applications used in the process of the design and manufacture of motor vehicles. 13 pieces of software will be injected to Wuling New Energy by Wuling Industrial, while 17 pieces of software will remain in Wuling Industrial.

2. Basis of Valuation

Our valuation was carried out on a Market Value In Continued Use basis. Market Value In Continued Use is defined as amount of money at which a given property would change hands between a willing buyer and a willing seller, in an appropriate marketplace, when neither is acting under compulsion and when both have reasonable knowledge of relevant facts, including installation and other turnkey costs and assumes that earnings support the value reported.

Market Value In Continued Use does not represent the amount that might be realised in the event of piecemeal disposition of the assets in the open market or from any alternative use to which they may be put.

3. Valuation Methodology

There are three generally accepted valuation approaches, namely the market, cost and income approaches. In accordance to valuation procedures, all valuation approaches must be considered, as one or more approaches may be applicable to the subject asset. In certain situations, elements of the three approaches may be combined to reach a value conclusion. However, the relative strength, applicability, and significance of the approaches and their resulting values must be analyzed and reconciled.

In estimating the value of the assets, the market approach was primarily utilized for those assets where an active secondary market exists. Verified market comparables is the best proof of transacted value as it reflects the dynamics of secondary market. Factors such as the availability and desirability of particular types of machines are vital consideration, as supply and demand is an influencing factor on the transactions.

For all other assets without active secondary market, we relied on the cost approach, where an estimate is made on the cost of reproduction new or replacement cost, less allowance for depreciation or loss of value arising from condition, utility, age, wear and tear, and obsolescence, taking into consideration past and present maintenance policy, and rebuilding history, if any, and current utilization.

In situation where we can identify and collect sufficient data on certain equipment that has direct contribution to the revenue generation, the income approach will be applied as part of the cross-checking procedure with the result from the cost approach and the market approach in arriving at our conclusion of value.

4. Valuation Analysis

4.1. Valuation procedure

First, we have considered the various approaches of valuation.

Where assets being appraised have active secondary markets, with comparables readily available in the marketplace, we have utilized the ***market approach for our value conclusion. To arrive at the Market value*** from the market approach, we must consider additional costs that are typical in the industry. These costs may include many of the same costs that are properly capitalized for new assets, such as electrical wiring, piping, foundations, support structures, insulation, and finishes; direct costs, such as sales taxes, import duty, crating, and freight and handling charges; installation costs; modification or overhaul costs; general contractors' costs; and indirect costs, such as engineering, design, and purchasing costs.

Where active secondary market does not exist, we have valued the assets by using the ***cost approach***. We began by developing current ***replacement cost new*** for similar or equivalent units according to prices we obtained from the manufacturer, its authorized dealers, or our in-house database. To arrive at the fully installed ***replacement cost new***, we combined it with estimates of any additional material costs, such as electrical wiring, piping, foundations, support structures, and insulation and finishes; direct costs, including import duty, and freight and handling charges; installation costs; general contractors' costs; and indirect costs, such as engineering, design, and purchasing.

The next step in the ***cost approach*** is to assess the physical deterioration of the assets by determining its ***effective age***. In determining the effective age of the equipment, we have considered the observed condition in relation to its chronological age; whether or not maintenance was adequate for the period of use; and the effects of any technological changes on the equipment's life expectancy. ***Effective age*** is the number of years of apparent age, based on the observed condition and the amount of wear and tear experienced during its life.

Decrease in useful life is normally quantified through an *age-life analysis* which measures the loss in value due to the reduction in normal useful life, which is the first cause in measuring physical depreciation. Normal useful life ranges are adopted from expected life tables developed in the USA. Considering both the reduced useful life and the decline in utility enables us to quantify the physical depreciation of the asset.

Apart from measuring depreciation of physical characteristics, we must consider other forms of depreciation in arriving at an overall depreciation, namely *functional* and *economic* obsolescence.

Functional obsolescence is the impairment of functional capacity or efficiency caused by factors inherent in the property. These factors include but are not limited to such items as changes in current technology, discovery of new and improved materials, improved manufacturing processes, under- or over-capacities, production rates, and highest and best use.

