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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer 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 to the purchaser together with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

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

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE 2023–2025 MASTER AGREEMENT
AND THE PROPOSED ANNUAL CAP(S)
WITH RESPECT TO THE SALE TRANSACTIONS AND
THE PURCHASE (MATERIALS AND PARTS) TRANSACTIONS**

Financial Adviser to the Company



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



A letter from the Board is set out on pages 6 to 28 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 29 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 30 to 49 of this circular.

A notice convening the SGM to be held at Unit 3406, 34/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Monday, 16 January 2023 at 10:00 a.m. is set out on pages 58 to 60 of this circular.

PRECAUTIONARY MEASURES AND SPECIAL ARRANGEMENTS FOR THE SGM

Considering the outbreak of the coronavirus (COVID-19), certain measures will be implemented at the SGM with a view to addressing the risk to attendees of infection, including without limitation, (i) all attendees being required to (a) undergo compulsory body temperature check; (b) complete a health declaration (a copy of the form is enclosed with this circular), which may be used for contact tracing, if required; and (c) wear surgical masks prior to admission to the SGM venue; (ii) attendees who are subject to health quarantine prescribed by the 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; and (vi) the management will be available either in person or through video conference facilities to host the SGM and answer questions from Shareholders.

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

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

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 17/F, Far East Finance Centre, 16 Harcourt Road, 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.

22 December 2022

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DEFINITIONS

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

“2020–2022 Master Agreement”	the agreement dated 22 November 2019 entered into between Wuling Industrial and Guangxi Automobile in relation to the Existing CCTs for a term of three years from 1 January 2020 to 31 December 2022
“2022 Interim Report”	the interim report of the Company for the six months ended 30 June 2022
“2023–2025 Master Agreement”	the agreement dated 17 November 2022 entered into between Wuling Industrial and Guangxi Automobile in relation to the New CCTs for a term of three years from 1 January 2023 to 31 December 2025
“9M2022”	the nine months ended 30 September 2022
“Articles of Association”	the articles of association of the Company as may be amended from time to time
“Board”	the Board of Directors
“Company”	Wuling Motors Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 305.HK)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Annual Caps”	the annual caps of the Existing CCTs set out in the 2020–2022 Master Agreement (as amended by its supplementary agreements as appropriate) for each of the three years ending 31 December 2022
“Existing CCTs”	continuing connected transactions of the Group carried out by the Wuling Industrial Group pursuant to the 2020–2022 Master Agreement (as amended by its supplementary agreements as appropriate), including the following transactions under the any above agreements: (i) the sale transactions; (ii) the purchase (materials and parts) transactions; (iii) the purchase (finished products) transactions; and (iv) the utility supply transactions
“Finance Department”	the finance department of the Wuling Industrial Group

DEFINITIONS

“FY2020”	the year ended 31 December 2020
“FY2021”	the year ended 31 December 2021
“FY2022”	the year ending 31 December 2022
“FY2023”	the year ending 31 December 2023
“FY2024”	the year ending 31 December 2024
“FY2025”	the year ending 31 December 2025
“Group”	the Company and its subsidiaries
“Guangxi Automobile”	Guangxi Automobile Holdings Limited* (廣西汽車集團有限公司), a state-controlled enterprise established in the PRC, being the ultimate controlling Shareholder which through its direct and indirect wholly owned subsidiaries is interested in approximately 56.54% of the total number of Shares in issue as at the Latest Practicable Date
“Guangxi Automobile Group”	Guangxi Automobile, its subsidiaries and associates (excluding the Group and the subsidiaries of the Group)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company (which comprises all independent non-executive Directors) formed to consider the terms of the 2023–2025 Master Agreement, the Sale Transactions, and the Purchase (Materials and Parts) Transactions (together with the Proposed Annual Caps of each of such continuing connected transactions which are subject to Independent Shareholders’ approval requirement under the Listing Rules as mentioned above) contemplated thereunder

DEFINITIONS

“Independent Financial Adviser”	Silverbricks Securities Company Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) regulated activity under the SFO and being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the 2023–2025 Master Agreement, the Sale Transactions, and the Purchase (Materials and Parts) Transactions (together with the Proposed Annual Caps of each of such continuing connected transactions which are subject to Independent Shareholders’ approval requirement under the Listing Rules as mentioned above) contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than Guangxi Automobile and its associates
“Independent Third Party(ies)”	person(s) or entity(ies) who/which is (are) not a connected person(s) of the Company
“IT Service Transactions”	(i) provision of management and maintenance on the network, server, and storage; (ii) provision of management on network security and system and data assess; (iii) provision of data backup and recovery services; (iv) provision of daily maintenance, optimization, and upgrading of the systems; and (v) provision of technical support, to the Wuling Industrial Group from the Guangxi Automobile Group (applicable for the three years ending 31 December 2025 pursuant to the 2023–2025 Master Agreement only) and any transactions of similar nature that may be entered into between the two groups
“Latest Practicable Date”	16 December 2022, being the latest practicable date for the purpose of ascertaining certain information contained herein prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New CCT(s)”	continuing connected transactions of the Group to be carried out by the Wuling Industrial Group pursuant to the 2023–2025 Master Agreement, including (i) the Sale Transactions; (ii) the Purchase (Materials and Parts) Transactions; (iii) the Utility Supply Transactions; and (iv) the IT Service Transactions

DEFINITIONS

“PRC”	The People’s Republic of China, but for the purpose of this circular only and except where the context requires otherwise, references in this circular to “PRC” do not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Annual Cap(s)”	the proposed annual cap(s) of the New CCTs set out in the 2023–2025 Master Agreement for each of the three years ending 31 December 2025
“Purchase Department”	the purchase department of the Wuling Industrial Group
“Purchase (Materials and Parts) Transactions”	purchase of various types of automotives parts and accessories, moulds and toolings, scrap materials, automotive air-conditioner-related parts and accessories, by the Wuling Industrial Group from the Guangxi Automobile Group (applicable for the three years ending 31 December 2025 pursuant to the 2023–2025 Master Agreement only) and any transactions of similar nature that may be entered into between the two groups
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Department”	the sale department of the Wuling Industrial Group
“Sale Transactions”	sale of engines, various types of automotive parts and accessories, raw materials (including steels) and other consumables and materials by the Wuling Industrial Group to the Guangxi Automobile Group (applicable for the three years ending 31 December 2025 pursuant to the 2023–2025 Master Agreement only) and any transactions of similar nature that may be entered into between the two groups
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held on Monday, 16 January 2023, to approve the 2023–2025 Master Agreement and the transactions contemplated thereunder, including the New CCTs (other than the Utility Supply Transactions and the IT Service Transactions) and the Proposed Annual Caps (other than the Proposed Annual Caps of the Utility Supply Transactions and the IT Service Transactions)

DEFINITIONS

“SGMW”	SAIC-GM-Wuling Automobile Co., Limited* (上汽通用五菱汽車股份有限公司), 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 vehicles’ power supply systems and automotive components
“Share(s)”	ordinary share(s) of HK\$0.004 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Specific Product & Service Contracts”	the product/service contract to be entered into by the respective members of the Wuling Industrial Group and the Guangxi Automobile Group setting out the detailed terms of a transaction to be carried out pursuant to the 2023–2025 Master Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Utility Supply Transactions”	provision of utilities, including water and power supplies, by the Wuling Industrial Group to the Guangxi Automobile Group (applicable for the three years ending 31 December 2025 pursuant to the 2023–2025 Master Agreement only) and any transactions of similar nature that may be entered into between the two groups
“Wuling Industrial”	Liuzhou Wuling Motors Industrial Company Limited* (柳州五菱汽車工業有限公司), a company established in the PRC and a non-wholly owned subsidiary of the Company as at the Latest Practicable Date
“Wuling Industrial Group”	Wuling Industrial and its subsidiaries
“Wuling New Energy”	Liuzhou Wuling New Energy Motors Company Limited* (柳州五菱新能源汽車有限公司), a subsidiary of Guangxi Automobile
“%”	per cent

* For identification purposes 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

Non-executive Director

Mr. Li Zheng

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

*Headquarters and principal place of
business in Hong Kong*

Unit 3406, 34/F, West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

22 December 2022

To the Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE 2023–2025 MASTER AGREEMENT
AND THE PROPOSED ANNUAL CAP(S)
WITH RESPECT TO THE SALE TRANSACTIONS AND
THE PURCHASE (MATERIALS AND PARTS) TRANSACTIONS**

INTRODUCTION

The SGM is proposed to be held on Monday, 16 January 2023 at 10:00 a.m. at Unit 3406, 34/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. The purposes of this circular are to provide the Shareholders with further information in respect of the resolution relating to 2023–2025 Master Agreement and the Proposed Annual Caps with respect to the Sale Transactions and the Purchase (Materials and Parts) Transactions to be proposed at the SGM to enable the Shareholders to make their informed decisions.

Reference is made to the Company's announcement dated 17 November 2022 in relation to the 2023–2025 Master Agreement.

Given the 2020–2022 Master Agreement will expire on 31 December 2022, on 17 November 2022 (after trading hours), Wuling Industrial and Guangxi Automobile entered into the 2023–2025 Master Agreement to govern the New CCTs (i.e., the Sale Transactions, the

LETTER FROM THE BOARD

Purchaser (Materials and Parts) Transactions, the Utility Supply Transactions, and the IT Service Transactions) between the Wuling Industrial Group and the Guangxi Automobile Group for a term of three years from 1 January 2023 to 31 December 2025.

THE 2023–2025 MASTER AGREEMENT

The principal terms of the 2023–2025 Master Agreement are summarized as follows:

Date: 17 November 2022

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

(ii) Guangxi Automobile, being the controlling Shareholder which indirectly interested in approximately 56.54% of the total number of Shares in issue as at the Latest Practicable Date and a connected person of the Company under the Listing Rules.

Scope of products and services to be provided or received:

The New CCTs to be carried out are categorized as follows:

(i) *Sale Transactions*

The Wuling Industrial Group has conditionally agreed to supply certain automotive components and materials for production and trading purposes (including engines, various types of automotive parts and accessories, raw materials (including steels) and other consumables and materials) to the Guangxi Automobile Group.

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

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

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(iii) Utility Supply Transactions

The Wuling Industrial Group has conditionally agreed to provide water and power supply services to the Guangxi Automobile Group.

(iv) IT Service Transactions

The Wuling Industrial Group has conditionally agreed to procure IT development, operation and maintenance service from the Guangxi Automobile Group.

Term: Three years from 1 January 2023 to 31 December 2025 (both dates inclusive).

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

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

Payment terms: Payments for the products or services acquired by the Wuling Industrial Group from the Guangxi Automobile Group, or vice versa, will be settled by way of cash or in other manner(s) as agreed by the parties and in accordance with the agreed timing and manners as specified in the Specific Product & Service Contracts to be entered into between the Wuling Industrial Group and the Guangxi Automobile Group.

