

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

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

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

INTRODUCTION

Reference is made to the announcement dated 1 December 2021 in relation to the Company entering into the Letter of Intent with Guangxi Automobile, Wuling Industrial and Wuling New Energy in relation to the proposed assets restructuring of and capital contribution to Wuling New Energy for the purpose of integrating and reorganizing the Group's new energy vehicle related assets and businesses.

THE CAPITAL INCREASE AGREEMENT AND DISPOSALS

On 31 March 2022, the Company, Guangxi Automobile, Wuling Industrial and Wuling New Energy entered into the Capital Increase Agreement 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 New Energy Business valued at RMB84,866,478.39 (inclusive of the related VAT amounting to RMB8,310,714.53); and (ii) cash in the sum of RMB215,133,521.61, part of which shall be applied by Wuling New Energy for the assignment of the Patent and purchase of Inventory and Toolings from Wuling Industrial (i.e., the “**Disposals**”). The New Energy Business of the Group is currently undertaken by Wuling Industrial and is classified under the business segment of “Commercial Vehicles Assembly”.

THE 2022-2024 NEW ENERGY FRAMEWORK AGREEMENT

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

IMPLICATIONS UNDER THE LISTING RULES

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

The Capital Increase Agreement and Disposals

As the highest of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Capital Increase is 5% or more but is less than 25%, the Capital Increase constitutes a disclosable transaction of the Company under Rule 14.06 of the Listing Rules. As the highest of the applicable percentage ratios for the Disposals is 5% or more but is less than 25%, the Disposals also constitutes a disclosable transaction of the Company.

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

The 2022-2024 New Energy Framework Agreement

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

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

GENERAL

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

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

Completion of the Capital Increase Agreement is subject to the satisfaction of certain conditions, and therefore, the transactions contemplated under the Capital Increase Agreement may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

Reference is made to the announcement dated 1 December 2021 in relation to the Company entering into the Letter of Intent with Guangxi Automobile, Wuling Industrial and Wuling New Energy in relation to the proposed assets restructuring and capital contribution to Wuling New Energy for the purpose of integrating and reorganizing the Group's new energy vehicle related assets and businesses.

CAPITAL INCREASE IN WULING NEW ENERGY

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

The Capital Increase and payment terms

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

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

Subject to fulfilment of the conditions precedent to the Capital Increase, the Company and Wuling Industrial shall pay their respective capital contribution no later than the date on which Guangxi Automobile completes its capital contribution (save for the transfer of the construction in progress and the lands) or 29 June 2022 (whichever is later). The parties are entitled to extend the said payment date to a later date as mutually agreed.

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

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

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

Disposals

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

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

Under the Capital Increase Agreement, Wuling Industrial and Wuling New Energy shall enter into the New Energy Assets Transfer Agreement to ascertain the scope of the New Energy Assets and the details of the transfer on completion of the Capital Increase.

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

The consideration for the purchase of the Inventory shall not be more than RMB111,150,924.50, which shall be determined with reference to the independent valuation of the Inventory as at 31 December 2021 (i.e., the valuation date) (inclusive of the related VAT) plus a buffer of approximately 10% and the pricing will be finally determined in accordance with the pricing principles generally applied to the continuing connected transactions of the Group, i.e. (a) with reference to the relevant market prices; or (b) (if market prices are not available) on fair basis, and on normal commercial terms or on terms which are no less favorable than those available from Wuling Industrial Group to Independent Third Parties. The consideration for the purchase of the Toolings shall be RMB12,490,957.62, (inclusive of the related VAT amounting to RMB1,437,012.82) which was determined with reference to the independent valuation of the Toolings as at 31 December 2021 (i.e., the valuation date). The consideration for the assignment of the Patent shall be RMB52,318,102 (inclusive of the related VAT amounting to RMB2,961,402) (of which approximately RMB90,000 (inclusive of the related VAT) shall be payable to Guangxi Automobile), which was determined with reference to the independent valuation of the Patent as at 31 December 2021 (i.e., the valuation date). The consideration for the Inventory, Toolings and Patent shall be paid out of the cash to be contributed by Wuling Industrial to Wuling New Energy under the Capital Increase Agreement.

