



LIZHONG WHEEL GROUP LTD.

(Company Registration Number: 200407196C)
(Incorporated in Singapore)

Directors

Zang Ligen	<i>(Executive Chairman)</i>
Zang Lizhong	<i>(Executive Director)</i>
Zang Ligu	<i>(Executive Director)</i>
Ong Tiew Siam	<i>(Lead Independent Director)⁽¹⁾</i>
Zhao Qinghua	<i>(Independent Director)</i>
Chua Hung Meng	<i>(Independent Director)</i>

Registered Office

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Notes:

(1) Mr Ong Tiew Siam has been appointed as the Lead Independent Director on the 1 April 2014.

13 April 2015

To: The Shareholders and Depositors of Lizhong Wheel Group Ltd.

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE IPT MANDATE FOR INTERESTED PERSON TRANSACTIONS

1. INTRODUCTION

The Directors of Lizhong Wheel Group Ltd. (the “**Company**”) propose to renew the IPT Mandate (as defined in the Schedule) that will permit the Group to enter into certain transactions disclosed in this Letter.

The purpose of this Letter is to provide the shareholders of the Company (the “**Shareholders**”) with the relevant information relating to the renewal of the IPT Mandate. The approval of Shareholders for the renewal of the IPT Mandate will be sought at the Annual General Meeting of the Company to be held at 2.00 p.m. on Wednesday, 29 April 2015 (the “**2015 AGM**”).

2. BACKGROUND

2.1 Requirements of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”)

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries or Associated Companies propose to enter into transactions with an Interested Person of the listed company. An “Interested Person” is defined to mean a director, chief executive officer or Controlling Shareholder of the listed company or an Associate of such director, chief executive officer or Controlling Shareholder. With respect to the definitions of the terms “Associate”, “Associated Company” and “Controlling Shareholder”, please refer to the attached Schedule.

Save for transactions which are not considered to put the listed company at risk and which are therefore excluded from the ambit of Chapter 9, Shareholders’ approval and/or an immediate announcement is required in respect of transactions with Interested Persons if the value of the transactions is equal to or exceeds certain financial thresholds. Specifically, an immediate announcement is required for the following transactions of certain materiality where:

- (a) the value of a proposed transaction is equal to or exceeds 3% of the group’s latest audited net tangible assets (“**NTA**”); or

- (b) the aggregate value of all transactions (including the subject transaction) entered into with the same interested person during the same financial year, is equal to or more than 3% of the group's latest audited NTA. An announcement will have to be made immediately of the latest transactions and all future transactions entered into with that same interested person during the financial year;

and shareholders' approval (in addition to an immediate announcement) is required where:

- (c) the value of a proposed transaction is equal to or exceeds 5% of the group's latest audited NTA; or
- (d) the aggregate value of all transactions (including the subject transaction) entered into with the same interested person during the same financial year, is equal to or more than 5% of the group's latest audited NTA. The aggregation will exclude any transaction that has been approved by shareholders previously, or is the subject of aggregation with another transaction that has been previously approved by shareholders;

for the purposes of aggregation, interested person transactions below S\$100,000 each are to be excluded.

For illustration purposes, based on the audited consolidated accounts of the Lizhong Wheel Group for the financial year ended 31 December 2014 ("FY2014"), the Group's audited NTA as at 31 December 2014 was RMB802,972,000 (approximately S\$171,052,553). Accordingly, in relation to the Group, for purposes of Chapter 9 in the current financial year, Shareholders' approval would be required where:

- (a) the transaction is of a value equal to, or more than, RMB40,148,600 (approximately S\$8,552,628), being 5% of the Group's latest audited NTA; or
- (b) the transaction, where aggregated with other transactions entered into with the same interested person during the same financial year, is of a value equal to, or more than, RMB40,148,600 (approximately S\$8,552,628). The aggregation will exclude any transaction that has been approved by Shareholders previously, or is the subject of aggregation with another transaction that has been approved by Shareholders.

Rule 920 of the Listing Manual allows for a listed company to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature, or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company's Interested Persons. Such a general mandate must be disclosed in the annual report and is subject to annual renewal provided that the audit committee of the Company (the "**Audit Committee**") confirms that the methods or procedures for determining the prices for the IPTs have not been changed since the last shareholder approval and are sufficient to ensure that the IPTs will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders.

2.2 Existing IPT Mandate

As disclosed on pages 113 to 125 of the Prospectus of the Company dated 10 October 2005 in respect of its listing on the SGX-ST, the Company had on 23 August 2005 obtained the IPT Mandate pursuant to Chapter 9 of the Listing Manual. The Company had during past Annual General Meetings of the Company, the last of which was on 30 April 2014, obtained the renewal of the IPT Mandate pursuant to Chapter 9 of the Listing Manual. The IPT Mandate enables the Company, its subsidiaries and associated companies which are considered to be "entities at risk" within the meaning of Rule 904 of the Listing Manual, in their ordinary course of businesses, to enter into categories of transactions with specified classes of the Company's interested persons, provided that such transactions are entered into on an arm's length basis and on normal commercial terms.