The payment terms will be on market terms which are no less favorable than those obtainable by the Wuling Industrial Group from the Independent Third Parties or those offered by the Guangxi Automobile Group to the Independent Third Parties.

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Condition precedent: The 2023–2025 Master Agreement, together with the New CCTs contemplated thereunder, is conditional upon (i) the approval of the Independent Shareholders in respect of the 2023–2025 Master Agreement, the Sale Transactions, the Purchase (Materials and Parts) Transactions, and the respective Proposed Annual Caps thereof being obtained at the SGM; and (ii) the compliance of any other applicable laws and regulations (including but not limited to the Listing Rules) by the parties.

Termination: If any transaction under the 2023–2025 Master Agreement fails to meet the requirements of the continuing connected transactions under the Listing Rules, such transaction shall be terminated immediately.

If any Specific Product & Service Contracts and the transactions contemplated thereunder fail to meet the principles of the 2023–2025 Master Agreement or would result in the actual amount of the relevant New CCTs on annual basis exceeding the related Proposed Annual Caps, such Specific Product & Service Contracts shall then be terminated.

In addition, the 2023–2025 Master Agreement should be terminated upon occurrence of any of the following events:

- (i) all transactions proceeded pursuant to the 2023–2025 Master Agreement having been terminated pursuant to the arrangements mentioned above; or
- (ii) three-month written notice of termination having been served by a party to the 2023–2025 Master Agreement.

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HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS

(1) Details of the historical transaction amounts and the Proposed Annual Caps

The tables below set out (i) the Existing Annual Caps, (ii) the historical transaction amounts of the Existing CCTs for FY2020, FY2021, and 9M2022, and (iii) the Proposed Annual Caps for each of FY2023, FY2024, and FY2025:

Sale Transactions

		FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Annual Caps/ Proposed Annual Caps	<i>a</i>	296,000	646,700	756,400	310,000	325,000	329,000
<i>Including:</i>							
Total estimated values of the transactions		269,275	587,921	687,684	284,824	297,085	299,190
Buffer of about 10%		26,725	58,779	68,716	25,176	27,915	29,810
Historical transaction amounts	<i>b</i>	87,495	285,461	187,340	N/A	N/A	N/A
Utilization rate	<i>c=b/a</i>	29.56%	44.14%	24.77%	N/A	N/A	N/A
				(Note 1)			
				(Note 2)			

Purchase (Materials and Parts) Transactions

		FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Annual Caps/ Proposed Annual Caps	<i>a</i>	273,600	486,200	617,300	182,000	182,500	186,000
<i>Including:</i>							
Total estimated values of the transactions		248,184	441,476	560,868	166,474	165,976	170,788
Buffer of about 10%		25,416	44,724	56,432	15,526	16,524	15,212
Historical transaction amounts	<i>b</i>	140,162	376,583	382,606	N/A	N/A	N/A
Utilization rate	<i>c=b/a</i>	51.23%	77.45%	61.98%	N/A	N/A	N/A
				(Note 1)			
				(Note 2)			

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Utility Supply Transactions

		FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Annual Caps/ Proposed Annual Caps	<i>a</i>	9,200	9,700	10,100	19,615	20,503	21,597
<i>Including:</i>							
Total estimated values of the transactions		8,370	8,790	9,228	17,837	18,729	19,666
Buffer of about 10%		830	910	872	1,778	1,774	1,931
Historical transaction amounts	<i>b</i>	4,801	5,359	3,923	N/A	N/A	N/A
				<i>(Note 1)</i>			
Utilization rate	<i>c=b/a</i>	52.18%	55.25%	38.84%	N/A	N/A	N/A
				<i>(Note 2)</i>			

IT Service Transactions

		FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Annual Caps/ Proposed Annual Caps		N/A	N/A	N/A	10,000	15,000	16,800
<i>Including:</i>							
Total estimated values of the transactions		N/A	N/A	N/A	9,126	13,843	15,423
Buffer of about 10%		N/A	N/A	N/A	874	1,157	1,377
Historical transaction amounts		N/A	N/A	N/A	N/A	N/A	N/A
Utilization rate		N/A	N/A	N/A	N/A	N/A	N/A

Notes:

1. The amounts represented the historical transaction amounts recorded for 9M2022.
2. The utilization rates of the Existing Annual Cap for FY2022 in the above tables are calculated based on the historical transaction amounts for 9M2022 divided by the relevant Existing Annual Caps for FY2022.

The New CCTs under the 2023–2025 Master Agreement are categorized into four main categories, namely, (i) the Sale Transactions; (ii) the Purchase (Materials and Parts) Transactions; (iii) the Utility Supply Transactions; and (iv) the IT Service Transactions, which are determined in accordance with the nature of the subject products/services and activities.

Pursuant to the 2023–2025 Master Agreement, the Proposed Annual Cap of a particular New CCT cannot be applied to any other New CCT.

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(2) Basis of determination of the Proposed Annual Caps

The Proposed Annual Caps for the New CCTs have been determined by Wuling Industrial and Guangxi Automobile by making references to:

- (i) the historical transaction amounts of the relevant Existing CCTs during 9M2022, details of which are set out in the above tables;
- (ii) the types and natures of the products and services, together with the estimated quantities and price ranges thereof, proposed to be supplied by the Wuling Industrial Group to the Guangxi Automobile Group, or vice versa, for each of FY2023, FY2024, and FY2025, which will be further discussed under the paragraph headed “Products and services to be supplied and acquired under the Proposed Annual Caps” below. Among other things,
 - (a) the respective price ranges of the engines, accessories, other consumables and materials, automotive parts, and raw materials (other than steels) under the Sale Transactions are determined with reference to the selling price in the market as at 30 September 2022, which is based on the prices agreed by the independent customers under the sales of the aforementioned products to them. The respective price of each aforementioned product ranges from the lowest to the highest selling prices as agreed by the above customers. Such price ranges would be reviewed by the Sale Department on an annual basis;
 - (b) the price range of the steels per ton is determined with reference to the purchase price of steels between the Wuling Industrial Group and its suppliers plus a profit margin, which is based on the estimated processing cost and the delivery cost of steels. At the end of each month, the Sale Department would obtain the market price of steels from publicly available information (i.e., BAIINFO, <http://www.baiinfo.com>) and compare (1) the market price; with (2) the purchase price offered by the two leading steel suppliers and the profit margin to assess whether the above price range under the Sale Transactions is fair and reasonable. The low end of the price range is equal to the market price as quoted on BAIINFO; and
 - (c) the estimated quantities of the products are determined with reference to (1) the estimated demand for the products of the Wuling Industrial Group from the Guangxi Automobile Group under the Sale Transactions for the three years ending 31 December 2025; and (2) the estimated demand for the products of the Guangxi Automobile Group from the Wuling Industrial Group under the Purchase (Materials and Parts) Transactions for the same period; and
- (iii) the buffer of each category of the New CCTs with similar nature as detailed in the above tables, which is set to prepare for any unforeseeable circumstances, including but not limited to (a) the increase in volume of products and services acquired by the Wuling Industrial Group from the Guangxi Automobile Group, or vice versa, in case the business performance of the Wuling Industrial Group/the Guangxi Automobile Group is better than currently expected; (b) the unexpected fluctuations

LETTER FROM THE BOARD

in the production costs (including the raw material costs, transportation costs and labor costs) and selling prices of the relevant products and services; and (c) the changes in government policies on automobile industry.

(3) Products and services to be supplied and acquired under the Proposed Annual Caps

Set out below are the types and nature of the products and services to be supplied/acquired pursuant to the 2023–2025 Master Agreement:

Sale Transactions

	FY2023	FY2024	FY2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Steels	244,110	255,166	256,277
Other components (including automotive components and materials)	40,714	41,919	42,913
Total estimated values of the transactions	284,824	297,085	299,190
Buffer of about 10%	25,176	27,915	29,810

Proposed Annual Caps for the Sale Transactions with approximately 10% buffer

	310,000	325,000	329,000
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Purchase (Materials and Parts) Transactions

	FY2023	FY2024	FY2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Automotive components and accessories	125,255	112,968	108,991
Moulds and toolings	41,024	52,774	61,524
Automotive air-conditioner-related parts and accessories	195	234	273
Total estimated values of the transactions	166,474	165,976	170,788
Buffer of about 10%	15,526	16,524	15,212

Proposed Annual Caps for the Purchase (Materials and Parts) Transactions with approximately 10% buffer

	182,000	182,500	186,000
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Utility Supply Transactions

	FY2023	FY2024	FY2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Electricity supply	17,707	18,592	19,522
Water supply	130	137	144
Total estimated values of the transactions	17,837	18,729	19,666
Buffer of about 10%	1,778	1,774	1,931
Proposed Annual Caps for the Utility Supply Transactions with approximately 10% buffer	19,615	20,503	21,597

IT Service Transactions

	FY2023	FY2024	FY2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
IT development service	3,086	8,105	9,972
IT operation and maintenance service	6,040	5,738	5,451
Total estimated values of the transactions	9,126	13,843	15,423
Buffer of about 10%	874	1,157	1,377
Proposed Annual Caps for the IT Service Transactions with approximately 10% buffer	10,000	15,000	16,800

Set out below are the breakdown of the products and services to be supplied/acquired pursuant to the 2023–2025 Master Agreement:

Sale Transactions

	Year ending 31 December		
	2023	2024	2025
<u><i>Steels</i></u>			
Steels (Price range: RMB4,700 to RMB5,555 per ton)	51,400 tons (Estimated total value: RMB244.11 million)	53,700 tons (Estimated total value: RMB255.17 million)	53,900 tons (Estimated total value: RMB256.28 million)

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Year ending 31 December
2023 2024 2025

Other components (including automotive components and materials)