In connection with the Disposals, the Company and Wuling Industrial engaged the Valuer to perform an independent valuation of the assets of the Wuling Industrial pertaining to the New Energy Business as at 31 December 2021 (i.e. the valuation date and the New Energy Assets Valuation Report). A summary of the results (by categories) is listed below.

Particulars	At Book Values (exclusive of VAT) as at 31 December 2021 RMB'000	At Assessed Values (exclusive of VAT) as at 31 December 2021 RMB'000	Increase/ (Decrease) in values RMB'000	At Assessed Values (inclusive of VAT) as at 31 December 2021 RMB'000
New Energy Assets	80,675.3	76,555.8	(4,119.5)	84,866.5
Inventory	87,582.1	89,421.5	1,839.4	101,046.3
Toolings	—	11,053.9	11,053.9	12,491.0
Patent (<i>Note 1</i>)	—	49,262.0	49,262.0	52,218.0
Total	<u>168,257.4</u>	<u>226,293.2</u>	<u>58,035.8</u>	<u>250,621.8</u>

Notes:

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

Conditions Precedent for the Capital Increase

Completion of the Capital Increase Agreement is conditional upon:

- (1) the Capital Increase having been approved by Guangxi Automobile, the sole shareholder of Wuling Energy;
- (2) the amended and restated articles of association of Wuling New Energy and all the necessary documents having become effective;
- (3) the First Asset Injection Valuation Report and the related valuation reports in respect of the New Energy Assets having been filed with or approved by Guangxi SASAC;

- (4) the approval in respect of the Capital Increase having been obtained from Guangxi SASAC;
- (5) the Capital Increase Agreement and the transactions contemplated under the Capital Increase Agreement (including the Disposals) having been approved by the Independent Shareholders at the SGM;
- (6) the New Energy Framework Agreement having been entered into and the transactions contemplated under the New Energy Framework Agreement having been approved by the Independent Shareholders at the SGM.

Composition of the Board and Supervisory Board

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

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

THE 2022-2024 NEW ENERGY FRAMEWORK AGREEMENT

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

Proposed Continuing Connected Transactions

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

- Date : 31 March 2022
- Parties : (a) Wuling Industrial, a non-wholly owned subsidiary of the Company: and
- (b) Wuling New Energy, being an associate of the Guangxi Automobile, the connected person of the Company under the Listing Rules

Scope of products and services to be provided or received : The Continuing Connected Transactions to be carried are categorized into five types as follows:

(1) *Sale Transactions*

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

(2) *Modification Services*

The Wuling Industrial Group has conditionally agreed to provide vehicles modification services (including installation and assembly of floor board, vehicle lamps and accessories) to Wuling New Energy

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

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

(4) *Purchase (Finished Products) Transactions*

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

(5) *Technical Support Services*

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

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

- Pricing principles : The pricing for the products or services supplied to Wuling New Energy, or vice versa will be determined on the following principles:
- (a) With reference to the relevant market prices; or
 - (b) (if market prices are not available) on fair basis, and on normal commercial terms or on terms which are no less favorable than those available from Wuling Industrial Group to Independent Third Parties.
- Payment terms : Payments for the products or services supplied to Wuling New Energy, or vice versa will be settled by way of cash or such other manner as agreed by the parties and in accordance with the agreed timing and manners as specified in the actual sales contracts to be entered into between Wuling Industrial Group and Wuling New Energy.
- The payment terms will be on market terms which are no less favourable than those available from Wuling Industrial Group to Independent Third Parties.
- Termination : If any transaction under the 2022-2024 New Energy Framework Agreement fails to meet the requirements under the Listing Rules with regard to continuing connected transactions, such transaction shall be terminated immediately. If any sale contract and the transactions contemplated thereunder fail to meet the principles of the 2022-2024 New Energy Framework Agreement or would result in the actual amount of the relevant transactions under the 2022-2024 New Energy Framework Agreement on annual basis exceeding the Annual Cap, such sale contract shall then be terminated.
- In addition, the 2022-2024 New Energy Framework Agreement should be terminated upon occurrence of any of the following events:
- (i) all transactions proceeded pursuant to the 2022-2024 New Energy Framework Agreement having been terminated pursuant to the arrangements hereabove mentioned; or

(ii) three-month written notice of termination having been served by a party to the 2022-2024 New Energy Framework Agreement.

