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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)

**CONNECTED TRANSACTION IN RELATION TO
THE CAPITAL INCREASE TO BAIC FINANCE CO.**

The Board hereby announces that on 13 February 2020, BAIC Investment, a non wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with BAIC Finance Co., pursuant to which, BAIC Investment agreed to further contribute RMB500 million to the newly increased registered capital of BAIC Finance Co. (RMB2.5 billion in aggregate) based on its proportion in the registered capital of BAIC Finance Co. for the time being (i.e. 20%). Upon completion of the Capital Increase, the proportion of capital contribution by BAIC Investment to the registered capital (as increased) of BAIC Finance Co. will remain unchanged (i.e. 20%), representing a total capital contribution of RMB1 billion.

As at the date of this announcement, BAIC Group is the sole controlling shareholder of the Company and holds 42.63% of the total issued share capital of the Company, thus it is a connected person of the Company. BAIC Group holds 56% equity interests in BAIC Finance Co., thus BAIC Finance Co. is an associate of BAIC Group. Therefore, BAIC Finance Co. is also a connected person of the Company. Accordingly, the contribution by BAIC Investment, a non wholly-owned subsidiary of the Company, to the newly increased registered capital of BAIC Finance Co. constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

For the purpose of calculation of the size of transactions in accordance with relevant requirements of the Listing Rules, the Company has aggregated the Transaction and the transaction in relation to the capital increase to Beijing New Energy Vehicle Technology Innovation Center Co., Ltd. (北京新能源汽车技术创新中心有限公司) disclosed in the announcement of the Company dated 24 December 2019. As one or more of the applicable percentage ratios calculated after the aggregation is more than 0.1% but less than 5%, the Transaction is only subject to the reporting and announcement requirements, but exempted from dispatch of circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

INTRODUCTION

The Board hereby announces that on 13 February 2020, BAIC Investment, a non wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with BAIC Finance Co., pursuant to which, BAIC Investment agreed to further contribute RMB500 million to the newly increased registered capital of BAIC Finance Co. (RMB2.5 billion in aggregate) based on its proportion in the registered capital of BAIC Finance Co. for the time being (i.e. 20%). Upon completion of the Capital Increase, the proportion of capital contribution by BAIC Investment to the registered capital (as increased) of BAIC Finance Co. will remain unchanged (i.e. 20%), representing a total capital contribution of RMB1 billion.

CAPITAL INCREASE AGREEMENT

Principal terms of the Capital Increase Agreement are set out below:

- Parties:** Investor – BAIC Investment
Investee – BAIC Finance Co.
- Date:** 13 February 2020
- Effective Date:** The Capital Increase Agreement shall take effect on the date of being signed by the legal representatives or authorized representatives of the parties and chopped with official chops or special chops for contractual uses of the parties.
- Capital Increase:** The registered capital of BAIC Finance Co. is RMB2.5 billion for the time being, among which RMB500 million (20%) was contributed by BAIC Investment.
- BAIC Finance Co. proposes to increase its registered capital by RMB2.5 billion, among which RMB500 million will be contributed by BAIC Investment as agreed.
- Upon completion of the Capital Increase as well as the contributions by all the other shareholders of BAIC Finance Co. to the newly increased registered capital on a pro rata basis, the registered capital of BAIC Finance Co. will increase to RMB5 billion, among which an aggregate of RMB1 billion will be contributed by BAIC Investment, with the proportion of 20% unchanged.
- Payment Arrangements:** All the amount as agreed to be further contributed by BAIC Investment shall be paid in a lump sum to the designated account of BAIC Finance Co. within ten business days after obtaining the approval by Beijing Bureau of CBRC on the Capital Increase or no later than 29 February 2020 (whichever is later).
- Upon receipt of all the capital increase from its shareholders, BAIC Finance Co. shall complete all the relevant formalities of industrial and commercial registration of changes within 30 days, and provide feedback to BAIC Investment in time.