2 types of inner panels for tailgates (Price range: RMB100 to RMB110 per unit)	25,000 units (Estimated total value: RMB2.66 million)	25,000 units (Estimated total value: RMB2.66 million)	25,000 units (Estimated total value: RMB2.66 million)
4 types of exterior panels for vehicle doors (Price range: RMB64 to RMB111 per unit)	12,500 units (Estimated total value: RMB4.38 million)	12,500 units (Estimated total value: RMB4.38 million)	12,500 units (Estimated total value: RMB4.38 million)
4 types of reinforced exterior panels for vehicle doors (Price range: RMB0.38 to RMB3.5 per unit)	25,000 units (Estimated total value: RMB0.05 million)	25,000 units (Estimated total value: RMB0.05 million)	25,000 units (Estimated total value: RMB0.05 million)
Engines (Price range: RMB8,000 to RMB9,000 per unit)	600 units (Estimated total value: RMB5.1 million)	600 units (Estimated total value: RMB5.1 million)	600 units (Estimated total value: RMB5.1 million)
13 types of welding parts and welding assemblies for inner panels and other components (Price range: RMB40 to RMB50 per unit)	350,000 units (Estimated total value: RMB17.5 million)	350,000 units (Estimated total value: RMB17.5 million)	350,000 units (Estimated total value: RMB17.5 million)
Insulation electrophoresis and paint spraying materials and services for driver's cab (Price range: RMB50 to RMB60 per unit)	500 units (Estimated total value: RMB0.03 million)	500 units (Estimated total value: RMB0.03 million)	500 units (Estimated total value: RMB0.03 million)
119 types of vehicle front and rear cover and accessories (Price range: RMB1 to RMB182 per unit)	137,963 units (Estimated total value: RMB10.27 million)	152,716 units (Estimated total value: RMB11.38 million)	161,433 units (Estimated total value: RMB12.03 million)

LETTER FROM THE BOARD

	Year ending 31 December		
	2023	2024	2025
Rear axle assemblies and accessories (Price range: RMB2 to RMB1,720 per unit)	6,000 units (Estimated total value: RMB0.70 million)	7,000 units (Estimated total value: RMB0.80 million)	8,000 units (Estimated total value: RMB0.91 million)
Off-road car accessories (Price range: RMB2 to RMB10,000 per unit)	1,500 units (Estimated total value: RMB0.02 million)	2,000 units (Estimated total value: RMB0.02 million)	25,000 units (Estimated total value: RMB0.25 million)
Subtotal for other components (including automotive components and materials)	<u>RMB40.71 million</u>	<u>RMB41.92 million</u>	<u>RMB42.91 million</u>
Total estimated values of the transactions	RMB284.82 million	RMB297.09 million	RMB299.19 million
Buffer of about 10%	<u>RMB25.18 million</u>	<u>RMB27.91 million</u>	<u>RMB29.81 million</u>
Proposed Annual Caps for the Sale Transactions with approximately 10% buffer	<u><u>RMB310.00 million</u></u>	<u><u>RMB325.00 million</u></u>	<u><u>RMB329.00 million</u></u>

LETTER FROM THE BOARD

Purchase (Materials and Parts) Transactions

	Year ending 31 December		
	2023	2024	2025
<i>Automotive components and accessories</i>			
7 types of welding parts for front and rear frames (Price range: RMB73.13 to RMB400 per unit)	40,000 units (Estimated total value: RMB88.62 million)	30,000 units (Estimated total value: RMB75.14 million)	20,000 units (Estimated total value: RMB73.23 million)
38 types of welding parts for inner panels and floor panels (Price range: RMB6.37 to RMB568.43 per unit)	22,000–40,000 units (Estimated total value: RMB4.71 million)	27,000 units (Estimated total value: RMB5.71 million)	29,000 units (Estimated total value: RMB6.13 million)
14 types of other parts and accessories (Price range: RMB80 to RMB100 per unit)	12,000 units (Estimated total value: RMB1.08 million)	15,000 units (Estimated total value: RMB1.34 million)	20,000 units (Estimated total value: RMB1.79 million)
Rear floor panels and front left and right rails assemblies (Price range: RMB280 to RMB300 per unit)	60,000 units (Estimated total value: RMB17.62 million)	60,000 units (Estimated total value: RMB17.62 million)	50,000 units (Estimated total value: RMB14.68 million)
Front crossmember assemblies (Price range: RMB20 to RMB30 per unit)	20,000 units (Estimated total value: RMB0.57 million)	20,000 units (Estimated total value: RMB0.57 million)	20,000 units (Estimated total value: RMB0.57 million)

LETTER FROM THE BOARD

	Year ending 31 December		
	2023	2024	2025
Rear floor panels (Price range: RMB170 to RMB180 per unit)	70,000 units (Estimated total value: RMB12.56 million)	70,000 units (Estimated total value: RMB12.56 million)	70,000 units (Estimated total value: RMB12.56 million)
Interior and exterior accessories (Price range: RMB1 to RMB500 per unit)	100 units (Estimated total value: RMB0.1 million)	40 units (Estimated total value: RMB0.03 million)	40 units (Estimated total value: RMB0.03 million)
Subtotal for automotive components and accessories	<u>RMB125.26 million</u>	<u>RMB112.97 million</u>	<u>RMB108.99 million</u>
 <i><u>Moulds and toolings</u></i>			
Vehicle moulds (Price range: RMB100,000 to RMB700,000 per unit)	10 units (Estimated total value: RMB6.00 million)	15 units (Estimated total value: RMB9.00 million)	15 units (Estimated total value: RMB9.00 million)
Welding fixture processing units and equipment (Price range: RMB1,000 to RMB500,000 per unit)	120 units (Estimated total value: RMB35 million)	150 units (Estimated total value: RMB43.75 million)	180 units (Estimated total value: RMB52.50 million)
Aftersales accessories (Price range: RMB200 to RMB260)	100 units (Estimated total value: RMB0.02 million)	100 units (Estimated total value: RMB0.02 million)	100 units (Estimated total value: RMB0.02 million)
Subtotal for moulds and toolings	<u>RMB41.02 million</u>	<u>RMB52.77 million</u>	<u>RMB61.52 million</u>

LETTER FROM THE BOARD

	Year ending 31 December		
	2023	2024	2025
<i>Automotive air-conditioner-related parts and accessories</i>			
2 types of compressor assemblies and accessories (Price range: RMB380 to RMB400 per unit)	490 units (Estimated total value: RMB0.20 million)	590 units (Estimated total value: RMB0.23 million)	690 units (Estimated total value: RMB0.27 million)
Total estimated values of the transactions	RMB166.48 million	RMB165.97 million	RMB170.78 million
Buffer of about 10%	RMB15.52 million	RMB16.53 million	RMB15.22 million
Proposed Annual Caps for the Purchase (Materials and Parts) Transactions with approximately 10% buffer	<u>RMB182.00 million</u>	<u>RMB182.50 million</u>	<u>RMB186.00 million</u>

Utility Supply Transactions

	Year ending 31 December		
	2023	2024	2025
Electricity supply (Price range: RMB0.6 to RMB1.2 per unit)	20,879,629 units (Estimated total value: RMB17.71 million)	21,923,610 units (Estimated total value: RMB18.59 million)	23,019,790 units (Estimated total value: RMB19.53 million)
Water supply (Price range: RMB3.2 to RMB3.6 per unit)	38,234 units (Estimated total value: RMB0.13 million)	40,146 units (Estimated total value: RMB0.14 million)	42,154 units (Estimated total value: RMB0.14 million)
Total estimated values of the transactions	RMB17.84 million	RMB18.73 million	RMB19.67 million
Buffer of about 10%	RMB1.77 million	RMB1.77 million	RMB1.93 million
Proposed Annual Caps for the Utility Supply Transactions with approximately 10% buffer	<u>RMB19.61 million</u>	<u>RMB20.50 million</u>	<u>RMB21.60 million</u>

LETTER FROM THE BOARD

IT Services

	Year ending 31 December		
	2023	2024	2025
IT development service (Price range: RMB400 to RMB1,000)	3,086 units (Estimated total value: RMB3.09 million)	8,104 units (Estimated total value: RMB8.10 million)	9,972 units (Estimated total value: RMB9.97 million)
IT operation and maintenance service (Price range: RMB400 to RMB1,000)	10,032 units (Estimated total value: RMB6.04 million)	10,032 units (Estimated total value: RMB5.74 million)	10,032 units (Estimated total value: RMB5.45 million)
Total estimated values of the transactions	RMB9.13 million	RMB13.84 million	RMB15.42 million
Buffer of about 10%	RMB0.87 million	RMB1.16 million	RMB1.38 million
Proposed Annual Caps for the IT Service Transactions with approximately 10% buffer	<u>RMB10.00</u> million	<u>RMB15.00</u> million	<u>RMB16.80</u> million

INTERNAL CONTROL PROCEDURES

The Wuling Industrial Group has adopted and implemented standard internal control procedures on all purchases and sales transaction 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.

(1) Sale Transactions

The Wuling Industrial Group has adopted and implemented its standard pricing policies on both the sale transactions with Independent Third Parties and the Sale Transactions under the 2023–2025 Master Agreement in order to ensure the above payment terms and pricing basis of the Sale Transactions will be on market terms or on terms which are no less favourable than those available to Independent Third Parties. (i.e., charging of a reasonable profit margin over the cost of production). The standard pricing policies adopted by the Wuling Industrial Group cover the pricing policies and procedures of all the sale transactions of the Wuling Industrial Group.

LETTER FROM THE BOARD

With respect to raw materials, the Sale Department of the Wuling Industrial Group would make references to the updated market prices of the raw materials in the open market as well as the latest traded and quoted prices that are available by the leading suppliers of such raw materials. For the sales of steels, at the end of each month, the Sale Department would obtain the reference prices published online (i.e. BAIINFO, <http://www.baiinfo.com>) and compare (i) the market price; with (ii) the purchase price offered by two leading suppliers which were state-owned steel company and the profit margin to assess whether the price range under the Sale Transactions is fair and reasonable. 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.

With respect 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. Generally speaking, there is no specific number of same/similar products to be collected in such assessments. 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, etc, have been properly gone through in the pricing procedures of a product.

In accordance with the abovementioned standard pricing policies, the Sale Department will provide the relevant information in relation to the pricing of the particular products to a price determination group of the Wuling Industrial Group (constituted by the representatives of the Sale Department, Finance Department and the other departments, including the operation department of the Wuling Industrial Group) to determine the price of the products to be sold in consideration of the aforesaid market and cost information, which will be approved and confirmed by the responsible persons of the Sale Department, Finance Department and other related departments. The Wuling Industrial Group will also conduct periodic reviews, normally semi-annually and at least annually, of the profit margins earned by the Wuling Industrial Group from the Sale Transactions as compared to the profit margins earned by the Wuling Industrial Group from products sold to other Independent Third Parties, as well as the profit margins earned by the related connected parties from the related transactions.

(2) Purchase (Materials and Parts) Transactions

Standard control procedures over the purchasing activities of the Wuling Industrial Group, which comprise, inter alia, supplier selection processes, price determination processes and product quality evaluation processes, were adopted and implemented on both the purchase (materials and parts) transactions with Independent Third Parties and the Purchase (Materials and Parts) Transactions under the 2023–2025 Master Agreement in order to ensure the above payment terms and pricing basis of the Purchase (Materials and Parts) Transactions will be on market terms or on terms which are no less favourable than those available from Independent Third Parties.