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

(i) the 2022-2024 New Energy Framework Agreement having been approved by the Independent Shareholders at the SGM;

(ii) completion of the Capital Increase Agreement;

(iii) the compliance of any other applicable laws and regulations (including but not limited to the Listing Rules) by parties.

The Proposed Annual Caps

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

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

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

Basis of determination of the Proposed Annual Caps

Proposed Annual Caps for the Sale Transactions and Modification Services

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

(a) *Target production volume*

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

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

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

1. the schedule of manufacturing and sale of new energy vehicles including G100 new energy vehicles, G100 refrigerated vehicles, G100 postal car and G100 five seaters logistics vehicles according to the Group's Catalog for the Promotion and Application of New Energy Vehicles in the PRC published in 2020;
2. the launch of new energy logistics vehicles on the new G200 platform, G050 platform and G300 platform to cater to the market demand since 2022, 2023 and 2024 respectively;
3. In view of the increase in sale volume of electric logistic vehicles by over 110% calculated on a year-on-year basis to approximately 10,000 vehicles for the year ended 31 December 2021, the Group expects that the production and sale of new energy vehicles will continue to surge in the forthcoming future and the demand for the main parts and components necessary for the assembly and production of new energy vehicles will continue to rise accordingly; and
4. According to the Ministry of Industry and Information Technology (MIIT), the PRC's annual sale of new energy vehicle reached approximately 3.5 million units, representing an increase of approximately 160% comparing to 2021.

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

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

Sale Transactions

	Year ending 31 December		
	2022	2023	2024
11 types of front/rear skin Price range: RMB100 to RMB180 per unit	82,000 units (Estimated total value: RMB11,850,195)	162,000 units (Estimated total value: RMB23,708,030)	210,000 units (Estimated total value: RMB30,584,185)
36 types of fender, side panel welding assembly, top cover, middle rail trim panel welding parts, compartment floor welding assembly, frame welding Price range: RMB15 to RMB1,150 per unit	183,600 units (Estimated total value: RMB75,654,048)	552,000 units (Estimated total value: RMB189,391,140)	772,000 units (Estimated total value: RMB253,607,450)
4 types of support frame Price range: RMB2 to RMB10 per unit	20,000 units (Estimated total value: RMB90,300)	120,000 units (Estimated total value: RMB541,800)	180,000 units (Estimated total value: RMB812,700)
Steel Price range: RMB6,600 to RMB6,900 per tone	2,120 tones (Estimated total value: RMB14,066,200)	9,520 tones (Estimated total value: RMB64,736,000)	9,520 tones (Estimated total value: RMB64,736,000)
4 types of rear axle Price range: RMB1,800 to RMB3,100 per unit	20,000 units (Estimated total value: RMB44,822,570)	53,000 units (Estimated total value: RMB121,414,200)	76,000 units (Estimated total value: RMB178,237,480)
4 types of left/right front suspension Price range: RMB1,100 to RMB1,300 per unit	20,000 units (Estimated total value: RMB21,550,852)	53,000 units (Estimated total value: RMB60,082,640)	76,000 units (Estimated total value: RMB86,785,280)

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

Modification Services

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

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

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

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

Purchase (Materials and Parts) Transactions

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

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

The Proposed Annual Caps for the Purchase (Finished Products) Transactions and Technical Support Services were determined by reference to (a) the target business volume of the exporting business of new energy vehicles of Wuling Industrial, primarily for the markets in Japan and United States which shipments of vehicles have been commenced, for the respective three years ending 31 December 2022, 2023 and 2024; (b) the estimated unit price of the new energy vehicles planned to be sourced from Wuling New Energy for the exporting business; (c) the current contracts executed with the respective customers for the technical support services; and (d) a buffer of approximately 10% for (i) any transactions of similar nature which may be entered into with Wuling New Energy in each of the three

years ending 31 December 2022, 2023 and 2024; and (ii) any unforeseeable circumstances, in particular, unexpected market fluctuations, changes in government policies on automobile industry, fluctuations in raw material costs and increase in labour costs, is also considered.

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

Purchase (Finished Products) Transactions

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

Technical Support Services

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

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

INTERNAL CONTROL PROCEDURES

The Wuling Industrial Group has adopted and implemented standard internal control procedures on all purchases and sales transactions, which cover the Sale Transactions, the Modification Services, the Purchase Transactions and the Technical Support Services to ensure the payment terms and pricing basis thereof will be on market terms or on terms which are no less favourable than those available from/to Independent Third Parties.

