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If you are in doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in BAIC Motor Corporation Limited, you should at once hand this circular and the accompanying proxy form to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).



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)

**REPORT OF THE BOARD OF DIRECTORS FOR 2021
REPORT OF THE BOARD OF SUPERVISORS FOR 2021
FINANCIAL REPORT FOR 2021
PROFITS DISTRIBUTION AND DIVIDENDS DISTRIBUTION PLAN FOR 2021
RE-APPOINTMENT OF INTERNATIONAL AUDITOR AND
DOMESTIC AUDITOR FOR 2022
PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR AND EXECUTIVE
DIRECTOR
MAJOR AND CONTINUING CONNECTED TRANSACTIONS –
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH BAIC GROUP
GENERAL MANDATE FOR THE ISSUANCE OF
DEBT FINANCING INSTRUMENTS
GENERAL MANDATE FOR THE ISSUANCE OF SHARES
GENERAL MANDATE FOR THE REPURCHASE OF SHARES
NOTICE OF 2021 ANNUAL GENERAL MEETING
NOTICE OF 2022 FIRST DOMESTIC SHAREHOLDERS CLASS MEETING
AND
NOTICE OF 2022 FIRST H SHAREHOLDERS CLASS MEETING**

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



Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 6 to 48 of this circular.

The notices of the AGM and Shareholders Class Meetings to be held at 9:30 a.m. on Tuesday, 28 June 2022 at Multi-purpose Hall, 1st Floor, the South Tower of Beijing Automotive Industry Research and Development Base, No. 99 Shuanghe Street, Shunyi District, Beijing, the PRC are set out on pages 83 to 89 of this circular. The forms of proxy for use at the AGM and Shareholders Class Meetings are also enclosed. Such forms of proxy are also published on the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company.

Whether or not you intend to attend the AGM and/or the Shareholders Class Meetings, holders of H Shares of the Company are requested to complete the enclosed form of proxy in accordance with the instruction printed thereon and return it to the Hong Kong Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and for holders of Domestic Shares, the form of proxy shall be returned to the Board of Directors' Office of the Company at Room 5-054, Tower A, Beijing Automotive Industry Research and Development Base, No. 99 Shuanghe Street, Shunyi District, Beijing, the PRC. The enclosed form of proxy shall be returned not later than 24 hours before the time appointed for holding the AGM and Shareholders Class Meetings or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person should you so wish at the AGM, the Shareholders Class Meetings or any adjournment thereof if they so wish.

Reminder in relation to pandemic prevention and control: In view of the continuing risks of the COVID-19 outbreak, the Company will closely monitor the epidemic conditions and take appropriate precautionary measures in accordance with the relevant requirements on the epidemic prevention and control in Beijing. The Company particularly reminds its shareholders and participants who intend to attend the AGM and the Shareholders Class Meetings to continue to pay attention to the latest development of the epidemic, adopt proper personal prevention measures and comply with the requirements on the epidemic prevention and control (including the relevant requirements on the epidemic prevention and control in Beijing) for their health and safety.

* For identification purpose only

27 May 2022

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company for the year 2021 to be convened and held
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BAIC Finance”	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, the sole controlling shareholder of the Company
“Beijing Benz”	Beijing Benz Automotive Co., Ltd. (previously known as Beijing Jeep Motor Co., Ltd. and Beijing Benz-Daimler Chrysler Automotive Co., Ltd.), a non-wholly owned subsidiary of the Company with 51.0% equity interest owned by the Company, and the remaining 49.0% equity interest directly and indirectly owned by Mercedes-Benz AG
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission
“CCT Announcements”	the announcements of the Company dated 27 April 2022 and 26 May 2022
“Company”	BAIC Motor Corporation Limited* (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

DEFINITIONS

“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary shares in the Company’s share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Domestic Shareholders Class Meeting”	the first domestic shareholders class meeting to be convened and held by the Company in 2022
“Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and BAIC Finance on 2 December 2014 and subsequently renewed by the parties on 20 October 2016 and 27 March 2019, which was further renewed on 27 April 2022 for another term of three years expiring on 31 December 2025
“General Mandate for the Issuance of Shares”	the general mandate granted to the Board to, independently or simultaneously, allot, issue and deal with the new shares that shall not exceed 20% of Domestic Shares and/or overseas listed foreign invested shares (H Shares) of the Company respectively as at the date of the passing of relevant resolution, and make corresponding amendments to the Articles of Association as it thinks fit for allotment, issuance of and dealing with such shares
“General Mandate for the Repurchase of Shares”	the general mandate granted to the Board to, independently or simultaneously, repurchase Shares that shall not exceed 10% of Domestic Shares and/or overseas listed foreign invested shares (H Shares) of the Company respectively as at the date of the passing of relevant resolution, and make corresponding amendments to the Articles of Association as it thinks fit for repurchasing and dealing with such shares

DEFINITIONS

“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), who has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the (i) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions of continuing connected transactions contemplated thereunder; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; and (iii) renewal of the Financial Services Framework Agreement and the annual caps for maximum daily balance of deposits placed by the Group with BAIC Finance thereunder, for the three financial years ending 31 December 2025
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, to be subscribed for and traded in Hong Kong Dollars and listed and traded on the Hong Kong Stock Exchange
“H Shareholders Class Meeting”	the first H shareholders class meeting to be convened and held by the Company in 2022

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Ge Songlin, Ms. Yin Yuanping, Mr. Xu Xiangyang, Mr. Tang Jun and Mr. Edmund Sit, which was established to advise the Independent Shareholders in relation to the (i) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions of continuing connected transactions contemplated thereunder; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; and (iii) renewal of the Financial Services Framework Agreement and the proposed annual caps for maximum daily balance of deposits placed by the Group with BAIC Finance thereunder, for the three financial years ending 31 December 2025
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolution to be proposed at the 2021 annual general meeting of the Company in relation to the (i) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions of continuing connected transactions contemplated thereunder; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; and (iii) renewal of the Financial Services Framework Agreement and the maximum daily balance of deposits placed by the Group with BAIC Finance thereunder, for the three financial years ending 31 December 2025
“Latest Practicable Date”	20 May 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“PBOC”	The People’s Bank of China, the central bank of the PRC

DEFINITIONS

“Products and Services Purchasing Framework Agreement”	the products and services purchasing framework agreement entered into between the Company and BAIC Group on 2 December 2014 and subsequently renewed by the parties on 20 October 2016 and 27 March 2019 respectively, which was further renewed on 27 April 2022 for another term of three years expiring on 31 December 2025
“Provision of Products and Services Framework Agreement”	the provision of products and services framework agreement entered into between the Company and BAIC Group on 2 December 2014 and subsequently renewed by the parties on 20 October 2016 and 27 March 2019 respectively, which was further renewed on 27 April 2022 for another term of three years expiring on 31 December 2025
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Shareholders Class Meetings”	the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting
“SSE”	the Shanghai Stock Exchange
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs, as amended from time to time
“%”	percent

LETTER FROM THE BOARD



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(Stock Code: 1958)

Directors:

Name

Position

Mr. Jiang Deyi	<i>Chairman of the Board and Non-executive Director</i>
Mr. Chen Hongliang	<i>Non-executive Director</i>
Mr. Hu Hanjun	<i>Non-executive Director</i>
Mr. Huang Wenbing	<i>Executive Director</i>
Mr. Ye Qian	<i>Non-executive Director</i>
Mr. Hubertus Troska	<i>Non-executive Director</i>
Mr. Harald Emil Wilhelm	<i>Non-executive Director</i>
Mr. Gu Tiemin	<i>Non-executive Director</i>
Mr. Sun Li	<i>Non-executive Director</i>
Mr. Ge Songlin	<i>Independent non-executive Director</i>
Ms. Yin Yuanping	<i>Independent non-executive Director</i>
Mr. Xu Xiangyang	<i>Independent non-executive Director</i>
Mr. Tang Jun	<i>Independent non-executive Director</i>
Mr. Edmund Sit	<i>Independent non-executive Director</i>

Registered Address:

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Courtyard No. 99
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Beijing 101300
the PRC

Headquarter:

No. 99 Shuanghe Street
Shunyi District
Beijing 101300
the PRC

*Principal place of
business in Hong Kong:*

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Times Square
1 Matheson Street
Causeway Bay
Hong Kong

To the Shareholders

REPORT OF THE BOARD OF DIRECTORS FOR 2021
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LETTER FROM THE BOARD

I. INTRODUCTION

The Company intends to hold the AGM and Shareholders Class Meetings at 9:30 a.m. on Tuesday, 28 June 2022 at Multi-purpose Hall, 1st Floor, the South Tower of Beijing Automotive Industry Research and Development Base, No. 99 Shuanghe Street, Shunyi District, Beijing, the PRC. The notices to convene the AGM and Shareholders Class Meetings are set out on pages 83 to 89 of this circular.