Economic obsolescence is the loss in value or usefulness of a property caused by factors external to the assets. These factors include increased cost of raw materials, labour or utilities, reduced demand for the product; increased competition; environmental or other regulation: or similar factors.

The final step in the *cost approach* is to deduct the physical depreciation, functional and economic obsolescence from the *replacement cost new* to conclude at the *Market value*.

For this exercise, we have considered and excluded the income approach due to insufficient financial data being available. We have used both the cost approach and the market approach in arriving at our estimate of *Market value* for the Intangible assets.

4.2. Key Assumptions and Inputs

During our valuation, we have been provided with a listing of the machinery and equipment. We have relied considerably on this plus on other information such as equipment specifications and other documents provided to us.

We have not carried out a full mechanical survey, nor have inspected other machinery and equipment, which are covered, unexposed or inaccessible, and our assessments on these non-inspected assets are based on the premise that these items are in a condition that commensurate with age and usage.

In arriving at our valuation, we have not investigated the title nor any liabilities affecting the Tangible assets. No consideration was made for any outstanding amount owed under financing agreements, if any.

4.3. *Opinion of Value*

Based on the results of our investigations and analysis outlined in this section, we are of the opinion that the Market Value of the tangible assets and the software as at the Valuation Date are as follows.

	Market Value <i>(RMB'000)</i>
<i>Tangible Asset</i>	
Property, Plant, and Equipment	109,498
Construction in Progress	529
Development Expenditure — Others	30,367
Development Expenditure — Process Tooling	11,054
Software	11,030

APPENDIX I(b) — INVENTORIES

1. *Background of the Inventories*

Inventories comprise mainly of raw materials, work in progress and finished products.

2. **Valuation Methodology**

Based on the quantities and conditions of the Inventories as at the date of valuation provided by the Company, the Market Value were derived by multiplying their quantities with corresponding market prices less the sum of costs of disposal and reasonable profit allowance for the selling effort.

3. **Valuation Analysis**

3.1. *Valuation procedure*

We have undertaken the necessary and appropriate valuation procedures in the valuation of the inventories as at the Valuation Date, including but not limited to the following:

- Check if the breakdown of inventories on its book is in line with the detailed information provided by the Company on sampling basis;
- Review the inventory management process of the Company; and
- Check the Companies' financial records of inventory in/out;

3.2. *Key Assumptions and Inputs*

During our valuation, we have been provided with a listing of the Inventories. We have relied considerably on this plus on other information such as equipment specifications and other documents provided to us.

We have not carried out a full checking, nor have inspected other Inventories, which are covered, unexposed or inaccessible, and our assessments on these non-inspected Inventories are based on the premise that these items are in a condition that commensurate with age and usage.

In arriving at our valuation, we have not investigated the title nor any liabilities affecting the Inventories. No consideration was made for any outstanding amount owed under financing agreements, if any.

3.3. Opinion of Value

Based on the results of our investigations and analysis outlined in this section, we are of the opinion that the Market Value of the Inventories as at the Valuation Date is RMB 89,422,000.

APPENDIX I(c) — INTANGIBLE ASSET — PATENT PORTFOLIO

1. Background of the Patent Portfolios

The six patent portfolios consist of 30 patented technologies and five technical know-hows (the “Patent Portfolios”). Each Patent Portfolio is a set of patented technology and technology know-hows that supports the development and manufacturing of new energy vehicle and was co-owned by the Wuling Industrial and Guangxi Automobile as at the Valuation Date. From January 2019 to December 2021, Wuling Industrial and Guangxi Automobile has contributed RMB 56,117,617.84 and RMB 93,825.00 respectively to the actual expenditure on the development of the Patent Portfolios.

2. Valuation Methodology

There are three generally accepted valuation approaches, namely the market, cost and income approaches. To select the most appropriate approach, we have considered the purpose of the Valuation and the resulting basis of value as well as the availability and reliability of information provided to us to form perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of this Subject. The income approach is inappropriate as this approach require detailed information and long-term financial projection of the Patent Portfolios but such information is not available together with objective supporting documents and information. The market approach is inappropriate as it requires market transactions comparable to the Subject as an indication of value. However, we have not identified any current market transactions which are comparable to the Patent Portfolios.