Sale Transactions and the Modification Services

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

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

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

The finance department (the “**Finance Department**”) of the Wuling Industrial Group, with the support from its purchase department (the “**Purchase Department**”) and the technical department and manufacturing department of the Wuling Industrial Group, will then evaluate the products’ total cost of sale, upon which a price determination committee of the Wuling Industrial Group will be established to determine the price of the products to be sold in consideration of the aforesaid market and cost information. The Wuling Industrial Group will also conduct periodic reviews, normally semi-annually and at least annually, of

the profit margins earned by the Wuling Industrial Group from the Sale Transactions and the Modification Services as compared to the profit margins earned by the Wuling Industrial Group from products sold to other Independent Third Parties, as well as the profit margins earned by the related connected parties from the related transactions.

Purchase Transactions and the Technical Support Services

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

The Finance Department will determine the target purchase price of products with reference to the total purchase cost and the Purchase Department will then negotiate or conduct bidding exercise with suppliers based on the target purchase price. Normally, the Purchase Department would invite at least three suppliers, where appropriate, would include the relevant connected party(ies) and other Independent Third Parties, to engage in the bidding and selection processes to obtain the market prices of the products and to consider if the target purchase price as determined by the finance department could be achieved or not. In the event that the target purchase price cannot be agreed, the Finance Department and Purchase Department will consider to adjust the target purchase price and/or seek for other suppliers. In the selection processes, the Purchase Department will also assess, including but not limited to, the specific qualifications required for the production of particular products, record of regulatory compliance, production and technical capability, appropriateness of scale, past performance in terms of product quality and timeliness of delivery, location of the facilities of the respective suppliers.

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

When determining the market prices of vehicles purchased, the Wuling Industrial Group will obtain the market prices of similar products from its authorized distributors to assess the prices charged by Wuling New Energy at least once every year or whenever there is a

proposed change to the purchase price and/or the selling price. The Wuling Industrial Group currently has an extensive distribution network of authorized distributors for specialized vehicles, which provides essential updated market prices data of the competitors in this particular market segment.

Independent Non-Executive Directors and Auditors' Review

In addition, the Sale Transactions, the Modification Services, the Purchase Transactions and the Technical Support Services will be reviewed by the independent non-executive Directors and the auditors of the Company annually, and their respective relevant reports, together with information on the Sale Transactions, the Modification Services, the Purchase Transactions and the Technical Support Services, will be set out in the Company's next annual report following the occurrence of such transactions. In order to facilitate the review process, Wuling New Energy will also provide their relevant records to the auditors of the Company during the course of auditors' review.

In view of the above, the Directors consider that the internal control procedures are effective to ensure that the Sale Transactions, the Modification Services, the Purchase Transactions and the Technical Support Services contemplated under the 2022–2024 New Energy Framework Agreement will be conducted on normal commercial terms or better and not prejudicial to the interests of the Company and the Shareholders as a whole.

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

Capital Increase and Disposals

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

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

As disclosed in the interim report of the Company for the six months ended 30 June 2021 the annual results announcement of the Company for the year ended 31 December 2021, in response to market development and competition, the Group had formulated diversified strategies for the commercial vehicles assembly division. New energy logistics vehicles were actively developed to serve the specific needs from the market. At the same time, efforts were also made to strengthen strategic partnership with dealers, promoting brand influence in the industry, and swiftly building up a mature sale force for our new energy

vehicles. Encouraging reception of our new energy vehicles was received in the market, in which the sale volume of electric logistic vehicles was impressively increased to approximately 10,000 vehicles, representing an increase of 113% as compared to the approximately 4,700 electric logistic vehicles sold in 2020. In order to capture the business potential and to maintain our market competitiveness, continuous development and launching of new models with an effective capacity expansion plan targeting at scale operation are essential for the Group.

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

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

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

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

As contemplated under the Letter of Intent and upon completion of the Capital Increase, Wuling New Energy will focus on the business activities relating to trading and manufacturing of new energy vehicles, whereas, Wuling Industrial Group will serve as the strategic key supplier by supplying automotive components and parts to Wuling New Energy for its production of new energy vehicles. It is considered the continuous expansion in the production of electric vehicles of Wuling New Energy following completion of the Capital Increase would provide increasing business opportunities to the automotive components and other industrial services division of Wuling Industrial Group from which the benefits of scale operation and further business diversification would gradually be crystalized.