The purpose of this circular is to provide you with details of the resolutions to be proposed to consider and approve as ordinary resolutions or special resolutions, as the case may be, at the AGM and Shareholders Class Meetings and provide all the information reasonably required to enable you to make an informed decision on whether to vote for or against or abstain from voting on those resolutions. Such resolutions and details are set out in the letter from the Board.

II. MATTERS TO BE RESOLVED AT THE AGM

ORDINARY RESOLUTIONS

I. REPORT OF THE BOARD OF DIRECTORS FOR 2021

An ordinary resolution will be proposed at the AGM to approve the report of the Board of Directors for 2021, the full text of which is included in the annual report published by the Company on 26 April 2022 at the Company's website and the HKEXnews website of the Hong Kong Stock Exchange.

II. REPORT OF THE BOARD OF SUPERVISORS FOR 2021

An ordinary resolution will be proposed at the AGM to approve the report of the Board of Supervisors for 2021, the full text of which is included in the annual report published by the Company on 26 April 2022 at the Company's website and the HKEXnews website of the Hong Kong Stock Exchange.

III. FINANCIAL REPORT FOR 2021

An ordinary resolution will be proposed at the AGM to approve the financial report for 2021.

The financial report for 2021 prepared by the Company according to China Accounting Standards is summarized as follows:

(1) Revenue and profits

In 2021, the Company's consolidated statements recorded revenue of RMB175,916 million, cost of operating and tax of RMB139,314 million. The net profit for the year was RMB15,151 million, of which RMB3,858 million was attributable to the equity holders of the Company.

LETTER FROM THE BOARD

(2) Cash flows

In 2021, the net cash generated from operating activities in the Company's consolidated statements was RMB13,656 million. The net cash used in investing activities was RMB7,661 million. The net cash used in financing activities was RMB13,004 million. The net decrease of cash and cash equivalents was RMB7,178 million.

(3) Assets and liabilities

As of 31 December 2021, the total assets in the consolidated statements of the Company were RMB180,844 million, the total liabilities were RMB105,957 million and the total equity was RMB74,887 million.

The financial report for 2021 prepared by the Company according to International Financial Reporting Standards is summarized as follows:

(1) Revenue and profits

In 2021, the Company's consolidated statements recorded revenue of RMB175,916 million, cost of sales of RMB138,272 million and distribution, administrative and finance costs of RMB16,050 million. The net profit for the year was RMB15,151 million, of which RMB3,858 million was attributable to the equity holders of the Company.

(2) Cash flows

In 2021, the net cash generated from operating activities in the Company's consolidated statements was RMB12,903 million. The net cash used in investing activities was RMB7,771 million. The net cash used in financing activities was RMB12,141 million. The net decrease of cash and cash equivalents was RMB7,009 million.

(3) Assets and liabilities

As of 31 December 2021, the total assets in the consolidated statements of the Company were RMB180,844 million, the total liabilities were RMB105,957 million and the total equity was RMB74,887 million, and the total capital and reserves attributable to the equity holders of the Company were RMB52,583 million.

IV. PROFITS DISTRIBUTION AND DIVIDENDS DISTRIBUTION PLAN FOR 2021

According to the Articles of Association, an ordinary resolution will be proposed at the AGM to approve Profits Distribution and Dividends Distribution Plan of the Company.

LETTER FROM THE BOARD

The Board proposed to distribute a final dividend of RMB0.16 per share (tax inclusive, with dividends for Domestic Shareholder(s) to be paid in Renminbi and dividends for H Shareholder(s) to be paid in Hong Kong dollars, the exchange rate of Hong Kong dollars shall be calculated on the basis of the average central parity rate of Hong Kong dollars to Renminbi as announced by the PBOC five working days prior to the declaration of distribution of dividends), a final dividend in cash for the year ended 31 December 2021 will be distributed to the Shareholders whose names appear on the register of members of the Company on Monday, 11 July 2022. Based on the total existing issued shares of the Company of 8,015,338,182 shares as at 31 December 2021, an aggregate cash dividend of RMB1,282,454,109.12 will be paid.

The above dividend is subject to the approval of Shareholders at the AGM to be held on Tuesday, 28 June 2022. The final dividend is expected to be distributed on Thursday, 15 September 2022.

Pursuant to the Enterprise Income Tax Law of People's Republic of China (《中華人民共和國企業所得稅法》) effective from 1 January 2008 and its implementation provisions and relevant regulations, the Company is obliged to withhold and pay enterprise income tax at a rate of 10% when it distributes the 2021 final dividend to the non-resident enterprise shareholders whose names are registered in the register of members of H Shares. Any shares which are registered in the name(s) of non-individual holder(s) of H Shares, including the HKSCC Nominees Limited, other agents or trustees, or other organizations and societies shall be deemed to be Shares held by non-resident enterprise shareholders, and therefore the PRC enterprise income tax shall be deducted from their dividends payable to such shareholders.

Pursuant to the provisions under Guoshui Han [2008] No. 897 and Guoshui Han [2008] No. 112 and relevant laws and regulations, the Company shall withhold and pay enterprise income tax on the dividends at the tax rate of 10% for overseas non-resident enterprise shareholders. Non-resident enterprise shareholders, after receiving the dividends, may apply or may entrust a withholding agent or the Company to apply to the competent tax authorities for the entitlement of tax treatment under the tax treaty (arrangements) by providing all the materials of the actual beneficial owner in compliance with the provisions of the tax treaty (arrangements). The difference of the tax shall be refunded by the competent tax authority upon audit.

Pursuant to the provisions under Caishui [2014] No. 81 and relevant laws and regulations, for domestic individual investors who receive dividend gains derived from investment via the Shanghai-Hong Kong Stock Connect, the Company shall withhold and pay individual income tax at the rate of 20% on their behalf in accordance with the register of individual domestic investor as provided by the China Securities Depository and Clearing Corporation Limited. For domestic securities investment funds receiving dividend gains derived from investment via the Shanghai-Hong Kong Stock Connect, the taxable personal income shall be in accordance with the aforesaid provisions.

The record date of the southbound investors of Shanghai-Hong Kong Stock Connect and the date of distribution of cash dividends and time arrangements will be the same as those for the holders of H Shares of the Company.

LETTER FROM THE BOARD

Should the holders of H Shares of the Company have any doubt in relation to the aforesaid arrangements, please consult their tax advisers for relevant tax impact in countries (regions) on the possession and disposal of the H Shares of the Company.

V. RE-APPOINTMENT OF INTERNATIONAL AUDITOR AND DOMESTIC AUDITOR FOR 2022

An ordinary resolution will be proposed at the AGM to approve the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the international auditor and domestic auditor of the Company for 2022 respectively for a term of office until next annual general meeting, or the revocation or variation of such re-appointment by any general meeting of the Company and authorize the management of the Company to determine their respective audit fees.

VI. PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR AND EXECUTIVE DIRECTOR

Reference is made to the announcement of the Company dated 18 May 2022 in relation to, among other things, the proposed appointment of chairman of the Board, non-executive Director and executive Director.