In the Report, we have adopted the cost approach with consideration of the nature and background of the Patent Portfolios. The Company has explained that in the vehicle manufacturing industry in which the Target operates, the research and development investment in forming patents and know-hows are generally for certain vehicle models. The majority of patented technology and technical know-hows are to protect manufacturing and sales process. The Company has further advised that there would be continuing new vehicle models to

satisfy market demand, and the life cycle of a vehicle model is generally 4 to 6 years after the start of production (SOP). Given the above-mentioned situation, we considered that the cost approach is the most appropriate in this Valuation.

The replacement cost method under the cost approach was adopted in arriving at the Market Value of the Patent Portfolios in this Valuation, by identifying the relevant costs that would be incurred by a typical participant seeking to create or obtain an asset providing similar function and equivalent utility. The replacement cost was estimated based on the historical costs of direct material, manufacturing supplies, direct labor and the associated interest expense in relation to the development of the Patent Portfolios.

3. Valuation Analysis

3.1. Key Assumptions

The following key assumptions in determining the Market Value of the Patent Portfolios have been made.

- In this exercise, the Guangxi Automobile and Wuling Industrial enjoy a co-ownership of six patent portfolios, and such ownership ratio between has not been determined as at the Valuation Date. However, for reference purpose, the market value of the Patent Portfolios as at the Valuation Date hereof would be under the assumption that Wuling Industrial has a sole ownership of the Patent Portfolios; and
- By the date prior to the finalization of this exercise, two of the patented technologies published on China National Intellectual Property Administration have not yet received official certificates. In this exercise, it is assumed that all patented technologies have acquired relevant certificates.

3.2. Key Inputs

The Market Value of the Patent Portfolios were estimated based on the historical costs of direct material, manufacturing supplies, direct labor, return on investment and the associated interest expense in relation to the development of the Patent Portfolios. Key inputs are shown as below.

Historical Costs

Historical costs included direct material, manufacturing supplies and direct labor comes from audited figures provided by the management. Historical costs were adjusted by applicable price indices to reflect the current market price levels of the replacement costs as at the Valuation Date. Indexes including Consumer Price Index, Producer Price Index, Caixin China Manufacturing PMI, and Caixin China non-Manufacturing PMI were adopted in this exercise.

Expected Useful Life

This valuation was estimated based on the assumption that the Patent Portfolios would be subject to economic obsolescence, the expected remaining useful lives provide by the management of the Patent Portfolios ranged from three to six years.:

Return on investment

An asset acquired from a third party would presumably reflect their costs associated with creating the asset as well as some form of profit margin to provide a return on investment. In this exercise, we have adopted a profit margin of 5.6% on the included costs, which is reference to a study titled 《企業績效評價標準值2021》 published by State-owned Assets Supervision and Administration Commission of China (國務院國資委考核分配局)

Interest Expenses

The interest expense represents the opportunity cost of holding the manufacturing supplies and the direct materials required for the development of the Patent Portfolios. The interest rate is reference to Loan Prime Rate published by the People's Bank of China.

3.3. Opinion of Value

Based on the results of our investigations and analysis outlined in this section, we are of the opinion that the Market Value of the Patent Portfolios as at the Valuation Date is as follows.