2.3 Proposed Renewal of the IPT Mandate

The IPT Mandate was expressed to take effect until the conclusion of the 2015 AGM. Accordingly, the directors of the Company as at the date of this Letter (the “**Directors**”) propose that the IPT Mandate be renewed at the 2015 AGM, to take effect until the conclusion of the next Annual General Meeting of the Company. Save for transactions with Baoding Anbaoneng Metallurgical Equipment Co., Ltd, the particulars of the Interested Person Transactions in respect of which the IPT Mandate is sought to be renewed remain unchanged as disclosed below.

2.4 Details of the IPT Mandate

Details of the IPT Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transactions prices with Interested Persons and other general information relating to Chapter 9 of the Listing Manual, are set out below.

3. PROPOSED RENEWAL OF THE IPT MANDATE FOR INTERESTED PERSON TRANSACTIONS

3.1 Information on Lizhong Wheel Group

The Lizhong Wheel Group is a specialist in the design, manufacture and sale of aluminium alloy wheels for use in various types of automobiles. The Lizhong Wheel Group has more than 2,000 different models of electro-plated and spray-painted aluminium alloy wheels, with sizes ranging from 12 to 24 inches in diameter. The aluminium alloy wheels are manufactured using A356.2 aluminium alloy.

3.2 Categories of Interested Persons

The IPT Mandate will apply to the following classes of Interested Persons:

- (a) the Company's Executive Directors, Messrs Zang Ligen, Zang Liguo and Zang Lizhong; and
- (b) the Associates of such Executive Directors.

Transactions with Interested Persons that do not fall within the ambit of the IPT Mandate shall be subject to the relevant provisions of Chapter 9 and/or other applicable provisions of the Listing Manual.

3.3 Categories of Interested Person Transactions

The Interested Person Transactions that will be covered by the IPT Mandate are:

- (a) rental of land, factories and office premises from Interested Persons;
- (b) rental of equipment from Interested Persons;
- (c) purchase of equipment and maintenance service from Interested Persons;
- (d) purchase of aluminium alloy ingots, molten aluminium alloy and auxiliary raw materials from Interested Persons;
- (e) procurement of recycling services relating to processing of rejects and scraps (such as aluminium alloy chips) from Interested Persons;
- (f) sale of wheels to Interested Persons;
- (g) sale of scraps to Interested Persons;
- (h) procurement of water and electricity from Interested Persons; and
- (i) appointment of Interested Persons as sales agent.

Details of the transactions are as follows:

Transactions between the Lizhong Wheel Group and Hebei Lizhong and its subsidiary Baoding Anbaoneng Metallurgical Equipment Co., Ltd (“Baoding Anbaoneng”),

Hebei Lizhong, a company incorporated in the People’s Republic of China (“PRC”), is principally engaged in the manufacture and processing of aluminium alloy. It is one of the Lizhong Wheel Group’s major suppliers. Hebei Lizhong is 51% owned by Tianjin Lizhong Alloy. The Company’s Executive Directors, Messrs Zang Ligen, Zang Lizhong and Zang Ligu, have direct interests of approximately 2.4%, 2.3% and 1.3% in Hebei Lizhong respectively. In addition, the immediate family members of the Company’s Executive Directors, namely Mr Zang Yongjian, Ms Zang Yakun, Mr Zang Yongxing and Ms Zang Na each has direct interests of approximately 7.0%, and Mr Zang Yonghe, Mr Zang Yongyi and Ms Zang Jie Aixin each has direct interests of 5.0% in Hebei Lizhong. Mr Zang Ligen, the Executive Chairman of the Company, is the chairman of Hebei Lizhong.

Baoding Anbaoneng is a wholly-owned subsidiary of Hebei Lizhong.

(i) Lease of properties

Baoding Wheel has been renting from Hebei Lizhong its office premises as well as the land on which its manufacturing plant is situated at East Qiyi Road, Baoding City. The current lease agreement for the office premises dated 1 January 2015 is for a term of 5 years with effect from 1 January 2015, at a monthly rental of approximately RMB48,872. There are two lease agreements for the land. One is dated 1 January 2015 for a term of 5 years with effect from 1 January 2015 and the other is dated 20 January 2015 for a term of five years, at a total monthly rental of approximately RMB26,947. The monthly rental for the office premises and land is subject to review every five years.

The rental payable under the lease agreements is lower than the rental valuation set out in a valuation report dated 9 May 2005 by an independent professional valuer. Any renewal of the lease agreements will be subject to approval by the Audit Committee.

(ii) Purchase of equipment and maintenance service from Baoding Anbaoneng

Baoding Wheel, a fully owned subsidiary of Lizhong Wheel Group, and New Thai Wheel, which is 99.97% owned by Lizhong Wheel Group, purchases equipment from Baoding Anbaoneng. Baoding Anbaoneng also provides maintenance services for the equipment sold. Fees charged are based on market rates.