A. Proposed Appointment of Non-Executive Director

The Board at the meeting held on 18 May 2022 resolved to propose to appoint Mr. Chen Wei as a non-executive Director for a term commencing from the date of approval by the Shareholders at the AGM until the expiration of the term of the fourth session of the Board; and to further propose the appointment of Mr. Chen Wei as the chairman of the Board, the chairman of the strategy committee and the chairman of the nomination committee under the Board for a term commencing from the date of Mr. Chen Wei's appointment as non-executive Director until the expiration of the term of the fourth session of the Board.

Due to job arrangement adjustment, upon the date of Mr. Chen Wei being appointed as the chairman of the Board, Mr. Jiang Deyi will no longer be the chairman of the Board, a non-executive Director, and the chairman of the strategy committee and the chairman of the nomination committee under the Board. Mr. Jiang Deyi confirmed that there were no other matters relating to his resignation that would need to be brought to the attention of the Shareholders.

The biographical details of Mr. Chen Wei required to be disclosed under Rule 13.51(2) of the Listing Rules as follows:

Mr. Chen Wei (陳巍), born in June 1969, holds a bachelor's degree in engineering and an EMBA degree and is a senior engineer. He currently serves as the general manager assistant of Beijing Automotive Group Co., Ltd. (北京汽車集團有限公司) and the party secretary of the Company and the senior executive vice president of Beijing Benz Automotive Co., Ltd. (北京奔馳汽車有限公司).

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Mr. Chen Wei, with nearly 30 years of experience in the automotive industry, has worked successively as an assistant engineer and an engineer of the product engineering department, onsite engineer stationed at the U.S. office and the chief of the model development department and the production planning department in Beijing Jeep Motor Co., Ltd. (北京吉普汽車有限公司), the director of the engineering and manufacturing department, the manager of the assembly workshop and the production director in Beijing Benz-Daimler Chrysler Automotive Co., Ltd. (北京奔馳－戴姆勒·克萊斯勒汽車有限公司), the general manager of the business affairs and legal department and the vice president responsible for production and manufacturing in Beijing Benz Automotive Co., Ltd., the vice president of the Company, as well as the party secretary, the senior executive vice president and other positions in Beijing Benz Automotive Co., Ltd., since 1994.

Save as disclosed above, Mr. Chen Wei confirmed that, (1) he does not hold any other positions in the Company or any of its subsidiaries and also has not served as a director nor a supervisor in any other listed companies in the past three years; (2) he does not have any relationship with any other directors, supervisors, senior management or substantial or controlling shareholders of the Company or any of its subsidiaries; and (3) he does not have any interest in any shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, Mr. Chen Wei confirmed that, there is no other information that needs to be disclosed under Rule 13.51(2)(h) to (v) of the Listing Rules, and there are no other matters concerning the appointment of Mr. Chen Wei as the non-executive Director that need to be brought to the attention of the Shareholders.

If the proposed appointment of Mr. Chen Wei as a non-executive Director is approved by the Shareholders at AGM, the Company will enter into a relevant director's service contract with him as soon as possible. Mr. Chen Wei will not receive any remuneration from the Company for his role as a non-executive Director.

B. Proposed Appointment of Executive Director

The Board at the meeting held on 18 May 2022 also resolved to propose to appoint Mr. Zhang Guofu as an executive Director for a term commencing from the date of approval by Shareholders at the AGM until the expiration of the term of the fourth session of the Board; and to further propose the appointment of Mr. Zhang Guofu as a member of the strategy committee of the Board for a term commencing from the date of Mr. Zhang Guofu's appointment as an executive Director until the expiration of the term of the fourth session of the Board.

The biographical details of Mr. Zhang Guofu required to be disclosed under Rule 13.51(2) of the Listing Rules as follows:

Mr. Zhang Guofu (張國富), born in July 1977, holds a master's degree in engineering and is a senior engineer. He currently serves as the deputy party secretary and the executive vice president of the Company.

LETTER FROM THE BOARD

Mr. Zhang Guofu, with 20 years of experience in the automotive industry, has worked successively as a staff of the training department and the deputy chief of the equipment and energy department in MP-X factory of Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司蒙派克工廠), the deputy party secretary in Beijing Foton Environmental Engine Co., Ltd. (北京福田環保動力股份有限公司), the deputy secretary of the youth league committee and the deputy head of the general office of party and mass department of Beiqi Foton Motor Co., Ltd., the deputy secretary of the youth league committee and the secretary of the youth league committee of Beijing Automotive Industry Holding Co., Ltd. (北京汽車工業控股有限責任公司), the deputy party secretary and the chairman of the labor union of BAIC ROCAR Automobile Services & Trade Co., Ltd. (北京北汽騰龍汽車服務貿易股份有限公司), the deputy party secretary, the secretary of the discipline inspection commission and the chairman of the labor union of Beijing Hainachuan Automotive Parts Co., Ltd. (北京海納川汽車部件股份有限公司), a member of the party committee of the Company, the party secretary and the chairman of the labour union of the automotive research institute and the deputy party secretary, the chairman of the labour union and employee representative supervisor of the Company, as well as the deputy party secretary, the executive deputy general manager and other positions of BAIC Group Off-road Vehicle Co., Ltd. (北京汽車集團越野車有限公司), since 2001.

Save as disclosed above, Mr. Zhang Guofu confirmed that, (1) he does not hold any other positions in the Company or any of its subsidiaries and also has not served as a director nor a supervisor in any other listed companies in the past three years; (2) he does not have any relationship with any other directors, supervisors, senior management or substantial or controlling shareholders of the Company or any of its subsidiaries; and (3) he does not have any interest in any shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, Mr. Zhang Guofu confirmed that, there is no other information that needs to be disclosed under Rule 13.51(2)(h) to (v) of the Listing Rules, and there are no other matters concerning the appointment of Mr. Zhang Guofu as the executive Director that need to be brought to the attention of the Shareholders.

If the proposed appointment of Mr. Zhang Guofu as an executive Director is approved by the Shareholders at the AGM, the Company will enter into a relevant director's service contract with him as soon as possible. Mr. Zhang Guofu will not receive any remuneration from the Company for his role as an executive Director.

VII. MAJOR AND CONTINUING CONNECTED TRANSACTIONS – RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH BAIC GROUP

Reference is made to the announcements of the Company dated 27 April 2022 and 26 May 2022 (collectively, the “CCT Announcements”) in relation to, among other things, the renewal of the continuing connected transactions with BAIC Group.

As disclosed in the CCT Announcements, as the terms of each of (i) the Products and Services Purchasing Framework Agreement, (ii) the Provision of Products and Services Framework Agreement; and (iii) the Financial Services Framework Agreement, and the

LETTER FROM THE BOARD

applicable annual caps for the continuing connected transactions thereunder are due to expire on 31 December 2022, on 27 April 2022, the Board resolved to renew each of the aforesaid framework agreements that are about to expire for a further term of three years from 1 January 2023 to 31 December 2025.

A. Renewal of the Products and Services Purchasing Framework Agreement

As the term of the existing Products and Services Purchasing Framework Agreement will expire on 31 December 2022, the Company and BAIC Group renewed such agreement on 27 April 2022 for a further term of three years from 1 January 2023 to 31 December 2025 and set the new annual caps for such continuing connected transactions for the next three years ending 31 December 2025.

(A) Renewed Products and Services Purchasing Framework Agreement

Details of the renewed Products and Services Purchasing Framework Agreement are summarized as follows:

Parties:	(i) BAIC Group (ii) the Company
Date:	27 April 2022
Term:	The term of the renewed Products and Services Purchasing Framework Agreement will commence on 1 January 2023 and end on 31 December 2025, subject to the renewal through mutual consent by the parties.
Principal Terms:	According to the renewed Products and Services Purchasing Framework Agreement, BAIC Group and/or its associates will provide several types of products and services to the Company and/or its subsidiaries. These products will include commodities such as equipment, raw materials, components and vehicles and related technologies, related derivatives derived from these commodities (including but not limited to energy credits, carbon emissions policy trading), while these services will include labor services, logistics services, transportation services, technical services and consultancy services.