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

The 2022-2024 New Energy Framework Agreement

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

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

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

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

INFORMATION ON GUANGXI AUTOMOBILE

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

INFORMATION ON WULING INDUSTRIAL

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

INFORMATION ON WULING NEW ENERGY

Background

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

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

Principal Business of Wuling New Energy

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

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

First Capital Injection Contract

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

Injection of non-cash assets by Guangxi Automobile

To facilitate the operations of Wuling New Energy, Guangxi Automobile has agreed to inject certain non-cash assets, which include land use right and production plant facilities comprising primarily a new production base located in the Liudong district in Liuzhou. Such production base, which occupies a site area of approximately 550,000 square meters, is planned to be constructed with the state-of-the-art technology in the automobile industry in the PRC and installed with the advance automated production lines which perform the requisite welding, painting and final assembly processes for the production of new energy vehicles.

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

Particulars	At Book Values (exclusive of VAT) as at 31 December 2021 RMB'000	At Assessed Values (exclusive of VAT) as at 31 December 2021 RMB'000	Increase in Values RMB'000	At Assessed Values (inclusive of VAT) as at 31 December 2021 RMB'000
Equipment and machinery	43,819.8	45,757.3	1,937.5	51,705.7
Construction in progress	740,914.3	767,029.3	26,115.0	848,129.3
Land use rights	<u>131,909.6</u>	<u>134,317.0</u>	<u>2,407.4</u>	<u>146,306.4</u>
Total	<u><u>916,643.7</u></u>	<u><u>947,103.6</u></u>	<u><u>30,459.9</u></u>	<u><u>1,046,141.4</u></u>

Capital structure of Wuling New Energy following the Capital Increase

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

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

FINANCIAL EFFECTS OF THE CAPITAL INCREASE AND THE DISPOSALS

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

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

IMPLICATIONS UNDER THE LISTING RULES

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

The Capital Increase Agreement and Disposals

As the highest of the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Capital Increase is 5% or more but is less than 25%, the Capital Increase constitutes a disclosable transaction of the Company under Rule 14.06 of the Listing Rules. As the highest of the applicable percentage ratios for the Disposals is 5% or more but is less than 25%, the Disposals also constitutes a disclosable transaction of the Company.

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

The 2022-2024 New Energy Framework Agreement

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

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

GENERAL

In view of its interests in the Capital Increase Agreement and the New Energy Framework Agreement, Guangxi Automobile and its associate will abstain from voting on the resolution in relation to the Capital Increase Agreement, the New Energy Framework Agreement and the transactions contemplated thereunder at the SGM.

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

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

A circular containing, among other things, (i) details of the transactions contemplated under the Capital Increase Agreement, the agreements in relation to Disposals and the New Energy Framework Agreement; (ii) a letter from the Independent Board Committee to the Independent Shareholders giving its recommendations in respect of the transactions

contemplated under the Capital Increase Agreement and the New Energy Framework Agreement; (iii) a letter from Gram Capital to the Independent Board Committee and the Independent Shareholders containing its advice on the transactions contemplated under the Capital Increase Agreement, the agreements in relation to the Disposals, the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps); and (iv) a notice of the SGM is expected to be despatched to the Shareholders on or before 25 April 2022.

Completion of the Capital Increase Agreement is subject to the satisfaction of certain conditions, and therefore, the transactions contemplated under the Capital Increase Agreement may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“2022-2024 New Energy Framework Agreement”	the framework agreement dated 31 March 2022 entered into between Wuling Industrial and Wuling New Energy in relation to the Continuing Connected Transactions for the period from the Effective Date to 31 December 2024 (both dates inclusive)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Annual Cap(s)”	the proposed annual caps of the transactions under the 2022-2024 New Energy Framework Agreement for each of the three years ending 31 December 2024
“Board”	the board of Directors
“Capital Increase”	the capital contribution by the Company and Wuling Industrial pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	the conditional capital increase agreement dated 31 March 2022 entered into between the Company, Guangxi Automobile, Wuling Industrial and Wuling New Energy
“Company”	Wuling Motors Holdings Limited, a company incorporated under the laws of Bermuda with limited liability and the shares of which are listed on the Stock Exchange (Stock Code: 305)

