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北京汽车
BAIC MOTOR

北京汽車股份有限公司

BAIC MOTOR CORPORATION LIMITED*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1958)

SUPPLEMENTAL ANNOUNCEMENT
CONNECTED TRANSACTION IN RELATION TO THE CAPITAL
INCREASE TO NATIONAL INNOVATION CENTER

Reference is made to the announcement of BAIC Motor Corporation Limited (the “**Company**”) dated 24 December 2019 (the “**Announcement**”), in relation to the connected transaction on the capital increase to Beijing New Energy Vehicle Technology Innovation Center Co., Ltd. (“**National Innovation Center**”). Unless the context otherwise requires, capitalised terms used in this supplemental announcement shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, the subscription price at which the Company will subscribe for the additional registered capital of National Innovation Center is determined according to the asset valuation report issued by Pan-China Assets Appraisal Co., Ltd.* (北京天健興業資產評估有限公司) on 20 March 2019 with the valuation reference date being 31 July 2018 (the “**Asset Valuation Report**”). The Company would like to provide its shareholders and the public with the following additional information to further elaborate the factors that the Company has accounted for when considering the subscription price is fair and reasonable and in the interests of the Company and its shareholders as a whole, the future development of National Innovation Center and how the Company has accounted for them when expected that National Innovation Center is profitable in the future and it is fair and reasonable to take part in the Capital Increase.

In accordance with the requirements of relevant laws and regulations in the PRC that applicable to the transfer of state-owned assets, the subscription price shall be determined based on the appraisal value filed with the regulatory authority. When considering whether to accept the subscription price of the Capital Increase, the Company has taken into account the following factors:

- i. In accordance with the Asset Valuation Report, National Innovation Center has the net assets with an appraised value of RMB164.2016 million as at the valuation reference date (31 July 2018). As disclosed in the Announcement, as at 30 September 2019, the unaudited book value of net assets of National Innovation Center was RMB114.8041 million.

The Company has taken into account the net asset value of National Innovation Center as at the valuation reference date (i.e. 31 July 2018) and 30 September 2019 respectively and noted the difference between such values which were mainly attributable to the ongoing operating costs, including research and development, administrative and staff expenses, incurred at an early stage of business operation and development of National Innovation Center. However the Company is of the view that such difference and the loss-making status of National Innovation Center are normal and acceptable given it is an early-stage company.

- ii. National Innovation Center is a comprehensive innovation platform aiming to develop and promote advanced and key technologies in new energy vehicles through three major business segments including research, development and promotion of new energy vehicle technologies, provision of industrial services and equity investment. The Company expects that National Innovation Center can get stable income from its business operations in the future.
- iii. As disclosed in the Announcement, the Company is promoting the new energy vehicle strategy and plans to focus on production of new energy vehicle products and implementation of new technologies in the future. The investment in National Innovation Center will enable the Company to involve in various business cooperation in relation to new energy vehicle technologies and have priority access to advanced industrial resources, and thus will improve the research and development ability of the Company.

When considering whether to accept the subscription price, the Company has noted the factor that the latest net asset value of National Innovation Center as shown in its management account is less than the appraisal value, but after taking into account other factors as listed in items ii. and iii. above, which, as the Company considered, is more important to determine the true value of National Innovation Center, the Company is of the view that the subscription price is still acceptable and is fair and reasonable and in the interest of the Company and its shareholders as a whole.

As mentioned above, the loss-making status of National Innovation Center was mainly attributable to the operating costs which is normal at an early stage of business operation and within the estimated range of the Company. In view of the high strategic positioning and rich industry resources of National Innovation Center, as an innovation research and development center at national level, the Company is optimistic about the profitability and performance of National Innovation Center in the future:

National Innovation Center is expected to generate revenue from (a) scientific research funds from research, development and promotion of new energy vehicle technologies, (b) service fees from provision of industrial services (lab services, testing services etc.) and (c) returns from equity investment.

- i. According to the latest business plan of National Innovation Center, it is expected that National Innovation Center will be engaged in more than three significant research and development projects in relation to new energy vehicle technologies at national and provisional levels and will obtain more than 10 industrial service engagements in 2020, which will generate a total revenue of more than RMB0.1 billion. In 2021, National Innovation Center is expected to be engaged in more than three significant research and development projects at national and provisional levels and obtain more than 15 industrial service engagements. It is expected to break even in 2022. As an innovation center at national level with its focus on national significant research and development projects, the service quality of National Innovation Center is highly recognised in the industry. The Company expects that National Innovation Center can get stable income from scientific research funds generated from research and development projects and service fees generated from provision of industrial services in the future.
- ii. National Innovation Center will also make selective investments in a wide variety of companies within the new energy vehicle industry so as to further access a wider variety of participants in the industry while maintaining its position at the forefront of science. The Company expects that the equity investments in cutting-edge companies will also provide National Innovation Center with favourable investment returns.

Base on the above, the Company is of view that although National Innovation Center is temporarily at a loss-making status in its early stage of business operation, it will make profit after 1-2 years and has an optimistic prospect, therefore the subscription price meets the Company's expectation of the profitability of National Innovation Center in the near future and it is still fair and reasonable to take part in the Capital Increase as far as the interests of the shareholders and the Company are concerned.

By order of the Board
BAIC Motor Corporation Limited
Wang Jianhui
Secretary to the Board and Company Secretary

Beijing, the PRC, 22 January 2020

As at the date of this announcement, the Board comprises Mr. Xu Heyi, as Chairman of the Board and non-executive Director; Ms. Shang Yuanxian and Mr. Yan Xiaolei, as non-executive Directors; Mr. Chen Hongliang, as executive Director; Mr. Xie Wei, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Harald Emil Wilhelm, Mr. Jin Wei and Mr. Lei Hai, as non-executive Directors; and Mr. Ge Songlin, Mr. Wong Lung Tak Patrick, Mr. Bao Robert Xiaochen, Mr. Zhao Fuquan and Mr. Liu Kaixiang, as independent non-executive Directors.

* *For identification purpose only*