LETTER FROM THE BOARD

Members of the Group and BAIC Group and/or its associates will enter into individual agreement for each of the specific transactions contemplated under the renewed Products and Services Purchasing Framework Agreement, provided that any such individual agreement shall be within the ambit of the renewed Products and Services Purchasing Framework Agreement.

The product prices and service fees shall be paid in accordance with the individual agreements to be signed by members of the Group and BAIC Group and/or its associates under the renewed Products and Services Purchasing Framework Agreement.

Pricing Policy: *General policy*

In order to ensure that the terms of individual transactions in respect of the purchase of products and general services by the Group from BAIC Group are fair and reasonable and in line with market practices, the Group has adopted the following measures:

- (i) to have regular contact with the suppliers of the Group (including BAIC Group) to keep abreast of market developments and the price trend of general services;
- (ii) before placing an individual purchase order, to seek quotations or proposals offered by at least two independent third-party suppliers (besides BAIC Group) from the approved list of suppliers of the Group in respect of the same or comparable products and general services; and
- (iii) to have the suppliers and pricing of products and general services determined by the collective decision of the Company's tender assessment board according to the Company's administrative measures for market quotations.

LETTER FROM THE BOARD

Where there are other independent suppliers, the Company and its subsidiaries will obtain quotations for comparable products or services that may be available from other independent suppliers in order to determine whether viable alternatives of comparable quality can be obtained in a timely manner and at the most competitive price. If alternatives are available, the Company and its subsidiaries will conduct a tender process before selecting suppliers for such alternatives. In such a tender process, the connected persons and their associates are treated no differently from any other independent suppliers. Consequently, the purchase of products and general services by the Company and its subsidiaries from the connected persons of the Company and their associates would not be made if the Company and its subsidiaries could obtain better terms from any other suppliers.

Raw materials and automobile parts and components

Raw materials and automobile parts and components have historically been, and will continue to be, priced with reference to a combination of factors, including costs of materials, labor costs and employee benefit expenses, electricity and other utility costs, depreciation, machinery maintenance costs and selling and administrative expenses which are attributable to the procurement or production of such raw materials and components as well as automotive part products.

The prices of raw materials and automobile parts and components provided by BAIC Group and/or its associates are determined with reference to actual costs or reasonable costs (whichever is lower) incurred plus a profit margin within the pre-agreed arm's length range determined in the following order: (i) at prices not higher than the market prices; and (ii) if no comparable market price, at prices with reference to actual costs or reasonable costs (whichever is lower) incurred plus a profit margin within the pre-agreed arm's length range.

LETTER FROM THE BOARD

To monitor that the prices charged by BAIC Group and/or its associates are fair and reasonable, we have historically requested, prior to entering into individual supply agreements with BAIC Group and/or its associates, and will continue to request that BAIC Group and/or its associates provides a schedule of the costs being incurred by BAIC Group and/or its associates in respect of the raw materials and automotive parts and components being supplied by BAIC Group and/or its associates. Once such schedule is received, the Company has historically and will continue to (i) assess independently whether the costs incurred are fair and reasonable; (ii) request clarification and supporting documents if we are of the view that the costs of items stated by BAIC Group and/or its associates are materially different from the costs that were quoted by BAIC Group and/or its associates historically; and (iii) verify that the profit margin on the total costs incurred by BAIC Group and/or its associates falls within the pre-agreed range of profit margins. To ensure that the price offered will not be less favourable than those offered by independent service suppliers, the Company will seek for and refer to quotations from not less than two independent third-party suppliers offering the same or comparable raw materials and automobile parts and components after the arms-length negotiation. In addition, the purchasing department will also monitor automotive part and component prices and global commodity prices regularly to ensure that the price of automotive parts and components and raw materials purchased are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

Logistics services

Logistics services provided by BAIC Group and/or its associates include transportation and storage services. The fees of logistics services are charged on the basis of the value of the complete vehicles, components and parts, custodial requirements, size and level of inventories, delivery and handling requirements and the number of vehicles. When determining the prices, the procurement department of the Group has made reference to the market prices charged for logistics services by other comparable automotive enterprises based on its extensive expertise and experience. The Company periodically asks for quotations from at least two independent third party logistic companies offering the same or comparable logistics services, to ensure prices quoted by BAIC Group and/or its associates are fair and reasonable. In the event that the quoted prices are lower than the existing prices for logistic services provided by BAIC Group and/or its associates, the Group will request BAIC Group and/or its associates to adjust the prices to a market reasonable level.

Other services

Other services offered by BAIC Group and/or its associates mainly include advertisement and marketing, technical services and consulting, back-office support and training. The services fees for these services charged by BAIC Group and/or its associates are determined by arm's length negotiations between the relevant parties. The Group will make reference to the historical fees of such general services and will also refer to the comparable market prices, to ensure that the terms of services provided by BAIC Group and/or its associates are fair and reasonable to the Group. Comparable market prices are generally obtained through quotations provided by at least two independent third-party suppliers offering the same or comparable services. In the event that the service prices charged by BAIC Group and/or its associates are higher than the prices quoted by independent third parties, the Group will request BAIC Group and/or its associates to adjust the prices of connect transactions to a reasonable level.

LETTER FROM THE BOARD

Please also refer to the section headed “Internal Control Procedures for the Implementation of Continuing Connected Transactions” of this circular for details of the internal control procedures adopted by the Company.

Reasons and Benefits:

In the ordinary and usual course of business, the Group purchases products and services from BAIC Group and/or its associates. The Company has been using the products and services provided by BAIC Group and/or its associates for several years. BAIC Group has been providing us with a long-term stable supply. As a result, BAIC Group and/or its associates understand our business and operational requirements well. It is crucial to maintain a stable and quality supply of products and general services for the Company’s existing and future production and operation. With reference to the previous purchasing experience with BAIC Group and/or its associates, BAIC Group can efficiently fulfil our requirements with stable and quality supply of products and general services.

Automobile parts and components and raw materials

The Group is capable of carrying on its business independently of BAIC Group as it can procure the parts and components and raw materials supplied by BAIC Group and/or its associates from independent third parties. The purchases of automobile parts, components and raw materials from BAIC Group and its associates would benefit the Group for the following reasons:

- (i) the purchases from BAIC Group and/or its associates will be at competitive prices not less favourable than those that can be obtained by the Group from independent third parties;
- (ii) BAIC Group and/or its associates are familiar with the Group’s specifications, standards and requirements on automobile parts and components and raw materials; and

LETTER FROM THE BOARD

- (iii) it is crucial for the Group to maintain the stability in supply and quality of automobile parts and components and raw materials for the existing and future production needs. In view of the product purchasing experience with BAIC Group and/or its associates, the Company is of the view that BAIC Group and/or its associates can effectively fulfil the Company's requirements for supply stability as well as quality.

Logistics services

BAIC Group and/or its associates provides logistics services for the whole vehicles, parts and components of the Group, including transportation and storage services. The purchase of logistics services from BAIC Group and/or its associates would benefit the Group for the following reasons:

- (i) BAIC Group and/or its associates has been providing the Group with long-term stable supply and consistent quality services, being familiar with the Group's special requirements on the transportation of complete vehicles and automobile parts and components;
- (ii) meanwhile, warehouse centers of BAIC Group and/or its associates are in geographical proximity to the Company's production plant, which facilitates the transportation of complete vehicles and parts and components, thereby lowering the logistics costs and shortening transportation time; and
- (iii) the transportation service fees charged by BAIC Group and/or its associates are no less favourable than the fees charged to the Group by independent third parties.

LETTER FROM THE BOARD

Other services

The procurement of marketing, technical, consulting and supporting logistics services from BAIC Group and/or its associates is beneficial to the Group for the following reasons:

- (i) BAIC Group and/or its associates have a long-term and stable partnership with the Group and fully understand certain needs of the Group in marketing, technology research and development, etc.;
- (ii) the related services provided by BAIC Group and/or its associates are of reliable quality, cost effective and easily localised, and therefore it is in the interest of the Group to procure such services from BAIC Group and/or its associates as a matter of urgency; and
- (iii) the fees charged by BAIC Group and/or its associates for the related services are not higher than the fees charged by independent third parties to the Group.