(iii) Purchase of aluminium alloy ingots from Hebei Lizhong

(i) Baoding Wheel has been purchasing A356.2 aluminium alloy ingots from Hebei Lizhong.

(ii) New Thai Wheel will purchase A356.2 aluminium alloy ingots from Hebei Lizhong.

(iv) Purchase of molten aluminium alloy from Hebei Lizhong

Baoding Wheel has been purchasing A356.2 molten aluminium alloy from Hebei Lizhong.

(v) Sale of wheels to Hebei Lizhong

Baoding Wheel sells wheels to Hebei Lizhong.

(vi) Purchase of auxiliary raw materials from Hebei Lizhong

Baoding Wheel has been purchasing auxiliary raw materials such as aluminium, titanium, boron, strontium and magnesium from Hebei Lizhong.

(vii) Processing and recycling of rejects and scraps by Baoding Lizhong

Hebei Lizhong has been recycling rejects and scraps (such as aluminium alloy chips) provided by Baoding Lizhong into molten aluminium alloy for a processing fee.

(viii) **Interest expense in relation to overdue trade payables**

Baoding Wheel incurs interest expenses on overdue trade payables to Hebei Lizhong from time to time. Such interest expenses are based on the then prevailing PRC bank lending rates. Typically, unrelated third party customers of Hebei Lizhong are charged similar interest rates on overdue amounts.

In FY2003, Hebei Lizhong temporarily suspended the aforesaid late payment charges for all its customers (including the Lizhong Wheel Group) due to a review of its credit policy. As at the Latest Practicable Date, the suspension is still in force. Hebei Lizhong may resume the late payment charge policy in its dealings with its customers (including the Lizhong Wheel Group) in the future.

Transactions between the Lizhong Wheel Group and Meilu Alloy

Meilu Alloy, a company incorporated in the PRC, is principally engaged in the manufacture and processing of aluminium alloy products (including molten aluminium alloy). Meilu Alloy is 50% owned by Tianjin Lizhong Alloy, 45% owned by four individuals namely Mr Zang Liguang (7.5%), Ms Zang Na (15%), Mr Zang Yongjian (15%) and Mr Zang Yongyi (7.5%), and the remaining 5% is owned by Ms Zhu Yanrong (5%) who is an unrelated third party. The Company's Executive Chairman, Mr Zang Ligen, is the chairman of Meilu Alloy.

(a) **Lease agreement**

Qinhuangdao Dicamry entered into a lease agreement dated 23 October 2003 with Meilu Alloy (supplemented by a supplemental agreement dated 1 March 2005) to rent the land, factory and common facilities situated at No. 15 North Jinshan Road, Qinhuangdao Economic and Technological Development Zone, PRC for a term of 10 years from 1 September 2003 to 31 August 2013. The said new lease was renewed on 1 August 2013, as approved by the Audit Committee and the term is from 1 August 2013 to 31 July 2023. The monthly rental for the land is approximately RMB61,684.08 while the monthly rental for the factory and common facilities is approximately RMB37,539.34.

The rental payable under the lease agreement is based on the rental valuation set out in a valuation report dated 1 August 2013 by an independent professional valuer.

(b) **Supply of molten aluminium alloy by Meilu Alloy**

Meilu Alloy has been supplying A356.2 molten aluminium alloy to Qinhuangdao Dicamry. Meilu Alloy, which is located adjacent to Qinhuangdao Dicamry, is currently the sole supplier of A356.2 molten aluminium alloy to Qinhuangdao Dicamry.

(c) **Processing and recycling of rejects and scraps by Meilu Alloy**

Meilu Alloy has been recycling rejects and scraps (such as aluminium alloy chips) provided by Qinhuangdao Dicamry into molten aluminium alloy for Qinhuangdao Dicamry for a processing fee. Meilu Alloy is currently the sole provider of such recycling services to Qinhuangdao Dicamry. Meilu Alloy currently provides such services only to the Lizhong Wheel Group and to no other third parties.

(d) **Supply of water and electricity**

Pursuant to an agreement dated 13 November 2002 entered into between Meilu Alloy and Qinhuangdao Dicamry, Meilu Alloy undertakes that it will, during the operation period of Qinhuangdao Dicamry, procure the supply of water and electricity for the office and production premises leased by Qinhuangdao Dicamry from Meilu Alloy.

The amount paid to Meilu Alloy is in accordance with usage and the rates charged by the utility providers.