LETTER FROM THE BOARD

The Purchase Department is responsible to co-ordinate the related departments of the Wuling Industrial Group (including the Purchase Department, the Finance Department and other functional departments, such as the technical and production departments) to 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 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 materials 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 Guangxi Automobile Group to provide their costs and sale records of the related products supplied to the Wuling Industrial Group to compare the profit margin therefrom with the estimated profit margin earned by the Wuling Industrial Group from the sale of the end products of the Wuling Industrial Group, most of which are also industrial products, to ensure that the profit margins of Guangxi Automobile Group are reasonable as compared to the profit margins earned by the Wuling Industrial Group.

(3) Independent Non-Executive Directors and Auditors' Review

In addition, the Sale Transactions, the Purchase (Materials and Parts) Transactions, the Utility Supply Transactions, and the IT Service Transactions will be reviewed by the independent non-executive Directors and the auditors of the Company annually, and their respective relevant reports, together with information on the Sale Transactions, the Purchase (Materials and Parts) Transactions, the Utility Supply Transactions, and the IT Service Transactions, will be set out in the Company's next annual report following the occurrence of such transactions. In order to facilitate the review process, Wuling Industrial 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 Purchase (Materials and Parts) Transactions, the Utility Supply Transactions, and the IT Service Transactions contemplated under the 2023–2025 Master Agreement will be conducted on normal commercial terms or better and not prejudicial to the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION ON THE COMPANY AND THE GROUP

The Company is incorporated in Bermuda with limited liability and is an investment holding company. As at the Latest Practicable Date, the ultimate controlling shareholder of the Company is Guangxi Automobile, which owns approximately 56.54% of the issued share capital of the Company.

The Group, through Wuling Industrial, is principally engaged in the manufacturing and trading of automotive components, vehicles' power supply systems and commercial vehicles assembly, as well as the trading of raw materials and the provision of water and power.

INFORMATION ON WULING INDUSTRIAL

Wuling Industrial was established on 30 October 2006 in the PRC. Wuling Industrial is currently owned as to approximately 60.90% by the Company and as to approximately 39.10% 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 and the provision of water and power.

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

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023–2025 MASTER AGREEMENT

The following sets out the reasons for and the benefits of entering into the 2023–2025 Master Agreement:

(1) The Sale Transactions

The Wuling Industrial Group has been providing centralized procurement services to its group companies, customers and suppliers, such as supplying raw materials. Such centralized procurement mechanism strengthens the business relationships among the entities involved by enhancing their operation efficiency and productivity through the benefits of bulk purchases.

In addition, the Wuling Industrial Group will continue to maintain a diversified revenue stream by supplying products to the Guangxi Automobile Group. The Wuling Industrial Group therefore would maintain the Sale Transactions to the Guangxi Automobile Group for another three-year term upon expiry of the existing terms of the relevant transactions on 31 December 2022.

The Directors (excluding the independent non-executive Director who will form their views after considering the recommendation from the Independent Financial Adviser) consider that (i) the entering into of the 2023–2025 Master Agreement is in the ordinary and usual course of business of the Group; and (ii) the terms of the 2023–2025 Master Agreement, together with the Sale Transactions and its Proposed Annual Caps, are on normal commercial terms, fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

(2) The Purchase (Materials and Parts) Transactions

The Wuling Industrial Group has been procuring from the Guangxi Automobile Group certain parts and components, as well as services, for the manufacture of products for a number of years. As a result of such long-term business relationship, the two groups have been familiar with the standards and specifications of products and services set by each other and have been able to respond quickly in a cost-efficient manner to any new requirements that the other group may request. In view of the above, the Wuling Industrial Group considers that it would be in its interests and benefits to secure a stable and reliable supply of materials for its production from the Guangxi Automobile Group under the 2023–2025 Master Agreement.

The Directors (excluding the independent non-executive Director who will form their views after considering the recommendation from the Independent Financial Adviser) consider that (i) the entering into of the 2023–2025 Master Agreement is in the ordinary and usual course of business of the Group; and (ii) the terms of the 2023–2025 Master Agreement, together with the Purchase (Materials and Parts) Transactions and its Proposed Annual Caps, are on normal commercial terms, fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

(3) The Utility Supply Transactions

The Wuling Industrial Group has been providing utilities services, such as the provision of water and electricity, to the Guangxi Automobile Group. Such centralized procurement mechanism strengthens the business relationships among the entities involved by enhancing their operation efficiency and productivity through the benefits of scale operation.

In addition, the Wuling Industrial Group will continue to maintain a diversified revenue stream by providing utility services to the Guangxi Automobile Group. The Wuling Industrial Group therefore would maintain the Utility Supply Transactions for provision of utility services to the Guangxi Automobile Group for another three-year term upon expiry of the existing terms of the relevant transactions on 31 December 2022.

The Directors (including the independent non-executive Directors) consider that the Utility Supply Transactions and the terms thereof as contemplated under the 2023–2025 Master Agreement, including its Proposed Annual Caps, are on normal commercial terms, fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

(4) The IT Service Transactions

Due to the reorganization of the departments between the Company and Guangxi Automobile and the intention to cut the administrative cost of the Company, the staffs under the IT department of the Company have been transferred from the Company to Guangxi Automobile. Given that (i) the Company still requires IT service, including but not limited to (a) the maintenance on the network and server; and (b) the provision of daily maintenance, optimization, and upgrading services to the systems, during its daily operation; and (ii) Guangxi Automobile has been familiar with the IT operation of the Company and is able to fulfill the IT requirements raised by the Company in a cost-effective manner, the Wuling Industrial Group would request the Guangxi Automobile Group to provide IT Service Transactions for three years ending 31 December 2025.

The Directors (including the independent non-executive Directors) consider that the IT Service Transactions and the terms thereof as contemplated under the 2023–2025 Master Agreement, including its Proposed Annual Caps, are on normal commercial terms, fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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. In this regard, Guangxi Automobile is a connected person of the Company under the Listing Rules. The New CCTs contemplated under the 2023–2025 Master Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As the highest of the applicable percentage ratios (as set out in Rule 14.07 of the Listing Rules) for the Proposed Annual Caps for each of the Sale Transactions and the Purchase (Materials and Parts) Transactions contemplated under the 2023–2025 Master Agreement, on

LETTER FROM THE BOARD

annual basis, exceeds 5% but is less than 25% and such Proposed Annual Caps are more than HK\$10 million, the Sale Transactions and the Purchase (Materials and Parts) Transactions constitute continuing connected transactions of 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 (as set out in Rule 14.07 of the Listing Rules) for the Proposed Annual Caps for each of the Utility Supply Transactions and the IT Service Transactions contemplated under the 2023–2025 Master Agreement, on annual basis, exceeds 0.1% but is less than 5%, the Utility Supply Transactions and the IT Service Transactions constitute continuing connected transactions of the Company 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.

The Board approved the 2023–2025 Master Agreement, the New CCTs, and the Proposed Annual Caps on 17 November 2022. Since Mr. Yuan Zhijun, Mr. Yang Jianyong and Mr. Wei Mingfeng, being the Directors and the directors and/or senior executives of Guangxi Automobile, have material interest in the 2023–2025 Master Agreement, they were abstained from voting on the Board resolutions to approve the 2023–2025 Master Agreement, the New CCTs, and the Proposed Annual Caps.

Save as disclosed above, none of the other Directors was considered having material interest in the 2023–2025 Master Agreement, the New CCTs, and the Proposed Annual Caps. As such, no other Directors was required to abstain from voting on the resolutions approving the same.

APPROVAL BY INDEPENDENT NON-EXECUTIVE DIRECTORS AND INDEPENDENT SHAREHOLDERS

The Independent Board Committee, comprising all independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the 2023–2025 Master Agreement and the Proposed Annual Caps with respect to the Sale Transactions and the Purchase (Materials and Parts) Transactions. None of the members of the Independent Board Committee has any material interest in the 2023–2025 Master Agreement. A letter from the Independent Board Committee is set out on page 29 of this circular.

In view of their interests in the 2023–2025 Master Agreement, Guangxi Automobile and its associates, holding or being interested in 1,864,698,780 Shares, representing approximately 56.54% of the Shares in issue of the Company, in aggregate, will abstain from voting on the resolution(s) in relation to the 2023–2025 Master Agreement and the Proposed Annual Caps with respect to the Sale Transactions and the Purchase (Materials and Parts) Transactions at the SGM.

Saved as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder is required to abstain from voting at the SGM in respect of the 2023–2025 Master Agreement and the Proposed Annual Caps with respect to the Sale Transactions and the Purchase (Materials and Parts) Transactions.

LETTER FROM THE BOARD

INDEPENDENT FINANCIAL ADVISER

Silverbricks Securities Company Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the 2023–2025 Master Agreement and the Proposed Annual Caps with respect to the Sale Transactions and the Purchase (Materials and Parts) Transactions. A letter from the Independent Financial Adviser is set out on pages 30 to 49 of this circular.

THE SGM

A notice convening the SGM to be held at Unit 3406, 34/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Monday, 16 January 2023 at 10:00 a.m., at which an ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, to approve the 2023–2025 Master Agreement and the Proposed Annual Caps with respect to the Sale Transactions and the Purchase (Materials and Parts) Transactions is set out on pages 58 to 60 of this circular.

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

A form of proxy is enclosed with this circular for use at the SGM. Whether or not you are able to attend the SGM (or any adjournment thereof) in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable and in any event not less than 48 hours before the time required for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, save for certain procedural or administrative matters to be decided by the chairman of the meeting, all votes of the Shareholders at the general meetings will be taken by poll. Accordingly, the chairman of the SGM will demand a poll for every resolution to be put to the vote at the SGM pursuant to the Articles of Association.

CLOSURE OF REGISTER OF MEMBERS

The register of member of the Company will be closed from Wednesday, 11 January 2023 to Monday, 16 January 2023 (both dates inclusive) for the purpose of determining the Shareholder's eligibility to attend and vote at the SGM. During the above period, no transfer of the Share(s) will be effected. In order to qualify for attendance of the SGM, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged

LETTER FROM THE BOARD

with the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Tuesday, 10 January 2023.

RECOMMENDATION

The Independent Board Committee, after taking into account the advice and recommendations of the Independent Financial Adviser, considers that 2023–2025 Master Agreement and the Proposed Annual Caps with respect to the Sale Transactions and the Purchase (Materials and Parts) Transactions are in the ordinary and usual course of business, on normal commercial terms, and are fair and reasonable insofar the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the SGM to approve the 2023–2025 Master Agreement and the Proposed Annual Caps with respect to the Sale Transactions and the Purchase (Materials and Parts) Transactions.

The Directors consider that the 2023–2025 Master Agreement and the Proposed Annual Caps with respect to the Sale Transactions and the Purchase (Materials and Parts) Transactions are in the ordinary and usual course of business, on normal commercial terms and are fair and reasonable insofar the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the 2023–2025 Master Agreement and the Sale Transactions and the Purchase (Materials and Parts) Transactions to be proposed at the SGM.