(B) Existing Annual Caps and Historical Transaction Amounts

Set out below is a breakdown of the annual caps in respect of the continuing connected transactions between the Group and BAIC Group and/or its associates under the Products and Services Purchasing Framework Agreement for the four financial years ending 31 December 2022:

	Annual caps for the year ended/ending			
	31 December			
	2019	2020	2021	2022
	<i>(RMB</i>	<i>(RMB</i>	<i>(RMB</i>	<i>(RMB</i>
	<i>million)</i>	<i>million)</i>	<i>million)</i>	<i>million)</i>
Purchase of products	72,821.3	50,346.0	52,920.8	55,603.1
Purchase of services	8,632.2	5,036.4	4,990.2	5,194.6

LETTER FROM THE BOARD

Set out below is a breakdown of the historical transaction amounts in respect of the continuing connected transactions between the Group and BAIC Group and/or its associates under the renewed Products and Services Purchasing Framework Agreement for the preceding three financial years ended 31 December 2021:

	Approximate historical transaction amounts for the year ended 31 December		
	2019	2020	2021
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Purchase of products	25,244.2	17,742.3	26,635.1
Purchase of services	3,100.7	3,565.6	3,552.6

As at the Latest Practicable Date, the annual caps in respect of the continuing connected transactions between the Group and BAIC Group and/or its associates under the Products and Services Purchasing Framework Agreement for the year ending 31 December 2022 have not been exceeded.

(C) Proposed Annual Caps for the Three Financial Years Ending 31 December 2025

The Company estimates the annual caps for the continuing connected transactions between the Group and BAIC Group and/or its associates under the renewed Products and Services Purchasing Framework Agreement for the next three financial years ending 31 December 2025 as follows:

	Proposed annual caps for the year ending 31 December		
	2023	2024	2025
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Purchase of products	26,832.1	27,756.0	27,385.4
Purchase of services	4,415.3	4,568.6	4,507.1

(D) Basis of Determination of the Proposed Annual Caps

The above proposed annual caps were made on the basis of:

- (i) the estimated sales volume of passenger vehicles by taking into account macroeconomic conditions as well as the development strategies and business expansion plan of the Group;
- (ii) the unit purchase cost for each vehicle model of the Group and the expected market condition and general cost inflation for the relevant period;
- (iii) the expected value of the connected transactions between Beijing Benz and BAIC Group and its associates;

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- (iv) the expected increase in the total costs and expenses driven by the business expansion plan of the Group. The Group plans to launch and manufacture various new models in the next three years, which is expected to result in increases as appropriate in the total costs and expenses for such years. In addition, the expected sales volume of existing models will continue to rise driven by the continued demand growth in their respective segments, which will also result in the increase in the total costs and expenses (cost of sales, selling and distribution expenses, and general and administrative expenses); and
- (v) the expected demand for high-value new products will require the purchase of better and more sophisticated new raw materials, automotive parts and components from BAIC Group and/or its associates. Additionally, considering the increase in estimated sales volume and the improvement of vehicle model innovation, it is expected to enjoy a more favourable discount rate for such procurements. Therefore, it is expected that the transaction amount of purchasing such raw materials, automotive parts and components from BAIC Group and/or its associates for the production of vehicles will increase by about 1%-5% compared with that of the year ended 31 December 2021.

B. Renewal of the Provision of Products and Services Framework Agreement

As the term of the existing Provision of Products and Services Framework Agreement will expire on 31 December 2022, the Company and BAIC Group renewed such agreement on 27 April 2022 for a further term of three years from 1 January 2023 to 31 December 2025 and set the new annual caps for such continuing connected transactions for the next three years ending 31 December 2025.

(A) Renewed Provision of Products and Services Framework Agreement

Details of the renewed Provision of Products and Services Framework Agreement are summarized as follows:

Parties:	(i) BAIC Group (ii) the Company
Date:	27 April 2022
Term:	The term of the renewed Provision of Products and Services Framework Agreement will commence on 1 January 2023 and end on 31 December 2025, subject to renewal through mutual consent by the parties.

LETTER FROM THE BOARD

**Principal
Terms:**

According to the renewed Provision of Products and Services Framework Agreement, BAIC Group and/or its associates will purchase the following types of products (including products such as facilities, raw materials, components and parts and complete vehicles etc., relevant technologies, and derivatives derived from such products including but not limited to energy credits and carbon emissions policy trading) and services (including sales agency, processing agency, labour, logistics, transportation, technical services and consultancy) from the Company and/or its subsidiaries. It is expected that the Group will mainly sell complete vehicles and provide relevant automotive parts and components to BAIC Group and/or its associates.

Members of the Group and BAIC Group and/or its associates will enter into individual agreement for each of the specific transactions contemplated under the renewed Provision of Products and Services Framework Agreement, provided that any such individual agreement shall be within the ambit of the renewed Provision of Products and Services Framework Agreement.

The product prices and service fees shall be paid in accordance with the individual agreements to be signed by members of the Group and BAIC Group and/or its associates under the renewed Provision of Products and Services Framework Agreement.

Pricing Policy: *General policy*

To ensure that the terms of the transactions contemplated under the renewed Provision of Products and Services Framework Agreement are on terms no less favourable than those entered into between the Group and independent third parties, the renewed Provision of Products and Services Framework Agreement specifically provides that terms of transactions contemplated thereunder are to be no less favourable than those entered into between the Company and independent third parties.

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The service fees charged to BAIC Group and/or its associates by the Group are to be determined on the basis of arm's length negotiations between the relevant parties. The Company will make reference to the applicable historical prices of products and services and will base such on the principle of cost plus a fair and reasonable margin, to ensure that the terms of supplying products and services to BAIC Group and/or its associates are fair and reasonable.

Complete vehicles

The Group formulates various selling prices based on factors such as depreciation of raw materials and equipment for producing different vehicle models, technology amortization, employee compensation as well as water and electricity costs, and also formulates various promotion levels based on the popularity of various vehicle models, and updates the promotion levels in accordance with the latest market situation in a timely manner. The complete vehicle price is determined by the selling price and promotion level together. For both connected person customers and independent third-party customers, the Group applies the above pricing policies when selling complete vehicles. In such case, both connected person customers and independent third-party customers enjoy the same price when purchasing complete vehicles; connected person customers will not be offered any price that is more favourable than the price offered to other customers.

Automobile parts and components and raw materials

The Group formulates selling prices on a profit margin within the pre-agreed arm's length range over the unit cost of automobile parts and components and raw materials. The unit cost mainly refers to the factors including depreciation of consumed materials and equipment for production and staff wages. For both connected person customers and independent third-party customers, the same pricing rule shall apply. In such case, both connected person customers and independent third-party customers enjoy the same price when purchasing automobile parts and components and raw materials; connected person customers will not be offered any price that is more favourable than the price offered to other customers.

LETTER FROM THE BOARD

Services

The services provided by the Group to BAIC Group and/or its associates are mainly customized services or personalised services which mainly include complete vehicles technology consulting service and research and development service. In determining the prices of these services, the Group adopts a cost-plus-profit method. Costs taken into account include depreciation, salary, costs of raw materials and management fees. To ensure that the prices charged by the Group are fair and reasonable, the Group will also make reference to the profit margin of transactions where the Group offers similar services to independent third parties.

Please also refer to the section headed “Internal Control Procedures for the Implementation of Continuing Connected Transactions” of this circular for details of the internal control procedures adopted by the Company.

Reasons and Benefits:

In the ordinary and usual course of business, the Group provides various products and general services to BAIC Group and/or its associates. The Company considers that the provision of products and services to BAIC Group would benefit the Group for the following reasons:

- (i) BAIC Group and/or its associates can benefit from the professional sales team of the Group which has a solid understanding of China’s automobile market and diversified sales channels thereby reducing their sales cost;
- (ii) subsidiaries of BAIC Group operating dealership outlets purchase vehicles manufactured and assembled by Beijing Benz and vehicles under the proprietary brand of the Company for resale in its dealership outlets. The Company and those subsidiaries of BAIC Group have established a long-term relationship and understand the business plan, quality control and other special requirements of each other;

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- (iii) BAIC Group and/or its associates purchase automobile components, such as automobile engines, from a subsidiary of the Company, BAIC Motor Powertrain Co., Ltd. (北京汽車動力總成有限公司), for their daily production; and
- (iv) prices and terms for the products and services provided by the Group to BAIC Group are not less favourable than those offered to independent third parties.