Transactions between the Lizhong Wheel Group and Hebei Sitong

Hebei Sitong, a company incorporated in the PRC, is principally engaged in the processing of scrap aluminium alloy into reusable aluminium alloy ingots. Hebei Sitong is owned by the following ten persons and one unrelated third party, namely:

	Name	Interested Person Relationship	Shareholdings (%)
1.	Mr Zang Ligu	Executive Director	3.31%
2.	Mr Zang Yonghe	Son of Mr Zang Ligu	9.90%
3.	Mr Zang Yongyi	Son of Mr Zang Ligu	9.90%
4.	Ms Zang Jie Aixin	Daughter of Mr Zang Ligu	9.90%
5.	Mr Zang Yongxing	Son of Mr Zang Ligen	15.84%
6.	Ms Zang Na	Daughter of Mr Zang Ligen	14.85%
7.	Ms Liu Xia	Wife of Mr Zang Ligen	2.31%
8.	Ms Chen Qinghui	Wife of Mr Zang Lizhong	3.3%
9.	Mr Zang Yongjian	Son of Mr Zang Lizhong	14.85%
10.	Ms Zang Yakun	Daughter of Mr Zang Lizhong	14.85%
11.	Beijing Hejia Ruixing Investment Co., Ltd,	Unrelated third party	0.99%

The Company's Executive Director, Mr Zang Ligu, is the chairman of Hebei Sitong.

(a) **Sale of scraps to Hebei Sitong**

The Lizhong Wheel Group has been selling scraps (such as aluminium alloy chips) to Hebei Sitong.

(b) **Processing and recycling of aluminium chips by Hebei Sitong**

Hebei Sitong has been recycling rejects and scraps (such as aluminium alloy chips) provided by Baoding Wheel into aluminium alloy for Baoding Wheel for a processing fee.

(c) **Purchase of auxiliary materials**

Baoding Wheel purchases auxiliary materials such as aluminium, titanium, boron, strontium, magnesium and refining flux from Hebei Sitong.

Transactions between the Lizhong Wheel Group and Tianjin Lizhong Alloy

Tianjin Dicastal, a company incorporated in the PRC, is engaged in the business of manufacturing and sale of cast and forged blank pieces, aluminium alloy wheel and relevant parts used for automobiles, and provision of relevant technology consultation and services. The Company owns 15% of the shareholdings in Tianjin Dicastal and Tianjin Lizhong, a wholly-owned subsidiary of the Company, owns 75% of Tianjin Dicastal. Another shareholder of Tianjin Dicastal is CITIC Dicastal Co. Ltd (10%) which is an unrelated third party. The Company's Executive Directors, Mr Zang Ligen, Mr Zang Lizhong and Mr Zang Ligu are directors of Tianjin Dicastal.

Tianjin Lizhong, a company incorporated in the PRC, is engaged in the business of manufacturing and sale of cast and forged blank pieces, aluminium alloy wheel and relevant parts used for automobiles and motorcycles, and provision of relevant technology consultation and services. The Company owns 100% of the shareholdings in Tianjin Lizhong. The Company's Executive Directors, Mr Zang Ligen, Mr Zang Lizhong and Mr Zang Ligu are directors of Tianjin Lizhong.

Tianjin Lizhong Alloy, a company incorporated in the PRC, is principally engaged in the business of manufacturing and processing of aluminium alloy and processing and recycling of aluminium alloy chips for the Company, Tianjin Dicastal and Tianjin Lizhong. Tianjin Lizhong Alloy is 25% owned by ETALS. The immediate family members of the Company's Executive Directors, namely Mr Zang Yongxing, Mr Zang Yonghe and Ms Zang Yakun, each has direct interests of 16.34%, Zang Yongjian and Ms Zang Na each has direct interest of 8.66%, and Mr Zang Yongyi and Ms Zang Jie Aixin have direct interest of 3.32% and 5.34% respectively in Tianjin Lizhong Alloy. ETALS is 100% owned by Madam Liu Xia, Mr Zang Ligen's wife. Mr Zang Ligen, the Executive Chairman of the Company, is the chairman of Tianjin Lizhong Alloy.

Tianjin Nano is a foreign joint venture company incorporated in the PRC. The shareholders of Tianjin Nano are Tianjin Lizhong and Korean HBE Corporation in the proportion of 68.8% and 31.2% respectively. The Company's Executive Directors, Mr Zang Ligen and Mr Zang Liguang are directors of Tianjin Nano.

(e) **Purchases of aluminium alloy ingots, molten aluminium alloy and auxiliary raw materials**

Tianjin Dicastal, Tianjin Lizhong and Tianjin Nano purchase aluminium alloy ingots, molten aluminium alloy and auxiliary raw materials from Tianjin Lizhong Alloy.

(f) **Procurement of recycling services relating to processing of rejects and scraps (such as aluminium alloy chips)**

Tianjin Lizhong Alloy recycles rejects and scraps (such as aluminium alloy chips) provided by Tianjin Dicastal, Tianjin Lizhong and Tianjin Nano into molten aluminium alloy for Tianjin Dicastal for a processing fee. Tianjin Lizhong Alloy provides such services only to the Lizhong Wheel Group and to no other third parties.

Transaction between the Lizhong Wheel Group and Lizhong Automotive North America LLC

Lizhong Automotive North America LLC ("**Lizhong North America**"), a company incorporated in Detroit, United States of America, is principally engaged in providing wheel sales and warehousing related services. Lizhong North America is fully owned by Mr Zang Ligen's son, Mr Zang Yongxing.