SHAREHOLDING STRUCTURE OF BAIC FINANCE CO. PRIOR TO AND UPON COMPLETION OF THE CAPITAL INCREASE

The capital contributions by respective shareholders of BAIC Finance Co. and their proportions in the registered capital of BAIC Finance Co. for the time being (prior to the Capital Increase) and upon completion of the contribution to the newly increased registered capital are set out as follows:

Name of Shareholders	Prior to the Capital Increase		Upon Completion of the Contribution to the Newly Increased Registered Capital	
	Contribution to the Registered Capital (RMB million)	Proportion (%)	Contribution to the Registered Capital (RMB million)	Proportion (%)
BAIC Group	1,400	56	2,800	56
BAIC Investment	500	20	1,000	20
Beiqi Foton Motor Co., Ltd.	350	14	700	14
Beijing Hainachuan Automotive Components Corporation Limited	250	10	500	10
Total	2,500	100	5,000	100

FINANCIAL INFORMATION OF BAIC FINANCE CO.

The table below sets forth the financial information of BAIC Finance Co. for the years ended 31 December 2017 and 2018 and for nine months ended 30 September 2019:

	For the year ended 31 December 2017/ As at 31 December 2017 (RMB million) (Audited)	For the year ended 31 December 2018/ As at 31 December 2018 (RMB million) (Audited)	For nine months ended 30 September 2019/ As at 30 September 2019 (RMB million) (Unaudited)
Net profit before taxation	452.52	455.93	232.34
Net profit after taxation	359.62	344.46	179.67
Net assets	2,176.92	3,330.55	3,504.44

REASONS FOR AND BENEFITS OF THE TRANSACTION

Since its establishment, BAIC Finance Co. has been exerting its functions mainly in, among others, strengthening the centralized fund management of the group, enhancing the group's capital usage efficiency and providing financial management services to its group members. With constant development, BAIC Finance Co. has developed into a diversified comprehensive financial services company and its business scope has been gradually expanded from basic banking business to include deposit of inter-bank loans and group members' loans, loans to distributors, consumer credit service, bill discounting, insurance agency business and financial consultancy.

In order to meet the current external development environment challenges faced by the Chinese automobile manufacturing industry, BAIC Group further deepened the "four modernization" transformation and reform, implemented customer-oriented and market-oriented action plans, and strived to improve the effectiveness of "broaden sources of income and reduce expenditure" through scale effects to achieve high quality development. Under the overall arrangement of the Group, BAIC Finance Co., as the core segment of BAIC Group's auto finance business, will formulate a development plan based on the previous operating conditions, and will put more resources into the financial and consumer credit businesses to support BAIC Group's vehicle sales. From the current point of view, the effectiveness of planning and implementation may be subject to regulatory requirements. According to relevant requirements of the Capital Rules for Commercial Banks (Provisional) issued by the CBRC, the capital adequacy ratio must not be lower than 10.5%.

In recent years, with the accelerated development of the business of BAIC Finance Co., the scale of on-balance facilities and off-balance bills has increased rapidly. The capital adequacy ratio declined to 11.64% by the end of 2019. If there is no capital increase in 2020, the capital adequacy ratio will approach the regulatory warning line of 10.5% by the end of 2020.

Upon the Capital Increase by BAIC Investment to BAIC Finance Co., it will be a great support to BAIC Finance Co. to further expand its business scale and business scope as well as promote its continuous and rapid development. With the return on investment being obtained, the expansion of BAIC Finance Co. in automobile financial business field will contribute to the sale of proprietary brands so as to maximize the Shareholders' interests.

LISTING RULES IMPLICATIONS

As at the date of this announcement, BAIC Group is the sole controlling shareholder of the Company and holds 42.63% of the total issued share capital of the Company, thus it is a connected person of the Company. BAIC Group holds 56% equity interests in BAIC Finance Co., thus BAIC Finance Co. is an associate of BAIC Group. Therefore, BAIC Finance Co. is also a connected person of the Company. Accordingly, the contribution by BAIC Investment, a non wholly-owned subsidiary of the Company, to the newly increased registered capital of BAIC Finance Co. constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

For the purpose of calculation of the size of transactions in accordance with relevant requirements of the Listing Rules, the Company has aggregated the Transaction and the transaction in relation to the capital increase to Beijing New Energy Vehicle Technology Innovation Center Co., Ltd. disclosed in the announcement of the Company dated 24 December 2019. As one or more of the applicable percentage ratios calculated after the aggregation is more than 0.1% but less than 5%, the Transaction is only subject to the reporting and announcement requirements, but exempted from dispatch of circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

OPINION OF THE DIRECTORS

The Directors of the Company (including the independent non-executive Directors) considered that (i) the terms and conditions of the Transaction are fair and reasonable; (ii) the Transaction is on normal commercial terms; and (iii) the Transaction is in the interests of the Company and its Shareholders as a whole.