(B) Existing Annual Caps and Historical Transaction Amounts

Set out below is a breakdown of the annual caps in respect of the sales of products transactions between the Group and BAIC Group and/or its associates under the Provision of Products and Services Framework Agreement for the four financial years ending 31 December 2022:

	Annual caps for the year ended/ending			
	31 December			
	2019	2020	2021	2022
	<i>(RMB</i>	<i>(RMB</i>	<i>(RMB</i>	<i>(RMB</i>
	<i>million)</i>	<i>million)</i>	<i>million)</i>	<i>million)</i>
Sale of products	46,445.6	29,726.4	31,250.5	32,836.9

Set out below is a breakdown of the historical transaction amounts in respect of the continuing connected transactions between the Group and BAIC Group and/or its associates under the renewed Provision of Products and Services Framework Agreement for the preceding three financial years ended 31 December 2021:

	Approximate historical transaction amounts for		
	the year ended 31 December		
	2019	2020	2021
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Sale of products	23,811.8	15,702.5	17,209.4

As at the Latest Practicable Date, the annual cap in respect of the sale of products transactions between the Group and BAIC Group and/or its associates under the Provision of Products and Services Framework Agreement for the year ending 31 December 2022 has not been exceeded.

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(C) Proposed Annual Caps for the Three Financial Years Ending 31 December 2025

The Company estimates the annual caps for the continuing connected transactions between the Group and BAIC Group and/or its associates under the renewed Provision of Products and Services Framework Agreement for the next three financial years ending 31 December 2025 as follows:

	Proposed annual caps for the year ending		
	31 December		
	2023	2024	2025
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Sale of products	27,042.3	27,780.5	27,484.4

(D) Basis of Determination of the Proposed Annual Caps

The above proposed annual caps were made on the basis of:

- (i) There will be a growth in sales of complete vehicles to be manufactured and assembled by Beijing Benz and Beijing Motor by taking into account, among others, macroeconomic conditions as well as the development strategies and business expansion plan of the Group;
- (ii) the percentage of the sales to the dealership outlets operated by the associates of BAIC Group in the future, which is determined with reference to the historical percentage of the sales of complete vehicles manufactured and assembled by Beijing Benz and the proprietary brand of the Company to the dealership outlets operated by the associates of BAIC Group;
- (iii) the expected annual value of the connected transactions between Beijing Benz and BAIC Group and/or its associates; and
- (iv) the expected increase of the revenues driven by the business expansion plan.

(E) Exempted Transactions under the Renewed Provision of Products and Services Framework Agreement

As the highest of the applicable percentage ratio in respect of the annual caps for the provision of services transactions provided by the Group to BAIC Group is more than 0.1% but less than 5%, according to the relevant requirements under the Listing Rules, the provision of services transactions under the renewed Provision of Products and Services Framework Agreement are exempt from the Independent Shareholders' approval requirement. For detailed information, please refer to the CCT Announcements.

LETTER FROM THE BOARD

C. Renewal of the Financial Services Framework Agreement

As the term of the existing Financial Services Framework Agreement will expire on 31 December 2022, the Company and BAIC Group renewed such agreement on 27 April 2022 for a further term of three years from 1 January 2023 to 31 December 2025 and set the new maximum daily balance and annual caps for such continuing connected transactions for the next three years ending 31 December 2025.

(A) *Renewed Financial Services Framework Agreement*

Details of the renewed Financial Services Framework Agreement are summarized as follows:

Parties:	(i) the Company (ii) BAIC Finance
Date:	27 April 2022
Term:	The term of the renewed Financial Services Framework Agreement will commence on 1 January 2023 and end on 31 December 2025, subject to renewal through mutual consent by the parties.
Principal Terms:	According to the renewed Financial Services Framework Agreement, BAIC Finance will provide financial services to the Company, and such financial services primarily include (i) deposits; (ii) loans and entrusted loan; (iii) other financial services including discounted notes and acceptance service, finance lease, settlement and entrusted loan agency; and (iv) other services subject to obtaining relevant approvals from the CBIRC. Members of the Group and BAIC Group and its associates will enter into individual agreement for each of the specific transactions contemplated under the renewed Financial Services Framework Agreement, provided that any such individual agreement shall be within the ambit of the renewed Financial Services Framework Agreement.
Pricing Policy:	The renewed Financial Services Framework Agreement provides for the following pricing principles:

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- (i) *Deposit services.* Interest rates for the deposits placed by the Group with BAIC Finance will not be lower than: (a) the minimum interest rate published by the PBOC for deposits of a similar type for the same period; (b) the interest rate for deposits of a similar type for the same period placed by the subsidiaries of BAIC Group other than the Group; or (c) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to the Company and its subsidiaries.

- (ii) *Loans services.* Interest rates on the loans to be advanced by BAIC Finance to the Group will not be higher than: (a) the maximum loan interest rate, if any, published by the PBOC for loans of a similar type for the same period; (b) the interest rate for comparable loans offered by BAIC Finance to other subsidiaries of BAIC Group other than the Group; or (c) the interest rate for loans of a similar type for the same period offered by independent commercial banks to the Company and its subsidiaries.

- (iii) *Other Financial Services.* The interest rates or services fees will be: (a) subject to the benchmark fee (if applicable) for similar types of financial services published by the PBOC or the CBIRC from time to time; (b) comparable to, or no less favourable to the Group than, the interest rates or fees charged by independent commercial banks or financial institutions for similar types of financial services; and (c) comparable to, or no less favourable to the Group than, fees charged by BAIC Finance to the subsidiaries of BAIC Group other than the Group for similar financial services.

**Reasons and
Benefits:**

The main reasons for the Company to renew the Financial Services Framework Agreement with BAIC Finance are as follows:

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- (i) as all members of the BAIC Group and the Group are entitled to utilise deposit services, loan services and other financial services, the Financial Services Framework Agreement would allow the provision of intra-group loans among members of the Group, thus opening another channel for the Group to raise loans and providing the Group with an alternative to raising loans from other financial institutions, which would in turn promote funding liquidity within the Group, enhance the overall ability of the Group to repay debts, and assist in monitoring and controlling financial risks;
- (ii) the use of BAIC Finance as a platform to manage the funds of the Group would facilitate a more efficient deployment of funds of the Group;
- (iii) the interest rates on the deposit services and loan services offered, and the service fees in connection with the other financial services charged by BAIC Finance to the Group will be no less favourable than, on a case-by-case basis, those offered to the Group by any independent third party;
- (iv) as BAIC Finance only provides financial services to members of the BAIC Group, it has acquired extensive knowledge of the Company's industry over the years. At the same time, BAIC Finance is familiar with the Company's capital structure, business operations, funding needs and cash flow patterns, which enables it to better anticipate the business needs of the Company. BAIC Finance is well-positioned in providing the Group with customized services;
- (v) the arrangements under the renewed Financial Services Framework Agreement would save financial costs, and accordingly increase the profitability of the Group accordingly;

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- (vi) the arrangements under the renewed Financial Services Framework Agreement would allow the Group to centralize its deposited funds to a certain degree (as limited by the proposed deposit annual caps), which would expedite the monitoring of the use and application of funds within the Group, and would provide the Group with higher bargaining power than if the deposited sum was split between financial institutions with regard to the terms and interest rates of the deposit services;
- (vii) by virtue of the Company's indirect equity interests in BAIC Finance, the expansion of the business of BAIC Finance will bring economic benefits to the Company; and
- (viii) BAIC Finance is regulated by the PBOC and the CBIRC, and as such the services it provided must be in accordance with and in compliance with the rules and operational requirements of such regulatory authorities.