Baoding Wheel, a fully owned subsidiary of Lizhong Wheel Group, and New Thai Wheel, a subsidiary which is 99.97% owned by Lizhong Wheel Group, supply alloy wheels to Hyundai Motor Manufacturing Alabama LLC and Kia Motors Manufacturing Georgia Inc through Lizhong North America as required by these customers. Payment is also made through Lizhong North America. Lizhong North America charges only a management fee based on market rates.

In addition, Lizhong North America also provides sales agency services to Baoding Wheel, New Thai Wheel and Tianjin Lizhong, a wholly-owned subsidiary of the Company, for the supply of alloy wheels by the aforementioned companies to Chrysler, Nissan and Ford in North America. As required by these customers, Lizhong North America liaises on behalf of Baoding Wheel, New Thai Wheel and Tianjin Lizhong with these customers on the day-to-day matters between the parties, including without limitation, providing information relating to product quality and responding to the urgent requests and demands of these customers.

Lizhong North America earns a commission based on market rates for the sales agency services provided to Baoding Wheel, New Thai Wheel and Tianjin Lizhong.

3.4 Rationale for and Benefits of the IPT Mandate

The Interested Person Transactions entered into by the Lizhong Wheel Group in its ordinary course of business are necessary for its day-to-day operations. They are recurring transactions, which are likely to occur with some degree of frequency and arise at any time and from time to time.

The Lizhong Wheel Group has established good co-operative relationships with Hebei Lizhong, Meilu Alloy, Hebei Sitong, Tianjin Lizhong Alloy, Baoding Anbaoneng and Lizhong North America. These parties have been able to meet the Lizhong Wheel Group's quality standards and delivery requirements with regard to the supply of raw materials, equipment and other processing, maintenance and sales services. In addition, there are no other suppliers of aluminium alloy and recycling services in the vicinity which can meet the Lizhong Wheel Group's requirements. It is also more economical for the Lizhong Wheel Group to engage the Interested Persons to undertake the processing of aluminium ingots into aluminium alloy ingots and molten aluminium alloy than for the Lizhong Wheel Group to undertake these processing functions in-house. The rental arrangements with the Interested Persons have allowed Lizhong Wheel Group to enjoy the benefits from the use of land, properties and equipment without having to incur substantial upfront capital expenditure. The purchase of auxiliary raw materials from the Interested Persons would provide the Lizhong Wheel Group with an additional source of supply and it expects to benefit from having access to competitive quotations from the Interested Persons in addition to obtaining quotations from unrelated third parties. The appointment of Lizhong North America as agent is to comply with the requirements of the customers. The Directors believe that the Lizhong Wheel Group will be able to derive benefits from the expected cost efficiencies arising from the well-established working relationships between the Lizhong Wheel Group and its Interested Persons.

The IPT Mandate and the renewal of the IPT Mandate on an annual basis will eliminate the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential Interested Person Transactions arise, thereby reducing substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities.

The IPT Mandate is intended to facilitate transactions in the normal course of business which are transacted from time to time with the Interested Persons, provided that they are carried out on normal commercial terms and are not prejudicial to the interests of the Lizhong Wheel Group and minority Shareholders.

4. GUIDELINES AND REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS UNDER THE IPT MANDATE

The Lizhong Wheel Group has put in place the following review procedures to ensure that the Interested Person Transactions are conducted at an arm's length and on normal commercial terms:

Determination of transaction prices

Rental of properties

For any review or renewal of the leases in relation to properties, the rental payable to Interested Persons shall be based on valuation reports from independent professional valuers, and subject to the approval of the Audit Committee.

Purchase of equipment and maintenance services

When purchasing equipment from Interested Persons, the Lizhong Wheel Group shall obtain at least two quotations from unrelated third party suppliers for comparison. In determining the most competitive price, all pertinent factors, including but not limited to quality, delivery time, track record, after-care services and payment terms shall be taken into consideration. Where the Lizhong Wheel Group is unable to obtain quotations from unrelated third parties, it shall take into account recent comparable transactions with unrelated third parties in arriving at the terms with the Interested Persons. Credit terms granted to it shall not be less favourable than those offered by the unrelated party suppliers or those granted by the Interested Persons to its other unrelated customers, as the case may be.

Purchase of aluminium alloy ingots

When purchasing aluminium alloy ingots from Interested Persons, the purchase price shall be based on the average daily transaction prices for the relevant month of the A00 aluminium on the Shanghai Changjiang Spot Aluminium Market and the A000 aluminium on the Shanghai Huatong Spot Metals Market as provided by Beijing Antaike Information Development Co. Ltd (or other similar independent information suppliers of non-ferrous metal prices in the PRC) and an appropriate processing fee. In determining the reasonableness of the processing fee, the Lizhong Wheel Group shall compare the processing fee quoted by the Interested Person with those of two recent comparable transactions between the Interested Person and its other unrelated customers, and such processing fee shall be comparable to but not higher than the fees paid by these customers. The Lizhong Wheel Group shall obtain from the Interested Person copies of agreements or invoices or any other relevant documents in respect of the transactions between the Interested Person and its two other unrelated customers for verification. Credit terms granted to the Lizhong Wheel Group shall not be less favourable than those granted by the Interested Person to its other unrelated customers.