Intangible Asset — Patent Portfolio	Market Value (RMB'000)
G100&G100P Models and Derived Projects (G100&G100P車型及其衍生項目)	22,631
Development of Electric Logistics Vehicle — Model G100P (G100電動物流車開發前期項目)	1,078
Development of Recreational Vehicle — Model G100P (G100P改裝車開發)	480
Development of Electric Logistics Vehicle — Model G050 (G050純電動物流車前期開發)	6,466
Development of Model G050 Platform Products (G050平台產品前期開發)	8,145
G200 Models and Derived Projects (G200平台產品及其衍生項目)	10,462
Total	49,262

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 Group. 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 herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

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 SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules to be notified to the Company and the Stock Exchange:

Long Positions in the shares, underlying shares and debentures of the Company

Name of Director	Capacity	Number of Shares held	Approximate % of the total number of Shares in issue*
Mr. Yuan Zhijun	Beneficial owner	3,000,000	0.09%
Mr. Ye Xiang	Beneficial owner	1,030,300	0.03%
Mr. Wei Mingfeng	Beneficial owner	270,000	0.01%
	Beneficial owner ^(Note)	335,400	0.01%
	Sub-total	605,400	0.02%

Note: This represents the outstanding share options held by Mr. Wei Mingfeng, an executive Director, granted and accepted under the share option scheme of the Company adopted on 11 November 2021.

* The percentages above have been rounded up (if any) based on a total of 3,298,161,332 Shares in issue as at the Latest Practicable Date.

(b) Substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, so far as it was known to the Directors or 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:

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	356,622,914	10.81%
Mr. Lee Shing (deceased)	Interest in controlled Corporation (<i>Note 1</i>)	Corporate	356,622,914	10.81%
	Beneficial owner (<i>Note 2</i>)	Personal	4,636,350	0.14%
	Interest held by spouse (<i>Note 2</i>)	Family	2,472,720	0.08%
	Sub-total		363,731,984	11.03%
Wuling (Hong Kong) Holdings Limited (“ Wuling HK ”) (<i>Note 3</i>)	Beneficial owner	Corporate	1,864,698,780	56.54%
Wuling Motors (Hong Kong) Company Limited (“ Wuling Motors ”) (<i>Note 3</i>)	Interest in controlled corporation	Corporate	1,864,698,780	56.54%
Guangxi Automobile Holdings Limited (“ Guangxi Automobile ”) (<i>Note 3</i>)	Interest in controlled corporation	Corporate	1,864,698,780	56.54%

Notes:

- (1) The late Mr. Lee Shing was a former executive Director of the Company and was beneficially interested in 356,622,914 Shares, which interests were held by Dragon Hill, a company wholly-owned by the late Mr. Lee Shing. The late Mr. Lee Shing was also the sole director of Dragon Hill.
 - (2) These represent the Shares held by the late 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. Mr. Yuan Zhijun and Mr. Yang Jianyong, both of them executive Director, are also directors of Wuling HK, Wuling Motors and Guangxi Automobile. Mr. Wei Mingfeng, an executive Director, is also a senior executive of Guangxi Automobile.
- * The percentages above have been rounded up (if any) based on a total of 3,298,161,332 Shares in issue as at the Latest Practicable Date.

Save for as disclosed above, none of Directors is also a director nor employee of any substantial shareholder of the Company.

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. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS AND CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