“Continuing Connected Transaction(s)”	the Sales Transactions, the Modification Services, the Purchase (Materials and Parts) Transactions, the Purchase (Finished Products) Transactions, and the Technical Support Services
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposals”	including the transfer of the New Energy Assets as the capital contribution by Wuling Industrial to Wuling New Energy, the transfer of Inventory and Toolings by Wuling Industrial to Wuling New Energy and the assignment of the jointly-owned Patent by Wuling Industrial and Guangxi Automobile to Wuling New Energy as contemplated under the Capital Increase Agreement and the respective agreements in relation to the transfer of Inventory and Toolings and the assignment of Patent
“Effective Date”	the date of the Independent Shareholders’ approval of the 2022–2024 New Energy Framework Agreement
“Employee Share Scheme”	employee share investment scheme(s) to be made for the benefit of the employees of Wuling New Energy
“Employee Share Scheme Platform”	a limited liability company or other legal entity to be established by employees of Wuling New Energy for the implementation of the Employee Share Scheme
“First Asset Injection Valuation Report”	the valuation report in respect of the valuation of the non-cash assets as at 31 December 2021 (i.e., the valuation date) to be injected by Guangxi Automobile to Wuling New Energy pursuant to the First Capital Injection Contract issued by the PRC Valuer on 17 February 2022

“First Capital Injection Contract”	the capital increase contract entered into between Guangxi Automobile and Wuling New Energy on 6 January 2022 pursuant to which Guangxi Automobile will contribute capital to Wuling New Energy in the sum of RMB1.6 billion which is to be satisfied by way of cash amounting to RMB553,858,565.63 (including the capital contribution of RMB50 million in cash by Guangxi Automobile on 14 January 2022) and non-cash assets amounting to RMB1,046,141,343.37 (which was based on the First Asset Injection Valuation Report and taking into account of the related VAT amounting to RMB99,037,853.69) and of which RMB700 million was contributed to the registered capital of Wuling New Energy and the remaining balance of RMB900 million was contributed to the capital reserves of Wuling New Energy.
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders regarding the transactions contemplated under the Capital Increase Agreement, the agreements in relation to the Disposals, the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps)
“Guangxi Automobile”	廣西汽車集團有限公司 (Guangxi Automobile Group Co., Limited*), a state-controlled company established in the PRC, being the ultimate beneficial controlling Shareholder of the Company which is indirectly interested in approximately 56.54% of the total number of Shares in issue of the Company
“Guangxi SASAC”	廣西壯族自治區人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of the People’s Government of Guangxi Zhuang Autonomous Region)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKFRS”	Hong Kong Financial Reporting Standards

“Independent Board Committee”	the independent committee of the Board comprising Mr. Ye Xiang, Mr. Wang Yuben and Mr. Mi Jianguo, being all of the independent non-executive Directors, established for the purposes of advising the Independent Shareholders regarding the transactions contemplated under the Capital Increase Agreement, the agreements in relation to the Disposals, the Sale Transactions and the Purchase Transactions (including their respective Proposed Annual Caps)
“Independent Shareholders”	Shareholders other than any persons who are interested in the Capital Increase Agreement and/or the 2022-2024 New Energy Framework Agreement or who are prohibited to vote under the Listing Rules
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any of the directors, chief executives or substantial shareholders of the Company or subsidiaries of the Company or any of their respective associates
“Inventory”	the inventory of Wuling Industrial which comprises certain amount of raw materials, semi-finished products and finished products pertaining to the New Energy Business to be transferred by Wuling Industrial to Wuling New Energy on completion the Capital increase
“Letter of Intent”	the letter of intent entered into between Guangxi Automobile, the Company, Wuling Industrial and Wuling New Energy on 1 December 2021
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement entered into between the Company and Wuling Industrial on 19 February 2021, further details of which are set out in the Company’s announcement dated 19 February 2021
“Modification Services”	provision of vehicles modification services (including installation and assembly of floor board, vehicle lamps and accessories) by the Wuling Industrial Group to Wuling New Energy