Purchase of molten aluminium alloy

When purchasing molten aluminium alloy from Interested Persons, the purchase price shall be based on the average daily transaction prices for the relevant month of the A00 aluminium on the Shanghai Changjiang Spot Aluminium Market and the A000 aluminium on the Shanghai Huatong Spot Metals Market as provided by Beijing Antaike Information Development Co. Ltd (or other similar independent information suppliers of non-ferrous metal prices in the PRC) and an appropriate processing fee. In determining the reasonableness of the processing fee, the Lizhong Wheel Group shall take into consideration the processing fees recently charged by the Interested Person to two other unrelated customers for the processing of aluminium ingots into aluminium alloy as well as the costs the Lizhong Wheel Group would have incurred if it were to undertake the processing of aluminium alloy ingots into molten aluminium alloy itself. The Lizhong Wheel Group shall obtain from the Interested Person copies of agreements or invoices or any other relevant documents in respect of the transactions between the Interested Person and its two other unrelated customers for verification. Credit terms granted to the Lizhong Wheel Group shall not be less favourable than those granted by the Interested Person to its other unrelated customers for the sale of aluminium alloy ingots.

Purchase of auxiliary raw materials

When purchasing auxiliary raw materials from Interested Persons, the Lizhong Wheel Group shall obtain at least two quotations from unrelated third party suppliers for comparison. In determining the most competitive price, all pertinent factors, including but not limited to quality, delivery time, track record and payment terms shall be taken into consideration. Where the Lizhong Wheel Group is unable to obtain quotations from unrelated third parties, it shall take into account recent comparable transactions with unrelated third parties in arriving at the terms with the Interested Persons. Credit terms granted to it shall not be less favourable than those offered by the unrelated party suppliers or those granted by the Interested Persons to its other unrelated customers, as the case may be.

Procurement of recycling services

When procuring services relating to the recycling of rejects and scraps (such as aluminium alloy chips) from Interested Persons, the Lizhong Wheel Group shall compare the fees for such services with the prevailing costs of purchasing aluminium alloy ingots or molten aluminium alloy (whichever is applicable) and after deducting the proceeds it would have been able to obtain from the sale of the rejects and scraps in the market. The recycling fee shall be comparable to but not higher than the prevailing price of purchasing aluminium alloy ingots or molten aluminium alloy (whichever is applicable) and after deducting the proceeds it would have been able to obtain from the sale of the rejects and scraps in the market. Credit terms granted to the Lizhong Wheel Group shall not be less favourable than those granted by Hebei Lizhong and Meilu Alloy to their other unrelated customers for the sale of aluminium alloy ingots.

Sale of wheels

When selling wheels to Interested Persons, the Lizhong Wheel Group shall compare the terms offered by it to the Interested Person with the terms of two recent comparable transactions between it and its other unrelated third party distributors. The price charged by the Lizhong Wheel Group shall be comparable to but not lower than the prices paid by these distributors. Credit terms granted by the Lizhong Wheel Group shall not be more favourable than those granted by it to its other unrelated third party distributors.

Sale of scraps to Interested Persons

When selling scraps to Interested Persons, the Lizhong Wheel Group shall obtain at least two quotations from unrelated third party purchasers for comparison. In determining the most competitive quote, all pertinent factors, such as the credit worthiness of the purchasers, shall be taken into consideration.

Procurement of water and electricity

When procuring water and electricity from Interested Persons, the Lizhong Wheel Group shall ensure that the payments for such utilities will be based on its actual utilisation and at prices charged by third party suppliers to the Interested Persons.

Procurement of sale agency services

When procuring sale agency services from Interested Persons, Baoding Wheel, New Thai Wheel and Tianjin Lizhong shall take into account current market conditions and comparable transactions with unrelated third parties in determining the fees or commission of the Interested Person. The management fee and commission charged by Lizhong North America shall be comparable to but not higher than the prevailing market rates.

Approval limits

Save for the purchases of aluminium alloy ingots and molten aluminium alloy where prices are only determined at the end of the relevant month, Interested Person Transactions shall be categorised and monitored as follows:

- (i) all Interested Person Transactions shall be approved by the Group Chief Financial Officer and a Director ("**Approving Director**") prior to entry. The Group Chief Financial Officer and Approving Director shall be persons who are not related to the Interested Persons. Mr Zhao Qinghua is currently designated as the Approving Director; and
- (ii) for Interested Person Transactions where the value thereof amounts to 5% or more of the latest audited NTA of the Lizhong Wheel Group, the approval of the Audit Committee shall be obtained prior to entering into the transaction. Where an Audit Committee member has an interest (directly or indirectly) in the transaction, he shall abstain from participating in the review of the transaction.