ADDITIONAL INFORMATION

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

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



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

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

22 December 2022

To the Independent Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS
UNDER THE 2023–2025 MASTER AGREEMENT
AND THE PROPOSED ANNUAL CAP(S)
WITH RESPECT TO THE SALE TRANSACTIONS AND
THE PURCHASE (MATERIALS AND PARTS) TRANSACTIONS**

We refer to the circular of the Company dated 22 December 2022 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We, being the independent non-executive Directors, have been appointed by the Company as members of the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the 2023–2025 Master Agreement, the Sale Transactions, and the Purchase (Materials and Parts) Transactions (together with the Proposed Annual Caps thereof) contemplated thereunder. Silverbricks Securities Company Limited has been appointed to advise the Independent Shareholders and us in this regard. Details of the advice and recommendation from Silverbricks Securities Company Limited, together with the principal factors and reasons taken into consideration by it in arriving at such advice and recommendation, are set out in the “Letter from the Independent Financial Adviser” on pages 30 to 49 of the Circular.

Having considered, among other things, the factors and reasons considered by and the advice and recommendation of the Independent Financial Adviser, we are of the opinion that (i) the entering into of the 2023–2025 Master Agreement is in the ordinary and usual course of business of the Group; and (ii) the terms of the 2023–2025 Master Agreement, together with the Sale Transactions and the Purchase (Materials and Parts) Transactions (including the Proposed Annual Caps thereof) contemplated thereunder are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the 2023–2025 Master Agreement, the Sale Transactions, and the Purchase (Materials and Parts) Transactions (together with the Proposed Annual Caps thereof) contemplated thereunder.

Yours faithfully

For and on behalf of the

Independent Board Committee

Ye Xiang Wang Yuben Mi Jianguo

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



元庫證券有限公司
Silverbricks Securities Company Limited

Unit 1004-1006,
10/F, China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road Central,
Sheung Wan,
Hong Kong

22 December 2022

*To the Independent Board Committee and the Independent Shareholders
of Wuling Motors Holdings Limited*

Dear Sirs/Madams,

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 (i) the Sale Transactions; and (ii) the Purchase (Materials and Parts) Transactions (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Letter**”) contained in the circular dated 22 December 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed “Definitions” in this Circular.

With reference to the Letter, on 17 November 2022 (after trading hours), Wuling Industrial and Guangxi Automobile entered into the 2023–2025 Master Agreement to govern the New CCTs between the Wuling Industrial Group and the Guangxi Automobile Group for a term of three years from 1 January 2023 to 31 December 2025.

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

LISTING RULES IMPLICATIONS

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. In this regard, Guangxi Automobile is a connected person of the Company under the Listing Rules. The New CCTs contemplated under the 2023–2025 Master Agreement constitute continuing connected transactions for the Company under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 (Materials and Parts) Transactions contemplated under the 2023–2025 Master Agreement, on annual basis, exceeds 5% but is less than 25% and such Proposed Annual Caps are more than HK\$10 million, the Sale Transactions and the Purchase (Materials and Parts) Transactions constitute continuing connected transactions of the Company and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board approved the 2023–2025 Master Agreement, the New CCTs, and the Proposed Annual Caps on 17 November 2022. As at the Latest Practicable Date, since Mr. Yuan Zhijun, Mr. Yang Jianyong and Mr. Wei Mingfeng, being the Directors and the directors and/or senior executives of Guangxi Automobile, have material interest in the 2023–2025 Master Agreement, they were abstained from voting on the Board resolutions to approve the 2023–2025 Master Agreement, the New CCTs, and the Proposed Annual Caps.

Save as disclosed above, none of the other Directors was considered having material interest in the 2023–2025 Master Agreement, the New CCTs, and the Proposed Annual Caps. As such, no other Directors was required to abstain from voting on the resolutions approving the same.

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Transactions must be restricted by the Proposed Annual Caps; (ii) the terms of the Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual report. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, that the Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the Transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Transactions; and (iv) have exceeded the Proposed Annual Caps. In the event that the total amounts of the Transactions are anticipated to exceeds the Proposed Annual Caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Ye Xiang, Mr. Wang Yuben and Mr. Mi Jianguo, has been established to consider and advise the Independent Shareholders (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and in the ordinary and usual

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

course of business of the Group; and (iii) on terms that are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listings Rules, our role is to give an independent opinion to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the 2023–2025 Master Agreement and the Transactions contemplated thereunder (including the Proposed Annual Caps) are (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) on terms that are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

OUR INDEPENDENCE

We, Silverbricks Securities Company Limited (“**Silverbricks**”), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard, and such appointment has been approved by the Independent Board Committee pursuant to the Listing Rules.

Silverbricks is a licensed corporation licensed under the Securities and Futures Ordinance (“**SFO**”) to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) regulated activities.

In the last two years, we did not have any engagement with the Group as an independent financial adviser. As at the Latest Practicable Date, we confirmed that there is no relationship or interest between Silverbricks and the Company or any other parties that could be reasonably be regarded as hindrance to Silverbricks’s independence as set out under Rule 13.80 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We confirmed that there is no existence of or change in any circumstances that would affect our independence.

Accordingly, we consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules and are eligible to give independent advice on the terms of the 2023–2025 Master Agreement and the Transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the 2023–2025 Master Agreement and the Transactions contemplated thereunder, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries (the “**Management**”). We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. Therefore, we have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided in the Circular. We have, however, not conducted any independent investigation into the business and affairs of the Group nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and at the date of the release of the Circular and will continue to be true up to the Latest Practicable Date, and that the Independent Shareholders will be informed as soon as reasonable possible if we are aware of any material change to such representations and/or any change to our view/opinion. We have also assumed that the information we have relied on as set out in this letter will be valid up to the time of the SGM and we are not aware any of the information we have relied on as set out in this letter will change or become invalid in the foreseeable future.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Transactions, as referred to in Rule 13.80 of the Listing Rules (including the notes thereof) in formulating our opinion and recommendation.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the 2023–2025 Master Agreement and the Transactions contemplated thereunder, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Information on the Company and the Group

With reference to the Letter, the Company is incorporated in Bermuda with limited liability and is an investment holding company. As at the Latest Practicable Date, the ultimate controlling shareholder of the Company is Guangxi Automobile, which owns approximately 56.54% of the issued share capital of the Company.

With reference to the Letter, the Group, through Wuling Industrial, is principally engaged in the manufacturing and trading of automotive components, vehicles' power supply systems and commercial vehicles assembly, as well as the trading of raw materials and the provision of water and power.

Set out below are the consolidated financial information of the six months ended 30 June 2022, the six months ended 30 June 2021 and the two years ended 31 December 2021 as extracted from the Company's interim report for the six months ended 30 June 2022 (the "2022 Interim Report") and annual report for the year ended 31 December 2021 (the "2021 Annual Report"):

	For the year ended 31 December 2021	For the year ended 31 December 2020	Year on year change %
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
	<i>(audited)</i>	<i>(audited)</i>	
Revenue	14,408,507	15,382,213	-6.33
Engines and related parts and other power supply products	2,759,012	3,115,390	-11.44
Automotive components and accessories	5,802,732	6,333,780	-8.38
Specialized vehicles	4,489,599	5,097,664	-11.93
Others	1,357,164	835,379	62.46

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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The Group recorded revenue of approximately RMB14.41 billion for the year ended 31 December 2021 (“**FY2021**”), representing a decrease of approximately 6.33% as compared to that for the year ended 31 December 2020 (“**FY2020**”). For FY2021, the Group recorded revenue of approximately RMB2.76 billion, RMB5.80 billion and RMB4.49 billion from (i) the engines and related parts and other power supply products segment, (ii) the automotive components and accessories segment and (iii) the specialized vehicles segment respectively, representing a decrease of approximately 11.44%, a decrease of approximately 8.38% and a decrease of approximately 11.93% as compared to those for FY2020.

	For the six months ended 30 June 2022 RMB'000 (unaudited)	For the six months ended 30 June 2021 RMB'000 (unaudited)	Period on period change %
Revenue	6,274,686	7,162,782	-12.4
Engines and related parts and other power supply products	1,307,844	1,453,583	-10.03
Automotive components and accessories	2,406,726	2,525,887	-4.72
Specialized vehicles	2,085,759	2,606,796	-19.99
Others	474,357	576,516	-17.72

The Group recorded revenue of approximately RMB6.27 billion for the year ended 30 June 2022 (“**HY2022**”), representing a decrease of approximately 12.4% as compared to that for the year ended 30 June 2021 (“**HY2021**”). For HY2022, the Group recorded revenue of approximately RMB1.31 billion, RMB2.41 billion and RMB474 million from (i) the engines and related parts and other power supply products segment, (ii) the automotive components and accessories segment and (iii) the specialized vehicles segment respectively, representing a decrease of approximately 10.03%, a decrease of approximately 4.72% and a decrease of approximately 19.99% as compared to those for HY2021.

2. Information on Wuling Industrial

With reference to the Letter, Wuling Industrial was established on 30 October 2006 in the PRC. Wuling Industrial is currently owned as to approximately 60.90% by the Company and as to approximately 39.10% 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 and the provision of water and power.

3. Information on Guangxi Automobile

With reference to the Letter, 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, 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, passenger coaches, mini-buses and new energy vehicles, etc., 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.

4. Reasons for and benefits of entering into the 2023–2025 Master Agreement

In assessing the reasons for and benefits of entering into the 2023–2025 Master Agreement, we have considered the Board's view on such matters and arrived at a conclusion after certain review an enquiry with the Management.

(i) The Sale Transactions

Pursuant to the Sale Transactions, the Wuling Industrial Group has conditionally agreed to supply certain automotive components and materials for production and trading purposes (including engines, various types of automotive parts and accessories, raw materials (including steels) and other consumables and materials) to the Guangxi Automobile Group. As advised by the Management, the Wuling Industrial Group has been providing centralized procurement services to its group companies, customers and suppliers, such as supplying raw materials. Such centralized procurement mechanism strengthens the business relationships among the entities involved by enhancing their operation efficiency and productivity through the benefits of bulk purchases. In addition, the Wuling Industrial Group will continue to maintain a diversified revenue stream by supplying products to the Guangxi Automobile Group. The Wuling Industrial Group therefore would maintain the Sale Transactions to the Guangxi Automobile Group for another three-year term upon expiry of the existing terms of the relevant transactions on 31 December 2022.