“New Energy Assets”	certain assets and equipment pertaining to the New Energy Business, which comprise primarily 407 sets of equipment and machinery, a motor vehicle, certain number of electronic equipment and computer software and certain costs incurred in construction in progress and research and development projects, to be contributed by Wuling Industrial to Wuling New Energy under the Capital Increase
“New Energy Assets Transfer Agreement”	the transfer agreement to be entered into between Wuling Industrial and Wuling New Energy pursuant to which Wuling Industrial shall transfer the New Energy Assets to Wuling New Energy on completion of the portion of capital injection by Wuling Industrial to Wuling New Energy by the transfer of the non-cash assets under the Capital Increase
“New Energy Assets Valuation Report”	the valuation report in respect of the New Energy Assets of Wuling Industrial as at 31 December 2021 issued by the Valuer dated 31 March 2022
“New Energy Business”	refers to the research and development, manufacture and sale of new energy vehicles in the PRC, which includes but not limited to highly competitive electric and plug-in hybrid new energy vehicles, as well as other new energy smart travel products, subject to the compliance of the requirements of the applicable laws and regulations
“Patent”	the patents and the proprietary technology relating to production of new energy vehicles jointly owned by Guangxi Automobile and Wuling Industrial, which comprise 6 sets of project technology packages constituted by 30 patented technologies and 5 proprietary technologies
“PRC”	the People’s Republic of China
“PRC Valuer”	China Faith Appraisers Co., Ltd (北京國友大正資產評估有限公司), being an independent professional appraisal firm recognized by the relevant government authority(ies), appointed by Guangxi Automobile to perform the valuation of the non-cash assets to be injected by Guangxi Automobile to Wuling New Energy pursuant to the First Capital Injection Contract (i.e. the First Asset Injection Valuation Report)

“Proposed Annual Caps”	the proposed annual caps of each of the the Sales Transactions, the Modification Services, the Purchase (Materials and Parts) Transactions, the Purchase (Finished Products) Transactions, and the Technical Support Services and the aggregate amounts of the Continuing Connected Transactions (as appropriate) set out in the 2022–2024 New Energy Framework Agreement for each of the three years ending 31 December 2024
“Purchase (Finished Products) Transactions”	purchase of vehicles and related products by the Wuling Industrial Group from Wuling New Energy
“Purchase (Materials and Parts) Transactions”	purchase of consumables, raw materials and automotive components (including chassis) by the Wuling Industrial Group from Wuling New Energy
“Purchase Transactions”	the Purchase (Finished Products) Transactions and the Purchase (Materials and Parts) Transactions
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Transactions”	sales of automotive components and related accessories by the Wuling Industrial Group to Wuling New Energy
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Capital Increase Agreement, together with the transaction contemplated thereunder
“Shares”	ordinary share(s) of HK\$0.004 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Technical Support Services”	provision of technical support services by Wuling New Energy to the Wuling Industrial Group
“Toolings”	the toolings of Wuling Industrial which comprises the related moulds and toolings pertaining to the New Energy Business to be transferred by Wuling Industrial to Wuling New Energy on completion the Capital increase

“VAT”	the value-added tax
“Valuer”	Jones Lang Lasalle Corporate Appraisal and Advisory Limited (仲量聯行企業評估及諮詢有限公司), being an independent professional appraisal firm appointed jointly by the Company and Wuling Industrial to perform the respective valuations of the New Energy Assets, Inventory, Toolings and Patent in relation to the transactions as contemplated under the Capital Increase Agreement and the respective agreements of the Disposals (i.e. the New Energy Assets Valuation Report)
“Wuling Industrial”	柳州五菱汽車工業有限公司 (Liuzhou Wuling Motors Industrial Company Limited*), a company established in the PRC and a non-wholly owned subsidiary of the Company
“Wuling Industrial Group”	Wuling Industrial and its subsidiaries
“Wuling New Energy”	柳州五菱新能源汽車有限公司 (Liuzhou Wuling New Energy Motors Company Limited*), a company established in the PRC and a wholly owned subsidiary of Guangxi Automobile as at the date of this announcement
“%”	per cent

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

Hong Kong, 31 March 2022

As at the date of this announcement, the Board comprises Mr. Yuan Zhijun (Chairman), Mr. Yang Jianyong and Mr. Wei Mingfeng as executive Directors and Mr. Ye Xiang, Mr. Wang Yuben and Mr. Mi Jianguo as independent non-executive Directors.

* *for identification purpose only*