Identification and recording of Interested Person Transactions

- (i) The Group Chief Financial Officer shall maintain a list of the Company's Directors and Controlling Shareholders, and disclose the list to relevant personnel (such as those in charge of sale and procurement functions and other key executives) to enable identification of Interested Persons. This master list is to be updated immediately if there are any changes, and circulated to the Company's internal auditor and the aforementioned relevant personnel upon the occurrence of any such changes. The Company's internal auditor will review all Interested Persons Transactions on a regular basis. In addition, the master list of interested persons shall be reviewed on an annual basis by the Audit Committee.
- (ii) The Group Chief Financial Officer shall obtain signed letters of confirmation from CEO, Controlling Shareholders and the Company's Directors on an annual basis as to their interests in any transaction, whether direct or indirect, with the Lizhong Wheel Group.

- (iii) The Group Chief Financial Officer shall maintain a register of all Interested Person Transactions which will document details, including the bases on which the transactions were entered into, the quotations obtained to support such bases, the rationale for the transactions as well as the credit terms and actual payment periods applicable to the transactions, for review by the Audit Committee.

Other review procedures

- (i) The Group Chief Financial Officer shall review the transaction prices (in particular, the processing fee) in connection with the purchases of aluminium alloy ingots and molten aluminium alloy from Interested Persons on a monthly basis.
- (ii) The Group's annual internal audit plan shall incorporate a review of all Interested Person Transactions entered into during the current financial year pursuant to the IPT Mandate.
- (iii) The Audit Committee shall review all Interested Person Transactions, at least on a quarterly basis, to ensure that they are carried out on normal commercial terms and in accordance with the procedures outlined above. All relevant non-quantitative factors will also be taken into account. Such review includes the examination of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee. The Audit Committee shall, when it deems fit, have the right to require the appointment of independent sources, advisers or valuers to provide additional information pertaining to the transaction under review.

In the event that a member of the Audit Committee is interested in any Interested Person Transactions, he shall abstain from participating in the review of that particular transaction.

- (iv) A fresh mandate incorporating new guidelines and review procedures shall be sought from Shareholders if the periodic reviews by the Audit Committee show that the existing guidelines and procedures under the IPT Mandate have become inappropriate and are no longer sufficient to ensure that the Interested Person Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Lizhong Wheel Group and minority Shareholders. All Interested Person Transactions shall be reviewed and approved by the Audit Committee prior to entry while a fresh mandate is being sought from Shareholders.
- (v) The Group shall, in its annual report, disclose the aggregate value of the Interested Person Transactions entered into pursuant to the IPT Mandate during the current financial year, and in the annual reports for the subsequent financial years during which a IPT Mandate is in force, in accordance with the requirements of Chapter 9 of the Listing Manual.
- (vi) The Group shall announce the aggregate value of Interested Person Transactions entered into pursuant to the IPT Mandate for the financial periods which it is required to report on pursuant to Rule 705 of the Listing Manual and within the stipulated time frame for such announcements.

In accordance with Rule 920(1)(b)(viii) of the Listing Manual, Interested Persons and their Associates shall abstain from voting on resolutions approving Interested Person Transactions involving themselves and the Lizhong Wheel Group. Furthermore, such Interested Persons shall not act as proxies in relation to such resolutions unless voting instructions have been given by the Shareholder.

In addition, the Company's Board of Directors will also ensure that all disclosure, approval and other requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and relevant accounting standards, are complied with. The Audit Committee will also endeavour to comply with the recommendations set out in the Code of Corporate Governance issued by the Corporate Governance Committee.

5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The details of the Directors' and substantial Shareholders' interests in the shares of the Company (the "Shares") as at the date of this Letter are set out below:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors						
Zang Ligen	2,646,600	1.13	–	–	2,646,600	1.13
Zang Lizhong	–	–	–	–	–	–
Zang Ligu ⁽¹⁾	–	–	150,956,250	64.23	150,956,250	64.23
Zhao Qinghua	1,250,250	0.53	–	–	1,250,250	0.53
Ong Tiew Siam	–	–	–	–	–	–
Chua Hung Meng	–	–	–	–	–	–
Substantial Shareholder (other than Directors)						
Li Zhong Investment Ltd ⁽²⁾	0	0	150,956,250 ⁽²⁾	64.23	150,956,250	64.23

Notes:

- (1) Zang Ligu holds 23.3% shareholdings in the issued and paid-up share capital of Li Zhong Investment Ltd. Accordingly, he is deemed interested in the interests of Li Zhong Investment Ltd. in the Company.
- (2) Charged to Bangkok Bank Public Company Limited to secure the Company's obligation under a loan facility..

Save as disclosed above, the substantial Shareholders and the Directors do not have any interest, whether direct or indirect, in the IPT Mandate.