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The Directors consider that (i) the entering into of the 2023–2025 Master Agreement is in the ordinary and usual course of business of the Group; and (ii) the terms of the 2023–2025 Master Agreement, together with the Sale Transactions and its Proposed Annual Caps, are on normal commercial terms, fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

(ii) The Purchase (Materials and Parts) Transactions

Pursuant to the Purchase (Materials and Parts) Transactions, the Wuling Industrial Group has conditionally agreed to purchase certain automotive components and related products for production and trading purposes (including various types of automotive parts and accessories, moulds and toolings, scrap materials, automotive air-conditioner-related parts and accessories) from the Guangxi Automobile Group. As advised by the Management, the Wuling Industrial Group has been procuring from the Guangxi Automobile Group certain parts and components, as well as services, for the manufacture of products for a number of years. As a result of such long-term business relationship, the two groups have been familiar with the standards and specifications of products and services set by each other and have been able to respond quickly in a cost-efficient manner to any new requirements that the other group may request. In view of the above, the Wuling Industrial Group considers that it would be in its interests and benefits to secure a stable and reliable supply of materials for its production from the Guangxi Automobile Group under the 2023–2025 Master Agreement.

The Directors (excluding the independent non-executive Director who will form their views after considering the recommendation from the Independent Financial Adviser) consider that (i) the entering into of the 2023–2025 Master Agreement is in the ordinary and usual course of business of the Group; and (ii) the terms of the 2023–2025 Master Agreement, together with the Purchase (Materials and Parts) Transactions and its Proposed Annual Caps, are on normal commercial terms, fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

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

5. Principle Terms of the 2023–2025 Mater Agreement in relation to the Transactions

Set out below are principal terms of the 2023–2025 Master Agreement in relation to the Transactions as extracted from the Letter:

Date: 17 November 2022

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

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- (ii) Guangxi Automobile, being the controlling Shareholder which indirectly interested in approximately 56.54% of the total number of Shares in issue as at the Latest Practicable Date and a connected person of the Company under the Listing Rules.

Scope of products and services to be provided or received:

The New CCTs to be carried out are categorized as follows:

(i) Sale Transactions

The Wuling Industrial Group has conditionally agreed to supply certain automotive components and materials for production and trading purposes (including engines, various types of automotive parts and accessories, raw materials (including steels) and other consumables and materials) to the Guangxi Automobile Group.

(ii) Purchase (Materials and Parts) Transactions

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

Term:

Three years from 1 January 2023 to 31 December 2025 (both dates inclusive).

Pricing principles:

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

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

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Payment terms: Payments for the products or services acquired by the Wuling Industrial Group from the Guangxi Automobile Group, or vice versa, will be settled by way of cash or in other manner(s) as agreed by the parties and in accordance with the agreed timing and manners as specified in the Specific Product & Service Contracts to be entered into between the Wuling Industrial Group and the Guangxi Automobile Group.

The payment terms will be on market terms which are no less favorable than those obtainable by the Wuling Industrial Group from the Independent Third Parties or those offered by the Guangxi Automobile Group to the Independent Third Parties.

5.1 Sale Transactions

As advised by the Directors, the products sold by the Group to Guangxi Automobile Group under the Sale Transactions are generally specific. During 2020 to the Latest Practicable Date, the products sold by the Group under the Sale Transactions were not comparable to those sold by the Group to Independent Third Parties; while a few products sold by the Group under the Sale Transactions were comparable to those sold by the Group to Independent Third Parties. For our due diligence purpose, we obtained individual invoices regarding the sale of comparable automotive components and materials by the Group to the Guangxi Automobile Group and Independent Third Parties under the Sale Transactions during the period from 2020 to the Latest Practicable Date (i.e. (i) for the year 2020, two invoices for sale to Guangxi Automobile Group and two invoices for sale to Independent Third Party were obtained; (ii) for the year 2021, two invoices for sale to Guangxi Automobile Group and two invoices for sale to Independent Third Party were obtained; and (iii) for the period from 1 January 2022 to the Latest Practicable Date, two invoices for sale to Guangxi Automobile Group and two invoices for sale to Independent Third Party were obtained). As confirmed by the Directors, the invoices were selected on a random basis. As the invoices were obtained on a random basis and the invoices cover historical Sale Transactions of the Group under the 2020–2022 Master Agreement (i.e. the Sale Transactions) throughout the agreement term in 2020, we consider such documents to be sufficient, fair and representative. We noted from such documents that the prices of products sold by the Group to the Guangxi Automobile Group were not lower than those sold to Independent Third Parties (“**Our Review on Previous Sale Transactions**”).

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

- (a) the Wuling Industrial Group has adopted and implemented its standard pricing policies on both the sale transactions with Independent Third Parties and the Sale Transactions under the 2023–2025 Master Agreement in order to ensure the above payment terms and pricing basis of the Sale Transactions will be on market terms or on terms which are no less favourable than those available to Independent Third Parties. (i.e., charging of a reasonable profit margin over the cost of production). The standard pricing policies adopted by the Wuling Industrial Group cover the pricing policies and procedures of all the sale transactions of the Wuling Industrial Group;
- (b) with respect to raw materials, the Sale Department of the Wuling Industrial Group would make references to the updated market prices of the raw materials in the open market as well as the latest traded and quoted prices that are available by the leading suppliers of such raw materials. For the sales of steels at the end of each month, the Sale Department would obtain the reference prices published online (i.e. BAIINFO, <http://www.baiinfo.com>) and compare (i) the market price; with (ii) the purchase price offered by two leading suppliers which were state-owned steel company and the profit margin to assess whether the price range under the Sale Transactions is fair and reasonable. The market price data will be updated on a monthly basis under normal circumstance and on a more frequent basis if the relevant market is volatile;
- (c) with respect 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. Generally speaking, there is no specific number of same/similar products to be collected in such assessments. 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, etc., have been properly gone through in the pricing procedures of a product; and
- (d) in accordance with the abovementioned standard pricing policies, the Sale Department will provide the relevant information in relation to the pricing of the particular products to a price determination group of the Wuling Industrial Group (constituted by the representatives of the Sale Department, Finance Department and the other departments, including the operation department of

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the Wuling Industrial Group) to determine the price of the products to be sold in consideration of the aforesaid market and cost information, which will be approved and confirmed by the responsible persons of the Sale Department, Finance Department and other related departments. The Wuling Industrial Group will also conduct periodic reviews, normally semi-annually and at least annually, of the profit margins earned by the Wuling Industrial Group from the Sale Transactions as compared to the profit margins earned by the Wuling Industrial Group from products sold to other Independent Third Parties, as well as the profit margins earned by the related connected parties from the related transactions,

we consider the effective implementation of such internal control measures would help to ensure fair pricing of the Sale Transactions. Having also considered Our Review on the Previous Sale Transactions, we do not doubt the effectiveness of the internal control measures for the Sale Transactions under the 2023–2025 Master Agreement.

5.2 Purchase (Material and Parts) Transactions

As advised by the Directors, the materials provided by and sold by the Guangxi Automobile Group to the Group under the Purchase (Materials and Parts) Transactions are generally specific. During 2020 to the Latest Practicable Date, the materials provided by and sold by the Guangxi Automobile Group under the Purchase (Materials and Parts) Transactions were comparable to those sold by Independent Third Parties to Group. We obtained the documents cover historical Purchase (Materials and Parts) Transactions of the Group under the 2020-2022 Master Agreement in each of the year 2020, 2021 and 2022 (where applicable), we consider such documents to be fair and representative. We noted from such documents that the prices of components/products sold by the Guangxi Automobile Group were not higher than those offered by Independent Third Parties (“**Our Review on the Previous Purchase (Materials and Parts) Transactions**”).

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

- (a) 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 (materials and parts) transactions with Independent Third Parties and the Purchase (Materials and Parts) Transactions under the 2023–2025 Master Agreement in order to ensure the above payment terms and pricing basis of the Purchase (Materials and Parts) Transactions will be on market terms or on terms which are no less favourable than those available from Independent Third Parties;

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- (b) the Purchase Department is responsible to co-ordinate the related departments of the Wuling Industrial Group (including the Purchase Department, the Finance Department and other functional departments, such as the technical and production departments) to 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 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; and
- (c) when determining the agreed prices for materials 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 Guangxi Automobile Group 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 Guangxi Automobile Group are reasonable as compared to the profit margins earned by the Wuling Industrial Group,

we consider the effective implementation of such internal control measures would help to ensure fair pricing of the Purchase (Materials and Parts) Transactions. Having also considered Our Review on the Previous Purchase (Materials and Parts) Transactions, we do not doubt the effectiveness of the internal control measures for the Purchase (Materials and Parts) Transactions under the 2023–2025 Master Agreement.

In light of the above, we are of the view that the terms of the Sale Transactions and the Purchase (Materials and Parts) Transactions to be conducted pursuant to the 2023–2025 Master Agreement are on normal commercial terms or better and are fair and reasonable.

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6. The Revised Annual Caps for the Transactions

6.1 Sale Transactions

Set out below are (i) the existing Annual Caps of the Sale Transactions for each of the three years ending 31 December 2022; the historical transaction amounts of the Existing CCTs for FY2020, FY2021, and the nine months ended 30 September 2022 (“9M2022”); and (ii) the Proposed Annual Caps for each of FY2023, FY2024, and FY2025 as extracted from the Letter:

		FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Existing Annual Caps/	<i>a</i>	296,000	646,700	756,400	310,000	325,000	329,000
Proposed Annual Caps							
<i>Including:</i>							
Total estimated values of the transactions		269,275	587,921	687,684	284,824	297,085	299,190
Buffer of about 10%		26,725	58,779	68,716	25,176	27,915	29,810
Historical transaction amounts	<i>b</i>	87,495	285,461	187,340	N/A	N/A	N/A
				<i>(Note 1)</i>			
Utilization rate	<i>c=b/a</i>	29.56%	44.14%	24.77%	N/A	N/A	N/A
				<i>(Note 2)</i>			

Set out below are the types and nature of the products and services to be supplied/acquired pursuant to the 2023–2025 Master Agreement as extracted from the Letter:

	FY2023	FY2024	FY2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Steels	244,110	255,166	256,277
Other components (including automotive components and materials)	<u>40,714</u>	<u>41,919</u>	<u>42,913</u>
Total estimated values of the transactions	284,824	297,085	299,190
Buffer of about 10%	<u>25,176</u>	<u>27,915</u>	<u>29,810</u>
Proposed Annual Caps for the Sale Transactions with approximately 10% buffer	<u>310,000</u>	<u>325,000</u>	<u>329,000</u>

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Notes:

1. The amounts represented the historical transaction amounts recorded for the nine months ended 30 September 2022
2. The utilization rates of the Existing Annual Cap for FY2022 in the above tables are calculated based on the historical transaction amounts for 30 September 2022 divided by the relevant Existing Annual Caps for FY2022

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

The Proposed Annual Caps for the New CCTs have been determined by Wuling Industrial and Guangxi Automobile by making references to:

- (i) the historical transaction amounts of the relevant Existing CCTs during 9M2022, details of which are set out in the above tables;
- (ii) the types and natures of the products and services, together with the estimated quantities and price ranges thereof, proposed to be supplied by the Wuling Industrial Group to the Guangxi Automobile Group, or vice versa, for each of FY2023, FY2024, and FY2025, which will be further discussed under the paragraph headed “Products and services to be supplied and acquired under the Proposed Annual Caps” below. Among other things,
 - (a) the respective price ranges of the engines, accessories, other consumables and materials, automotive parts, and raw materials (other than steels) under the Sale Transactions are determined with reference to the selling price in the market as at 30 September 2022, which is based on the prices agreed by the independent customers under the sales of the aforementioned products to them. The respective price of each aforementioned product ranges from the lowest to the highest selling prices as agreed by the above customers. Such price ranges would be reviewed by the Sale Department on an annual basis;
 - (b) the price range of the steels per ton is determined with reference to the purchase price of steels between the Wuling Industrial Group and its suppliers plus a profit margin, which is based on the estimated processing cost and the delivery cost of steels. At the end of each month, the Sale Department would obtain the market price of steels from publicly available information (i.e., BAIINFO, <http://www.baiinfo.com>) and compare (1) the market price; with (2) the purchase price offered by the two leading steel suppliers and the profit margin to assess whether the above price range under the Sale Transactions is fair and reasonable. The low end of the price range is equal to the market price as quoted on BAIINFO; and

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- (c) the estimated quantities of the products are determined with reference to (1) the estimated demand for the products of the Wuling Industrial Group from the Guangxi Automobile Group under the Sale Transactions for the three years ending 31 December 2025; and (2) the estimated demand for the products of the Guangxi Automobile Group from the Wuling Industrial Group under the Purchase (Materials and Parts) Transactions for the same period; and
- (iii) the buffer of each category of the New CCTs with similar nature as detailed in the above tables, which is set to prepare for any unforeseeable circumstances, including but not limited to (a) the increase in volume of products and services acquired by the Wuling Industrial Group from the Guangxi Automobile Group, or vice versa, in case the business performance of the Wuling Industrial Group/ the Guangxi Automobile Group is better than currently expected; (b) the unexpected fluctuations in the production costs (including the raw material costs, transportation costs and labor costs) and selling prices of the relevant products and services; and (c) the changes in government policies on automobile industry.

We noted that historical transaction amounts of the Sale Transactions for the year ended 31 December 2021 represented a substantial increase as compared to that for the year ended 31 December 2020. As advised by the Directors, such increase was mainly due to the increase in the sale of steels and engines.

As advised by the Management, the Proposed Annual Caps for the Sale Transactions were based on the estimated types, quantities and prices of products to be sold which were determined by the relevant business divisions of the Wuling Industrial Group taking into account estimated demand of products of the Guangxi Automobile Group in the coming years. For our due diligence purpose, we obtained a lists of estimated products to be sold under the Sale Transactions during the three years ending 31 December 2025. We noted from the calculation of the Proposed Annual Caps of the Sale Transactions comprising of (i) the sales of steels; and (ii) the sales of other components (including automotive components and materials) which the sales of steels represents not less than approximately 77% of the Proposed Annual Cap for the Sale Transactions for the three years ending 31 December 2025. According to the calculation of the Proposed Annual Caps of the Sale Transactions, (i) the Proposed Annual Caps for the Sale Transactions is equal to the estimated transaction amounts during the relevant years; and (ii) the estimated types, quantities and prices of products to be sold are in line with the details as summarized under the table of the breakdown of the products and services to be supplied/ acquired pursuant to the 2023–2025 Master Agreement of the Letter for the Sale Transactions.

We noted that the estimated quantities of steels to be sold (of approximately 51,400 tones for 2023, and approximately 53,700 tones for 2024, and approximately 53,900 tones for 2025. As advised by the Management, the estimated quantities of steels to be sold were determined after discussion with Liuzhou Guangling Motors Technology Limited (“**Guangling**”), Guilin Bus Development Co., Limited (“**Guilin Bus**”), Qingdao

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Wushun Car Molding Tool Parts Co., Limited (“**Qingdao Wushun**”) and Liuzhou Wuling Automotive Technology Limited (“**Wuling Auto Tech**”). In relation to the steels consumption demand of Guangling, Guilin Bus, Qingdao Wushun and Wuling Auto Tech, we obtained a production summary from Guangling, Guilin Bus, Qingdao Wushun and Wuling Auto Tech. We noted from the production summary (i) the various types of automotive parts produced by Guangling, Guilin Bus, Qingdao Wushun and Wuling Auto Tech, (ii) the weight of the respective types of automotive parts, and (iii) the estimated sales volume of each types of automotive parts. Based on the production summary, the estimated quantities of steels required by Guangling, Guilin Bus, Qingdao Wushun and Wuling Auto Tech amounted to approximately 51,400 tones for 2023, approximately 53,700 tones for 2024 and approximately 53,900 tones for 2025.

For the estimated unit price of steels (of approximately RMB5,000/tonne), we obtained the average prices of cold rolled sheet steel in PRC for a one-year period between November 2021 and November 2022 based on information obtained from <http://mysteel.com>, a website from My Steel, Shanghai Ganglian E-commerce Holdings Co., Ltd. As the review period represents the term of the 2020–2022 Master Agreement prior to entering the 2023–2025 Master Agreement, we consider such period to be sufficient, fair and representative. During the review period, we noted that the price of steel ranged from the lowest of RMB4,625/tonne (record for July 2022) and to the highest of RMB6,125/tonne (recorded for March 2022). The estimated the unit price of steels of RMB5,000/tonne is within the said price range.

We noted that the estimated quantities of other components (including automotive components and materials) to be sold for the three years ending 31 December 2025. As advised by the Management, the estimated quantities of other components (including automotive components and materials) to be sold were determined after discussion with Guangling, Guilin Bus, Qingdao Wushun and Wuling Auto Tech. In relation to the other components (including automotive components and materials) consumption demand of Guangling, Guilin Bus, Qingdao Wushun and Wuling Auto Tech, we obtained a production summary from Guangling, Guilin Bus, Qingdao Wushun and Wuling Auto Tech. We noted from the production summary (i) the various types of automotive parts produced by Guangling, Guilin Bus, Qingdao Wushun and Wuling Auto Tech, (ii) the weight of the respective types of automotive parts, and (iii) the estimated sales volume of each type of automotive parts.

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

Taking into account the above, we consider that the Proposed Annual Caps of the Sale Transactions are fair and reasonable.

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6.2 Purchase (Material and Parts) Transactions

Set out below are (i) the existing Annual Caps of the Purchase (Material and Parts) Transactions for each of the three years ending 31 December 2022; the historical transaction amounts of the Existing CCTs for FY2020, FY2021, and 9M2022; and (ii) the Proposed Annual Caps for each of FY2023, FY2024, and FY2025 as extracted from the Letter:

		FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Existing Annual Caps/	<i>a</i>	273,600	486,200	617,300	182,000	182,500	186,000
Proposed Annual Caps							
<i>Including:</i>							
Total estimated values of the transactions		248,184	441,476	560,868	166,474	165,976	170,788
Buffer of about 10%		25,416	44,724	56,432	15,526	16,524	15,212
Historical transaction amounts	<i>b</i>	140,162	376,583	382,606	N/A	N/A	N/A
				<i>(Note 1)</i>			
Utilization rate	<i>c=b/a</i>	51.23%	77.45%	61.98%	N/A	N/A	N/A
				<i>(Note 2)</i>			

Set out below are the types and nature of the products and services to be supplied/acquired pursuant to the 2023–2025 Master Agreement as extracted from the Letter:

	FY2023	FY2024	FY2025
	RMB'000	RMB'000	RMB'000
Automotive components and accessories	125,255	112,968	108,991
Moulds and toolings	41,024	52,774	61,524
Automotive air-conditioner-related parts and accessories	<u>195</u>	<u>234</u>	<u>273</u>
Total estimated values of the transactions	166,474	165,976	170,788
Buffer of about 10%	<u>15,526</u>	<u>16,524</u>	<u>15,212</u>
Proposed Annual Caps for the Purchase (Materials and Parts) Transactions with approximately 10% buffer	<u>182,000</u>	<u>182,500</u>	<u>186,000</u>

Notes:

- The amounts represented the historical transaction amounts recorded for the nine months ended 30 September 2022

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2. The utilization rates of the Existing Annual Cap for FY2022 in the above tables are calculated based on the historical transaction amounts for 9M2022 divided by the relevant Existing Annual Caps for FY2022

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

We noted that historical transaction amounts of the Purchase (Materials and Parts) Transactions during 2020 to 30 September 2022. There was a substantial increase in year ended 31 December 2021 as compared to that for the year ended 31 December 2020. As advised by the Directors, such increase was mainly due to (i) the proposed launch of new vehicle models by the Wuling Industrial Group and one of its vehicles manufacturing customer which would increase the demand of components and related products for production and (ii) that a supplier of certain vehicle models of Wuling Industrial Group ceased transactions with Wuling Industrial Group, Wuling Industrial Group is required to procure new suppliers for the vehicle models. According to the calculation of the Proposed Annual Caps of the Purchase (Materials and Parts) Transactions is equal to the estimated transaction amounts during the relevant years; and (ii) the estimated types, quantities and prices of products to be purchased are in line with the details as summarized under the table of the breakdown of the Purchase (Materials and Parts) Transactions pursuant to the 2023–2025 Master Agreement of the Letter for the Purchase (Materials and Parts) Transactions.

As advised by the Directors, the Proposed Annual Caps for the Purchase (Materials and Parts) Transactions were based on the estimated types, quantities and prices of products to be purchased which were determined by the relevant business divisions of the Wuling Industrial Group taking into account estimated demand of products of the Wuling Industrial Group in the coming years. For our due diligence purpose, we obtained lists of estimated products to be purchased under the Purchase (Materials and Parts) Transactions during the three years ending 31 December 2025. We noted from the lists the estimated transaction amounts under Purchase (Materials and Parts) Transactions during each of the three years ending 31 December 2025, which were determined based on (i) the types of products to be purchased from Guangxi Guangyu New Energy Vehicles Air-conditioner Compressor Co., Limited (“**Guangxi Guangyu**”), Guangling, Qingdao Wushun, Guilin Bus and Wuling Auto Tech respectively, (ii) the unit prices of the respective products and (iii) estimated quantities to be purchased for the respective types of products.