In addition to the Capital Increase Agreement entered into among the Company, Guangxi Automobile, Wuling Industrial and Wuling New Energy, the agreements in relation to the Disposals entered into between Wuling Industrial and Wuling New Energy and the 2022–2024 New Energy Framework Agreement entered into between Wuling Industrial and Wuling New Energy, 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 柳州五菱柳機動力有限公司 (Liuzhou Wuling Liuji Motors Company Limited*) (“**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* (上海詣譜自動化裝備有限公司) (“**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 aftersale 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 certain sale transactions (being the GL Sale Transactions, the GB Sale Transactions, the WS Sale Transactions and the WAT Sale Transactions), certain purchase (materials and parts) transactions (being the GL Purchase Transactions, the WS Purchase Transactions and the GXGY Purchase Transactions), certain purchase (finished products) transactions (being the GB Purchase Transactions) and certain 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 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;
- (f) the Supplemental Agreement entered into between Wuling Industrial and Guangxi Automobile on 7 September 2020 to amend certain terms of the 2020–2022 Master Agreement and to adopt New Annual Caps for the GX Purchase Transactions, from which the annual caps for the Purchase (Materials and Parts) Transactions were increased by RMB106,000,000, RMB298,000,000 and RMB384,000,000 for the three years ending 31 December 2020, 2021 and 2022, respectively to RMB273,600,000, RMB486,200,000 and RMB617,300,000 for the three years ending 31 December 2020, 2021 and 2022, respectively. Details of the Supplemental Agreement were disclosed in the Company’s announcement dated 7 September 2020 and the Company’s circular dated 9 October 2020;
- (g) On 19 February 2021, the Company and Wuling Industrial, entered into a loan agreement, pursuant to which the Company agreed to make available to Wuling Industrial the loan in principal amount of RMB250,000,000 (equivalent to approximately HK\$300,000,000) at an interest rate of 2.5% per annum, for a term of one (1) year from the drawdown date, with an option to the Company (subject to conditions and exercisable at the discretion of the Company) to convert the loan into equity interest in Wuling Industrial. Details of the loan agreement were fully described in the Company’s announcement dated 17 February 2021;
- (h) the Second Supplemental Agreement dated 18 March 2021 entered into between Wuling Industrial and Guangxi Automobile to amend certain terms of the 2020–2022 Master Agreement and to revise the annual caps for the aggregate Sale Transactions, which include the annual Caps for GL Sale Transactions, and WS Sale Transactions and hence revision of the aggregate annual caps for the Sale Transactions for the two years ending 31 December 2021 and 2022. Details of the Second Supplemental Agreement were disclosed in the Company’s announcement dated 18 March 2021 and the Company’s circular dated 26 April 2021;

- (i) the equipment purchase framework agreement dated 13 May 2021 entered between Wuling Industrial and Wuling Auto Tech to amend certain terms of the 2020 Equipment Purchase Framework Agreement and to revise the annual Caps for the equipment purchase transactions. Details of the equipment purchase framework agreement were disclosed in the Company's announcement dated 13 May 2021;
- (j) the 2022–2024 Loan Agreement dated 16 November 2021 entered into between Guangxi Automobile as lender and Wuling Industrial as borrower in relation to, among other things, the provision of certain loans, including but not limited to the proposed loans and interest payments to be made by Wuling Industrial Group to Guangxi Automobile for the provision of loans, for each of the three years ending 31 December 2022, 2023 and 2024 under the 2022–2024 Loan Agreement. Details of the 2022–2024 Loan Agreement were disclosed in the Company's announcement dated 16 November 2021 and the Company's circular dated 21 December 2021; and
- (k) the 2022–2024 Master Tenancy Agreement dated 29 November 2021 entered into between Guangxi Automobile as landlord and Wuling Industrial as tenant in relation to the lease of, among other things, the Liuzhou Leased Properties and Additional Properties for a period of three years commencing from 1 January 2022 and expiring on 31 December 2024. Details of the 2022–2024 Master Tenancy Agreement were disclosed in the Company's announcement dated 29 November 2021.

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 being an executive Director, is currently a senior executive of Guangxi Automobile. Mr. Yang Jianyong is also currently a director of Wuling HK and Wuling Motors. Mr. Wei Mingfeng being an executive Director, is currently a senior executive of Guangxi Automobile.

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 2021 (being the date to which the latest published consolidated audited financial statements of the Group were made up) acquired or disposed of by or leased to, any member of the Group, or were proposed to be acquired or disposed of by or leased to, any member of the Group; and (ii) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Yuan Zhijun, the chairman of the Board and an executive Director, is also a director of 上汽通用五菱汽車股份有限公司 (SAIC-GM-Wuling Automobile Co., Limited*) (“SGMW”), a company established in the PRC and a joint venture formed among Shanghai Automobile Industry (Group) Company Limited, GM (China) Investment Co., Limited and Guangxi Automobile, and a major customer of 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, so far as the Directors were aware of, none of the Directors or their respective close associates had any interests in a business which competed or was likely to compete, or was in conflict or was likely to be in conflict, either directly or indirectly, with the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or 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 (i) did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up; and (ii) was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