6. AUDIT COMMITTEE'S STATEMENT

The Audit Committee has reviewed the terms of the proposed IPT Mandate and is satisfied that the review procedures as set out above have not been changed since the IPT Mandate was obtained on 29 April 2013. The Audit Committee is also of the view that the review procedures for the IPT as well as the reviews to be made periodically by the Audit Committee in relation thereto, are adequate to ensure that the IPT will be transacted on an arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

If during the periodic reviews by the Audit Committee, it is of the view that the established guidelines and procedures are no longer appropriate or adequate to ensure that the IPT will be transacted on arm's length basis and on normal commercial terms and would not be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh mandate from Shareholders based on new guidelines and procedures.

7. DIRECTORS' RECOMMENDATION

Having fully considered the rationale set out in paragraph 3.4 of this Letter for the proposed renewal of the IPT Mandate, the Directors (except Mr Zang Ligen, Zang Ligu and Zang Lizhong who are deemed to be Interested Persons) believe that the IPT Mandate is in the interest of the Company and recommend that Shareholders vote in favour of Ordinary Resolution 7 as set out in the notice of the 2013 AGM.

The Independent Directors of the Company are of the opinion that the IPT Mandate is transacted on an arm's length basis and on normal commercial terms and would not be prejudicial to the interests of the Company and its minority Shareholders. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution 7 relating to the IPT Mandate as set out in the notice of the 2014 AGM.

As different Shareholders would have different investment objectives, it is recommended that any individual Shareholder who may require specific advice in relation to his Shares should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

8. ANNUAL GENERAL MEETING

The 2015 AGM, notice of which is set out in the Annual Report 2014 of the Company, will be held at Room 303, level 3, Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard Suntec City, Singapore 039593 on Wednesday, 29 April 2015 at 02:00 p.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the ordinary resolution relating to the renewal of the IPT Mandate at the 2015 AGM as set out in the notice of the 2015 AGM.

9. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the 2015 AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the Proxy Form attached to the notice of the 2015 AGM, in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Company's share registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not later than 48 hours before the time fixed for holding the 2015 AGM. Completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the 2015 AGM if he so wishes.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given herein and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the IPT Mandate and they are not aware of any facts the omission of which would make any statement in this Letter misleading.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Company, the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Letter.

11. SGX-ST DISCLAIMER

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Letter.

Yours faithfully
For and on behalf of
The Board of Directors of
LIZHONG WHEEL GROUP LTD.

Zang Ligen
Executive Chairman
13 April 2015

SCHEDULE

For the purposes of this Letter,

Definitions

“Associate”

- (a) in relation to any director, chief executive officer, substantial shareholder or Controlling Shareholder (being an individual) means:
 - (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and
- (b) in relation to a substantial shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

“Associated Company” means a company in which at least 20% but not more than 50% of its shares are held by the listed company or the group.

“Baoding Wheel” means: Baoding Lizhong Wheel Manufacturing Co., Ltd (保定市立中车轮制造有限公司).

“CEO” means the chief executive officer of the Company, currently Mr Zhang Jianliang.

“Controlling Shareholder” means a person who holds (directly or indirectly) 15% or more of the total issued shares in the listed company or one who in fact exercises control over the listed company.

“ETALS” means ETALS Investments Group Corporation.

“FY” means financial year ended 31 December.

“Hebei Lizhong” means Hebei Lizhong Nonferrous Metals Group Co., Ltd (河北立中有色金属集团有限公司)

“Interested Person” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or Controlling Shareholder.

“IPT” or **“Interested Person Transactions”** means transactions proposed to be entered into between the Group and its interested persons as defined under Chapter 9 of the SGX-ST Listing Manual.

“IPT Mandate” means the general mandate to be obtained from Shareholders at the general meetings pursuant to Chapter 9 of the SGX-ST Listing Manual that will permit the Group to enter into certain transactions specifically disclosed in this Letter.

“Lizhong Wheel Group” means Lizhong Wheel Group Ltd., its subsidiaries and associated companies.

“Meilu Alloy” means Qinhuangdao Development Zone Meilu Alloy Co., Ltd (秦皇岛开发区美铝合金有限公司)

“Qinhuangdao Dicamry” means Qinhuangdao Dicamry Wheel Co., Ltd (秦皇岛戴卡美铝车轮有限公司)

“RMB” means Renminbi.

“Hebei Sitong” means Hebei Sitong New Metal Material Co., Ltd (河北四通新型金属材料股份有限公司)

“Tianjin Dicastal” means Tianjin Dicastal Wheel Manufacturing Co Ltd.

“Tianjin Lizhong” means Tianjin Lizhong Wheel Co., Ltd.

“Tianjin Lizhong Alloy” means Tianjin Lizhong Alloy Group Co., Ltd.

“Tianjin Nano” means Tianjin Nano Machinery Manufacturing Co., Ltd.

“Lizhong North America” means Lizhong Automotive North America LLC.

“New Thai Wheel” means New Thai Wheel Manufacturing Co., Ltd.

“Baoding Anbaoneng” means Baoding Anbaoneng Metallurgical Equipment Co., Ltd.

“\$” or **“S\$”** and **“cents”** means Singapore dollars and cents respectively, unless otherwise stated.

“%” means per centum.