As mentioned above, the decrease in Proposed Annual Caps for FY2023 comparing to FY2022 of the Purchase (Materials and Parts) Transactions was mainly due to the sale of vehicle models from Wuling Industrial Group and its vehicles manufacturing customers and the cessation of transaction with a supplier:

For the Purchase (Materials and Parts) Transactions, we noted from the Proposed Annual Caps that the proposed purchase of (i) 7 types of welding parts for front and rear frames; (ii) rear floor panels and front left and right rails assemblies; (iii) rear floor panels; and (iv) welding fixture processing units and equipment for an existing vehicle model of Wuling Industrial Group contribute a major part of the Proposed Annual Caps.

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

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

Shareholders should note that as the Proposed Annual Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent transaction amount to be incurred from the Transactions. Consequently, we express no opinion as to how closely the actual transaction amount to under the Transactions will correspond with the Proposed Annual Caps.

RECOMMENDATIONS

Having taken into account the above-mentioned principal factors and reasons, we are of the opinion that (i) the terms of the 2023–2025 Master Agreement and the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the 2023–2025 Master Agreement and the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the 2023–2025 Master Agreement, the Sale Transactions, and the Purchase (Materials and Parts) Transactions (together with then Proposed Annual Caps thereof) and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully
For and on behalf of
Silverbricks Securities Company Limited
Yau Tung Shing
Co-head of Corporate Finance

Yours faithfully
For and on behalf of
Silverbricks Securities Company Limited
Chan Wai Fung
Head of Corporate Finance

Mr. Yau Tung Shing and Mr. Chan Wai Fung are licensed persons under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and regarded as responsible officers of Silverbricks Securities Company Limited. Mr. Yau Tung Shing and Mr. Chan Wai Fung have over 6 and 3 years of experience in corporate finance industry, respectively.

** For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese names prevail.*

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

(1) Directors and chief executive of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company held any interest or short positions in the Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of part XV of the 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 percentage of the total number of Shares in issue as at the Latest Practicable Date
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 (<i>Note</i>)	335,400	0.01%
	Subtotal	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.

(2) 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 percentage of the total number of Shares in issue as at the Latest Practicable Date
Dragon Hill Development Limited (<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%
	Subtotal		363,731,984	11.03%
Ms. Kwan To Yin (<i>Note 3</i>)	Interest in controlled corporation (<i>Note 4</i>)	Corporate	356,622,914	10.81%
	Interest held by spouse (<i>Note 5</i>)	Family	4,636,350	0.14%
	Beneficial owner (<i>Note 6</i>)	Personal	2,472,720	0.08%
	Subtotal		363,731,984	11.03%
Wuling (Hong Kong) Holdings Limited ("Wuling HK") (<i>Note 7</i>)	Beneficial owner	Corporate	1,864,698,780	56.54%

Name of Shareholder	Capacity	Nature of interest	Number of Shares held	Approximate percentage of the total number of Shares in issue as at the Latest Practicable Date
Wuling Motors (Hong Kong) Company Limited (“Wuling Motors”) (Note 7)	Interest in controlled corporation	Corporate	1,864,698,780	56.54%
Guangxi Automobile (Note 7)	Interest in controlled corporation	Corporate	1,864,698,780	56.54%

Notes:

1. The late Mr. Lee Shing was a former executive Director and was beneficially interested in 356,622,914 Shares, whose interests were held by Dragon Hill Development Limited (“**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, Ms. Kwan To Yin, as beneficial owners, respectively.
3. Ms. Kwan To Yin, spouse of the late Mr. Lee Shing, reported as having interests in the Shares held by Dragon Hill and the late Mr. Lee Shing, as being herself appointed as administratrix of the estate of the late Mr. Lee pursuant to the Letters of Administration Ad Colligenda Bona granted on 4 August 2022.
4. This represents the same parcel of Shares held by Dragon Hill as referred in Note 1 above.
5. This represents the same parcel of Shares held by the late Mr. Lee Shing as referred in Note 2 above.
6. This represents the same parcel of Shares held by Ms. Kwan To Yin as referred in Note 2 above.
7. 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 Minfeng, an executive Director, is also a senior executive of Guangxi Automobile.

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 OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

In addition to the 2023–2025 Master Agreement entered into between Wuling Industrial and Guangxi Automobile, details of which were fully disclosed in the circular, the Company and its subsidiaries entered into the following contracts or arrangements which are subsisting at as the date of this circular and significant in relation to the business to the Group:

- (i) the 2020–2022 Master Agreement in relation to the continuing connected transactions to be carried out between the Wuling Industrial Group and the Guangxi Automobile Group, including certain sale transactions, certain purchase (materials and parts) transactions, certain purchase (finished products) transactions, and certain 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 disclosed in the Company's announcement dated 22 November 2019 and the Company's circular dated 27 December 2019;
- (ii) 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 certain purchase transactions. 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;
- (iii) 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 certain sale transactions for each of 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 27 April 2021;
- (iv) the loan agreement dated 16 November 2021 entered into between Guangxi Automobile as lender and Wuling Industrial as borrower (the “**2022–2024 Loan Agreement**”) 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;
- (v) the master tenancy agreement dated 29 December 2021 entered into between Guangxi Automobile as landlord and Wuling Industrial as tenant (the “**2022–2024 Master Tenancy Agreement**”) 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 December 2021;

- (vi) a capital increase agreement dated 31 March 2022 entered into among the Company, Guangxi Automobile, Wuling Industrial, and Wuling New Energy, pursuant to which, among others, the Company conditionally agreed to contribute to Wuling New Energy RMB305.6 million in cash and Wuling Industrial conditionally agreed to contribute to Wuling New Energy RMB300 million by way of (i) transfer of certain assets and equipment pertaining to the business in relation 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 (the “**New Energy Business**”) valued at RMB84,866,478.39; and (ii) cash in the sum of RMB215,133,521.61, part of which shall be applied by Wuling New Energy for the assignment and purchase of the certain tangible and intangible assets from Wuling Industrial, which were then used by Wuling Industrial for the New Energy Business (the “**Capital Increase Agreement**”). Details of the Capital Increase Agreement were disclosed in the Company’s announcements dated 31 March 2022, 22 June 2022 and 27 September 2022 and the Company’s circular dated 7 June 2022; and
- (vii) a framework agreement dated 31 March 2022 entered into between Wuling Industrial and Wuling New Energy in relation to certain continuing connected transactions (the “**2022–2024 New Energy Framework Agreement**”) for the period from the date of the approval of the 2022–2024 New Energy Framework Agreement by the Independent Shareholders to 31 December 2024 (both dates inclusive) to govern the continuing connected transactions contemplated under the 2022–2024 New Energy Framework Agreement. Details of the 2022–2024 New Energy Framework Agreement were disclosed in the Company’s announcement dated 31 March 2022 and the Company’s circular dated 7 June 2022.

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 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 Zhijun is taken to have competing interests in SGMW by virtue of their common directorships, he fulfills his fiduciary duty in order to ensure that he acts in the best interest of the Shareholders and the Company as a whole at all times. Besides, as SGMW is operated and managed under a publicly listed company with independent management and administration, the Directors are satisfied that the Group is capable of carrying its businesses independently of, and at arm's length basis from, the businesses of SGMW.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective close associates has interests in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

6. 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. CONSENT AND QUALIFICATION OF EXPERT

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

Name	Qualification
Silverbricks Securities Company Limited	A licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 6 (advising on corporate finance) regulated activity under the SFO

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

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2021, being the date to which the latest published consolidated audited financial statements of the Group were made up.

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

8. MATERIAL ADVERSE CHANGE

As disclosed in the 2022 Interim Report, the Group's total revenue for the six months ended 30 June 2022 was RMB6,274,686,000, representing a decrease of 12.4% as compared to the corresponding period in 2021. The decrease was mainly attributable to a decrease in the business volume in the automobile industry as affected by the continuous tightening supply of the semiconductor and the sporadic outbreak of COVID-19 in certain regions in the PRC, from which all three main business segments of the Group were experiencing different extent of decrease during the period. Gross profit for the period under review was RMB372,333,000, representing a significant decrease of 24.5% as compared to the corresponding period in 2021. Apart from the decline in the business volume, the decrease was also a result of the rising cost of production, such as battery and other components, which had driven down the gross profit especially for the vehicles' supply system and commercial vehicles assembly division. Owing to this, the gross profit margin achieved by the Group decreased to 5.9% for the period as compared to the 6.9% recorded for the corresponding period in 2021. The pressure from a lower profit margin was further aggravated by the increases in the research and development expenses of the Group which were mainly attributable to the active implementation of new business projects (including the new energy vehicles projects) undertaken by the Group. Hence, for the first half of 2022, the Group reported a net loss of RMB138,587,000 which was significantly increased as compared to the net loss of RMB45,226,000 recorded for the corresponding period in 2021, whereas, the loss attributable to the owners of the Company also substantially increased to RMB80,545,000 as compared to the loss attributable to the owners of the Company of RMB21,015,000 for the corresponding period in 2021. Further details of the Group's financial and trading position for the six months ended 30 June 2022 were more fully disclosed in the 2022 Interim Report.

Save as disclosed herein, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group had been made up) up to the Latest Practicable Date.

9. MISCELLANEOUS

- (i) The company secretary of the Company is Mr. Lai Shi Hong Edward. He 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.
- (ii) The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda.
- (iii) The head office and principal place of business of the Company in Hong Kong is Unit 3406, 34/F, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong.
- (iv) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

10. DOCUMENTS AVAILABLE FOR DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.wuling.com.hk) for a period of 14 days from the date of this circular:

- (i) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
- (ii) 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;
- (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular;
- (iv) the written consent of the expert referred to in the section headed “7. CONSENT AND QUALIFICATION OF EXPERT” of this appendix;
- (v) the 2023–2025 Master Agreement; and
- (vi) 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 Monday, 16 January 2023 at 10:00 a.m. at Unit 3406, 34/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution, 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 those defined in the circular of the Company dated 22 December 2022 (the “Circular”).

“THAT:

- (i) the Sale Transactions and the Purchase (Materials and Parts) Transactions (including their respective Proposal Annual Caps) as contemplated under the 2023–2025 Master 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; and
- (ii) 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 (Materials and Parts) Transactions (including their respective Proposal Annual Caps) as contemplated thereunder and all other matters incidental thereto the 2023–2025 Master Agreement.”

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

Hong Kong, 22 December 2022

NOTICE OF THE SGM

Notes:

1. The resolution 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 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. 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Accordingly, the form of proxy must be delivered not later than 10:00 a.m. on Saturday, 14 January 2023. Delivery of the form of proxy shall not preclude a Shareholder 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 Wednesday, 11 January 2023 to Monday, 16 January 2023 (both dates inclusive). During such 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 10 January 2023.
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 resolution 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 Listing Rules 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
17/F, Far East Finance Centre,
16 Harcourt Road, 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 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; 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, Mr. Li Zheng as non-executive Director and Mr. Ye Xiang, Mr. Wang Yuben and Mr. Mi Jianguo as independent non-executive Directors.