(B) Existing Annual Caps and Historical Transaction Amounts

Set out below is a breakdown of the maximum daily balance of deposits placed by the Group with BAIC Finance for the four financial years ending 31 December 2022:

	Annual caps for the year ended/ending 31 December			
	2019	2020	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Maximum daily balance of deposits placed by the Group with BAIC Finance	16,000.0	16,000.0	16,000.0	16,000.0

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Set out below is a breakdown of the maximum daily balance of deposits placed by the Group with BAIC Finance for the preceding three financial years ended 31 December 2021:

	Approximate historical transaction amounts for the year ended 31 December		
	2019	2020	2021
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Maximum daily balance of deposits placed by the Group with BAIC Finance	15,962.0	15,999.3	15,968.0

As at the Latest Practicable Date, the maximum daily balance of deposits placed by the Group with BAIC Finance for the year ending 31 December 2022 has not been exceeded.

(C) Proposed Annual Caps for the Three Financial Years Ending 31 December 2025

The Company estimates the maximum daily balance of deposits placed by the Group with BAIC Finance under the renewed Financial Services Framework Agreement for the next three financial years ending 31 December 2025 as follows:

	Proposed annual caps for the year ended/ending 31 December		
	2023	2024	2025
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Maximum daily balance of deposits placed by the Group with BAIC Finance	16,000.0	16,000.0	16,000.0

(D) Basis of Determination of the Proposed Annual Caps

The maximum daily balance of deposits to be placed by the Group with BAIC Finance under the renewed Financial Services Framework Agreement remain basically the same as the caps for the three financial years ending 31 December 2022. In determining the annual cap, the Company mainly considers that although the Group expects a growth in future sales revenues, the Group also pays attention to the control of deposit size placed with BAIC Finance to avoid potential risks in connection with over-concentration of capital.

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(E) Exempted Transactions under the Renewed Financial Services Framework Agreement

Since the loans service provided by BAIC Finance to the Group are on normal commercial terms and on terms that are no less favourable to the Group than those offered by independent third parties for comparable services in the PRC, and that no security over the assets of the Group would be granted in respect of the loans service, loans service transactions under the renewed Financial Services Framework Agreement are exempt from the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the annual caps for interest income from deposits placed by the Group with BAIC Finance and charges for other financial services are more than 0.1% but less than 5% respectively, therefore, interest income from deposits placed by the Group with BAIC Finance and other financial services contemplated under the renewed Financial Services Framework Agreement are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

For detailed information, please refer to the CCT Announcements.

(F) Internal Control and Corporate Governance Measures Targeted for Transactions under the Financial Services Framework Agreement

The Company has put in place targeted internal control and corporate governance measures for transactions under the Financial Services Framework Agreement in order to further safeguard the interests of the Independent Shareholders:

(i) Independent financial system

The Group has established a comprehensive financial management system for the management of financial services which targets (a) capital financing management; (b) specialized budget management; and (c) specialized capital management.

- (a) the Group has set up relevant system for capital financing management, including the management of bank accounts, cash and bank deposits and debt financing, to ensure independent capital operation and maximize capital efficiency, and is in the interests of the Shareholders as a whole.

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- (b) the Group has set up a specialized budget management department, with enterprise development strategies as the start, reaching target profit as the aim, and future sales as the basis for preparation, to prepare annual budgets for operation and investment, determine annual financing plan and formulate financing proposals based on such annual budgets.

- (c) the Group has established a specialized capital management team for exercising daily capital and loan management, setting up specialized positions for daily deposit supervision and conducting comparison of the deposit rates among various financial institutions, to ensure that the total deposits of the Group would not exceed the annual cap and the deposit rates are in line with the requirement under the renewed Financial Services Framework Agreement.

The Group has also set up a stringent and efficient audit system. The independent internal audit team established by the Company is composed of members with years of experience in auditing and finance, most of whom are certified internal auditors. The internal audit team conducts internal audit work on the Company's capital position on a regular basis every year as well as independent and objective supervision and evaluation on the Company's capital management.

In the meantime, the Company's Audit Committee is mainly responsible for handling external auditing matters, supervising the Company's internal audit system and implementation, conducting audit on the Company's financial information, reviewing and supervising the Company's financial reports, risk management and effectiveness of the internal control system. It is also responsible for evaluating the effectiveness of the Company's internal control and the reliability of financial reports in an independent, fair and effective way and report to the Board and Shareholders' general meeting.

The Company also maintains accounts with independent banks. BAIC Group does not share any bank account with the Company nor does it control the use of any of bank accounts of the Company. The Company has independent tax registrations and has paid tax independently pursuant to applicable PRC laws and regulations.

(ii) Risk management measures

BAIC Finance and BAIC Group will provide sufficient information including various financial indicators (as well as annual and interim financial statements) at the end of every quarter to enable the Company to monitor and review the financial condition of BAIC Finance and BAIC Group. BAIC Finance and BAIC Group shall notify the Company, in compliance with applicable laws and regulations, should any of them be subject to any judicial, legal or regulatory proceedings or investigations which are

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reasonably likely to have a material impact on the financial condition of any of them. If the Company considers that there is any material adverse change in the financial condition of any of BAIC Finance and BAIC Group, the Company will take appropriate measures (including early withdrawal of deposits and a moratorium on further deposits) to protect the financial position of the Company.

In addition to internal monitoring, BAIC Finance is also required to monitor the maximum daily balance of the deposits and loans on a daily basis to ensure that the aggregate outstanding amounts do not exceed the applicable annual caps. BAIC Finance will provide the Company with a periodic report on the status of deposits and loans so as to enable us to monitor and ensure the relevant annual caps under the renewed Financial Services Framework Agreement have not been exceeded. Should the balance at the end of any day exceed the maximum daily balance of deposits prevailing at that time, the excess funds will be transferred to the Company's designated bank accounts with an independent commercial bank. The Company shall also be notified immediately once the daily balance exceeds the maximum daily balance limit.

The Company will, from time to time, at its sole discretion, request that the deposits with BAIC Finance be withdrawn or terminated early (either in full or in part) to assess and ensure the liquidity and safety of deposits of the Group.

(iii) Internal control measures

The Company has formulated internal control policies and the finance department of the Company is responsible for implementation of such policies. All cash inflow and outflow of the Group should be considered under a unified budget system. In addition, the Company's vice president who is in charge of finance affairs and his/her team will be responsible for closely monitoring such continuing connected transactions.

To ensure that the pricing terms of transactions under the renewed Financial Services Framework Agreement are normal commercial terms, the Company has applied and fully implemented the internal control policies for each transaction. In accordance with the policies of the PBOC, various banks and BAIC Finance, the Group's capital management team will update the statement of deposit rates of various financial institutions on a monthly basis and prioritize the institutions with the most favourable rate for deposit. In addition, according to relevant internal control requirements, the financial department, audit department, legal department and other relevant departments will conduct review based on the transaction type and corresponding approved amount of each transaction made by the capital management team to ensure that the pricing terms of transactions under the renewed Financial Services Framework Agreement are on normal commercial terms.

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The Group's capital management team compiles statistics of the daily balance deposited with BAIC Finance to ensure compliance with regulatory requirements. In addition, the capital management team conducts analysis and produce monthly supervision and control reports on the deposits placed with various financial institutions.

The management of the Company will prepare periodic risk assessment reports of the funds deposited with BAIC Finance. The contents of such risk assessment reports will include the maximum daily balance of the deposits during the reporting period and the deposits with BAIC Finance during the reporting period.

The independent non-executive Directors will, on an annual basis, specially review implementation and execution of transactions under the renewed Financial Services Framework Agreement independently. If the independent non-executive Directors are of the opinion that the decrease in deposits with BAIC Finance is in the interest of the Company, the Company will take appropriate measures to implement the decisions of the independent non-executive Directors. Any material findings in the risk assessment reports, the views of the independent non-executive Directors on the deposits under the renewed Financial Services Framework Agreement (including their views on how to comply with the terms of the renewed Financial Services Framework Agreement), and their decisions on any matters in relation thereto, will be disclosed in the Company's annual and interim reports.