At the meeting of the Board where the Transaction was considered, since Mr. Xu Heyi, Ms. Shang Yuanxian, Mr. Yan Xiaolei and Mr. Xie Wei, all being the Directors of the Company, also hold office in BAIC Group or its subsidiaries, they were deemed to have material interests in the Transaction and have abstained from voting on the resolution in relation to the Transaction. Save for the above persons, none of the other Directors has any interest in the Transaction.

GENERAL INFORMATION

Information on BAIC Investment

BAIC Investment was established in 2002 with a registered capital of RMB3.5 billion, and is a non wholly-owned subsidiary owned as to 97.95% by the Company. BAIC Investment mainly engages in businesses including sale of vehicles and spare parts, investment and management, investment consultancy, technology development, technology consultancy, technology services and information consultancy regarding automobile and related industries.

Information on BAIC Finance Co.

BAIC Finance Co. is a non-banking financial institution incorporated in November 2011 in the PRC with the approval of the CBRC, which is subject to the Administrative Measures on Financial Companies of Group Enterprises (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by the People's Bank of China and CBRC. The main scope of business of BAIC Finance Co. includes: providing financial and financing consultancy, credit certification and related consultancy and agency services; assisting with settlement; conducting approved insurance agency business; providing guarantees; processing entrusted loans; providing bill acceptance and discount; processing the settlement of internal transfers between accounts and formulating plans for relevant settlement and clearing; taking deposits; processing loans and finance leasing; conducting inter-borrowings; underwriting corporate bonds of its members; providing consumption loans for products of its members, loans to purchasers and finance leasing; and investing in fix income securities. As at the date of this announcement, the registered capital of BAIC Finance Co. is RMB2.5 billion, which is owned as to 56% by BAIC Group, as to 20% by BAIC Investment, as to 14% by Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司) and as to 10% by Beijing Hainachuan Automobile Components Corporation Limited (北京海納川汽車部件股份有限公司). The ultimate beneficial owner of BAIC Finance Co. is the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BAIC Finance Co.”	BAIC Group Finance Co., Ltd. (北京汽車集團財務有限公司), a non-banking financial institution incorporated in the PRC, and a subsidiary of BAIC Group, the controlling shareholder of the Company
“BAIC Group”	Beijing Automotive Group Co., Ltd. (北京汽車集團有限公司), a state-owned enterprise incorporated in the PRC, and the sole controlling shareholder of the Company
“BAIC Investment”	BAIC Investment Co., Ltd. (北京汽車投資有限公司), a limited liability company incorporated in the PRC, and a non wholly-owned subsidiary owned as to 97.95% by the Company
“Board”	the board of directors of the Company
“Capital Increase”	the further contribution of RMB500 million by BAIC Investment to the newly increased registered capital of BAIC Finance Co. (RMB2.5 billion in aggregate) based on its proportion in the registered capital of BAIC Finance Co. for the time being (i.e. 20%)
“Capital Increase Agreement”	the Agreement on Capital Increase in BAIC Group Finance Co., Ltd. dated 13 February 2020 entered into between BAIC Investment and BAIC Finance Co. in respect of the contribution by BAIC Investment to the newly increased registered capital of BAIC Finance Co.
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會), which was merged with China Insurance Regulatory Commission (中國保險業監督管理委員會) and formed China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No. 6) issued by the State Council on 24 March 2018
“Company”	BAIC Motor Corporation Ltd. (北京汽車股份有限公司), a company limited by shares duly incorporated and validly existing under the laws of the PRC, whose H shares are listed on the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Transaction”	the transaction entered into by BAIC Investment and BAIC Finance Co. under the Capital Increase Agreement
“%”	percentage

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

Beijing, the PRC, 13 February 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*