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

9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Lai Shi Hong Edward. Mr. Lai is currently the chief financial officer of the Company, and graduated from the University of Hong Kong and the Hong Kong Baptist University and holds a Bachelor of Arts degree and a Master of Science degree in Corporate Governance and Directorship respectively. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants.
- (b) The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda.
- (c) The head office and principal place of business of the Company in Hong Kong is Unit 1901, 19/F, Beautiful Group Tower, 77 Connaught Road Central, Hong Kong.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

10. DOCUMENTS ON DISPLAY

The following documents will be on display and are published on the Company's website (www.wuling.com.hk) and the Stock Exchange's website (www.hkexnews.hk) for a period of 14 days from the date of this circular:

- (a) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (b) the letter of recommendations 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" in 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" in this circular;
- (d) the written consent of the expert referred to in the section headed "Expert and Consent" of this appendix;
- (e) the 2022–2024 New Energy Framework Agreement;
- (f) the Capital Increase Agreement; and
- (g) this circular.

NOTICE OF THE SGM



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

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

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Wuling Motors Holdings Limited (the “Company”) will be held on Wednesday, 29 June 2022 at 10:00 a.m. at Unit 1603-04, 16/F Causeway Bay Plaza One, 489 Hennessy Road, Causeway Bay, Hong Kong 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 7 June 2022 (the “Circular”).

“THAT:

- (a) the Capital Increase and the Disposals, among others, as contemplated under the Capital Increase Agreement and the agreements in relation to the Disposals (copies of which have been tabled at the meeting and signed by the chairman of the meeting for identification purpose) be and are hereby approved, ratified and confirmed;
- (b) the Sale Transactions and the Purchase Transactions (including their respective Proposal Annual Caps), among others as contemplated under the 2022–2024 New Energy Framework Agreement (copy of which has been tabled at the meeting and signed by the chairman of the meeting for identification purpose) be and are hereby approved, ratified and confirmed;
- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to do all such acts and things and execute all such documents and to take such steps as he/she may consider necessary, desirable or expedient to give effect to or in connection with the Capital Increase Agreement and the agreements in relation to the Disposal or any of the transactions contemplated thereunder and all other matters incidental thereto; and

NOTICE OF THE SGM

(d) any one director of the Company be and is hereby authorised for and on behalf of the Company to do all such acts and things and execute all such documents and to take such steps as he/she may consider necessary, desirable or expedient to give effect to or in connection with the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps) or any of the transactions as contemplated thereunder and all other matters incidental thereto the 2022–2024 New Energy Framework Agreement.”

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

Hong Kong, 7 June 2022

Notes:

1. The resolutions at the meeting will be taken by poll (except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any Shareholder of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a Shareholder of the Company. If more than one proxy is appointed, the number of Shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.
3. 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).
4. In order 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 certified copy of that power of attorney 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 less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. In calculating the aforesaid 48 hours period, no account will be taken of any part of a day that is a public holiday. Accordingly, the form of proxy must be delivered not later than 10:00 a.m. on Monday, 27 June 2022. Delivery of the form of proxy shall not preclude a Shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Friday, 24 June 2022 to Wednesday, 29 June 2022 (both dates inclusive), during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, unregistered holders of Shares of the Company shall ensure that all transfer documents accompanied by the relevant Share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 23 June 2022.
6. In view of the travelling restrictions imposed by various jurisdictions including Hong Kong to prevent the spread of the COVID-19, certain Director(s) may attend the SGM through telephone/video conference or similar electronic means.
7. 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. Yang Jianyong and Mr. Wei Mingfeng as executive Directors and Mr. Ye Xiang, Mr. Wang Yuben and Mr. Mi Jianguo as independent non-executive Directors.



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)
(於百慕達註冊成立之有限公司) (股份代號 Stock Code : 305)

將於二零二二年六月二十九日召開之股東特別大會(「股東特別大會」) SPECIAL GENERAL MEETING TO BE HELD ON 29 JUNE 2022 (“SGM”) 健康申報表 HEALTH DECLARATION FORM

經考慮近期冠狀病毒(COVID-19)的爆發情況，本公司將於股東特別大會實施防疫措施及特別安排旨在針對出席人士受感染的風險。敬請閣下如實填寫以下表格，並交回於股東特別大會股東登記櫃檯的工作人員。

Considering the recent outbreak of the coronavirus (COVID-19), the Company will implement precautionary measures and special arrangements at the SGM with a view to addressing the risk to attendees of infection. **Please complete this form to the best of your knowledge and return it to the staff at the registration counters at the SGM venue.**

如閣下(i)出現甲部所列出的任何一項症狀或(ii)於乙部的任何問題的回答為「是」，閣下可能不會獲准進入股東週年大會會場。
If (i) you have any of the symptoms as set out in Part A, or (ii) your answer to any of the questions under Part B is “YES”, you may not be admitted to the AGM venue.

甲部 Part A (請圈選適用的症狀 Please circle as appropriate)

閣下是否有以下任何症狀? Do you have any of the following symptoms?

- 發燒 Fever 咽喉痛 Sore Throat 氣促 Shortness of Breath
 咳嗽 Cough 呼吸困難 Breathing Difficulty 乏力 Malaise

乙部 Part B (請圈選適用的答案 Please circle as appropriate)

在過去14日內, In the past 14 days,		
(i) 閣下曾否到訪香港以外地方? Did you travel outside Hong Kong?	是 Yes	否 No
(ii) 閣下是否與曾經到訪香港以外地區的人士有緊密接觸#? Have you been in close contact# with any person who travelled outside Hong Kong?	是 Yes	否 No
(iii) 閣下是否曾經或現正接受香港衛生署的強制檢疫或醫學監察安排? Have you ever been under compulsory quarantine or medical surveillance order by the Department of Health of Hong Kong?	是 Yes	否 No
(iv) 閣下是否與任何懷疑、疑似或確診感染新型冠狀病毒的人士有密切接觸#? Have you ever been in close contact# with any person with a suspected, probable or confirmed case of COVID-19?	是 Yes	否 No
(v) 閣下是否曾經或現在與正在接受家居檢疫的人士同住? Have you ever lived with any person under home quarantine?	是 Yes	否 No

指從(a)疑似病例或确诊病例症狀出現前2天開始；或(b)無症狀感染者標本採樣前2天開始，未採取有效防護與其有近距離接觸的人士。
Refers to any person who has not taken effective protection and has been in close contact with (a) probable case(s) or confirmed case(s) 2 days before the symptoms onset; or (b) asymptomatic infected person(s) 2 days before the sampling.

本人聲明以上申報內容全部屬實，並同意按下文之收集個人資料聲明所述使用本人的個人資料。

I declare that all the above information is true, and I consent to the uses of my personal data as described in the Personal Information Collection Statement below.

全名：
Name in full: _____

電話號碼：
Phone number: _____

簽名：
Signature: _____

日期：
Date: _____

收集個人資料聲明：閣下須提供在此表格中收集的所有資料，以用於本公司預防傳染病發生或傳播相關之工作。若閣下未能提供所有資料，本公司將無法評估閣下是否適合出席股東特別大會，而閣下將可能不會獲准進入股東特別大會會場。所有資料只會閣下同意或在《個人資料(私隱)條例》允許的情況下，向其他人士或機構作出披露。所有收集的資料將在股東特別大會結束後21天內銷毀。有關存取及/或更正相關個人資料的要求可按照《個人資料(私隱)條例》條文提出，而有關要求均須以書面形式郵寄至本公司/卓佳登捷時有限公司。

Personal Information Collection Statement: Your supply of all information collected in this form is required for the purpose of the Company's prevention of the occurrence or spread of Infectious Diseases. If you fail to provide the information, the Company will not be able to assess your suitability to attend the SGM and you may not be granted access to the SGM venue. The information will only be disclosed to other parties or authorities with your consent or where it is permitted under the Personal Data (Privacy) Ordinance. All information collected will be destroyed in 21 days after the SGM. Request for access to and/or correction of the relevant personal data can be made in accordance with the provisions of the Personal Data (Privacy) Ordinance and any such request should be in writing by mail to the Company/Tricor Tengis Limited.