During the annual audit of the Company, the Company would engage its auditors to audit connected transactions between the Company and BAIC Group to ensure that the transactions under the renewed Financial Services Framework Agreement have been conducted in accordance with the Listing Rules and the relevant disclosure requirements have been complied with.

D. Internal Control Procedures for the Implementation of Continuing Connected Transactions

The Company has adopted the following internal control procedures to ensure that the abovementioned continuing connected transactions of the Company are fair and reasonable and on normal commercial terms:

- (A) The Company has adopted and implemented a management system on connected transactions. Under this system, the Company's finance department is responsible for conducting reviews on compliance with relevant laws, regulations, company policies and Listing Rules in respect of the continuing connected transactions of the Company. In addition, the finance department, procurement department, legal department and other relevant operation departments of the Company are jointly responsible for evaluating the transaction terms under the agreements for continuing connected transactions of the Company, in particular, the fairness of the pricing terms under each agreement; and

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- (B) The independent non-executive Directors will review the agreements for the continuing connected transactions of the Company to ensure such agreements, where available, are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements. The auditor of the Company will also conduct an annual review on the pricing and annual caps of such agreements.

In order to ensure that the pricing terms under the agreements for the continuing connected transactions of the Company are fair and reasonable, the Company's finance department and other relevant operation departments will review the proposed price provided by the vendor in the following manner:

- (A) If a comparable market price is available, the proposed price will be compared with the market price to ensure that such proposed price is not higher than the selling price of the part or component or product with similar specifications, technology and quality requirements provided by any other manufacturers in the market;
- (B) The Company has established a stringent market price inquiry system:
 - (i) For selection of potential suppliers, the Group has developed standards for selection of suppliers based on different purchase needs. Such standards include, but are not limited to, the scale of business, industry recognition, experience of supplying same types of products and services, technological level, financial conditions etc. The same standards are applicable to both connected person and independent third-party suppliers. The Group does not give preferential treatment to connected persons for the selection of potential suppliers. The selection of suppliers shall be determined by the collective decision of a tender assessment board with members from the procurement department, research and development department, discipline inspection department, finance department and audit department as well as procurement engineers, product engineers and suppliers' quality management engineers. Tenders will be sought from various suppliers and assessed internally over several rounds before a decision is made on the basis of pricing, quality, technology, product risks and after-sales services;
 - (ii) For price inquiry procedures, the Company generally requires at least three potential suppliers participating in the same purchase. Price inquiry procedures that fail to meet the above requirements will be void. Price inquiry procedures are conducted in strict accordance with the above model and the entire process is under the supervision of financial department, audit department and discipline inspection department. Any violations of those measures will be recorded. The result of price inquiry will undergo a final review by the Company's management. The winner of the price inquiry procedure will enter into a written agreement with the Company. If there is any evidence of frauds or irregularities of the supplier during the procedure, the

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Company will terminate cooperation and pursue legal responsibility, regardless of whether such supplier is a connected person of the Company. All of the written documents involved in the price inquiry procedure shall be kept for at least ten years. In case the parties involving in the price inquiry procedure have any reasonable doubt about the result of price inquiry, they may check relevant documents upon the Company's approval.

- (C) If no comparable market price is available, the fairness and reasonableness of the proposed price will be determined with reference to the total cost of the part or product, which is estimated with reference to (i) the market price of the raw materials or semi-finished products forming the part or product; and (ii) the total cost estimated to be required for manufacturing such part or product with reference to requirements in relation to its nature, functionality, technology and quality standards etc., plus a profit margin of not more than the maximum profit margin level as stipulated under the relevant agreement, depending on the complexity of technologies and quality control procedures involved; and
- (D) The proposed price will be reviewed to ensure that it is in line with the pricing terms of the relevant agreement and that the terms provided to the Company are no less favourable than those offered by the supplier to independent third parties.

E. Listing Rules Implications

As at the date of this circular, 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. The transactions contemplated between the Company and BAIC Group under the renewed Products and Services Purchasing Framework Agreement and the renewed Provision of Products and Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As BAIC Group holds 56% of the equity interest of BAIC Finance, BAIC Finance is an associate of BAIC Group. Therefore, BAIC Finance is a connected person of the Company and the transactions contemplated between the Company and BAIC Finance under the renewed Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of (i) the proposed annual caps for the purchase of products and purchase of services contemplated under the renewed Products and Services Purchasing Framework Agreement; and (ii) the proposed annual caps for the sale of products transactions contemplated under the renewed Provision of Products and Services Framework Agreement are more than 5%, such continuing connected transactions are therefore subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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As the highest of the applicable percentage ratios in respect of the proposed annual caps for the maximum daily balance of the deposits placed by the Group with BAIC Finance under the renewed Financial Services Framework Agreement is more than 25%, such transaction constitutes a major transaction and continuing connected transaction of the Company and is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

F. General Information

Information on the Company

The Company was established in September 2010, and its H Shares were listed on the Main Board of the Hong Kong Stock Exchange in December 2014. The Company's brands cover joint venture premium passenger vehicles, joint venture premium multi-purpose passenger vehicles, joint venture mid- to high-end passenger vehicles, proprietary brand passenger vehicles and other vehicles, which can maximally satisfy various customers' demands.

Information on BAIC Group

BAIC Group is the sole Controlling Shareholder of the Company, being a state-owned enterprise wholly owned by Beijing State-owned Capital Operation and Management Company Limited (北京國有資本運營管理有限公司), and held 42.63% equity interest in the Company. BAIC Group is one of the main automobile manufacturing groups in China. It has now developed into a comprehensive and modern automobile conglomerate with diversified business portfolio and integrating vehicle research and development and manufacturing, parts and components manufacturing, automobile service trade, education and investment and financing business, as well as incubation of new industries.

Information on BAIC Finance

BAIC Finance is a non-banking financial institution incorporated in October 2011 in the PRC with the approval of the China Banking Regulatory Commission. BAIC Finance was initiated and established by 4 shareholders, namely BAIC Group, being a state-owned enterprise wholly owned by Beijing State-owned Capital Operation and Management Company Limited (北京國有資本運營管理有限公司), BAIC Investment Co., Ltd. (北京汽車投資有限公司), a subsidiary of the Company, Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司), whose controlling shareholder is Beijing State-owned Capital Operation and Management Company Limited (北京國有資本運營管理有限公司), and Beijing Hainachuan Automotive Parts Stock Co., Ltd. (北京海納川汽車部件股份有限公司), a subsidiary of BAIC group, holding 56%, 20%, 14%, and 10% of the equity interest respectively, with a registered capital of RMB5 billion. The main businesses of BAIC Finance include the provision of financial and financing consultation services, credit appraisal and other related consultation and agency services to members; assistance to members in the collection and payment of transaction amounts; authorised insurance agency services; provision of guarantee between members; provision of

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entrusted loans between members; provision of bill acceptance and discount services to members; provision of internal fund transfer and settlement services and corresponding settlement and clearing planning to members; accepting deposits from members; provision of loans and finance leasing to members; provision of inter-bank lending; underwriting of corporate bonds of members; provision of consumption credit, buyers' credit and finance leasing for products of members; investments in negotiable securities (other than stock and trust investments).

SPECIAL RESOLUTIONS

VIII. GENERAL MANDATE FOR THE ISSUANCE OF DEBT FINANCING INSTRUMENTS

In order to control the financial cost by further expanding the financing channels and taking full advantage of the capital market for financing, the Company proposed to issue one or several types of debt financing instruments either in one tranche or multiple tranches, including but not limited to enterprise bonds, corporate bonds, ultra short-term commercial paper, short-term commercial paper, medium-term notes, debt financing instruments through private placement, and other RMB or foreign currency, onshore or offshore debt financing instruments permitted by the regulatory authorities for issuance (the “**Debt Financing Instruments**”), the details of which are as follows:

(1) Major terms of the issuance

(i) Issuer

The Company and/or its subsidiaries will be the issuer of the onshore and offshore Debt Financing Instruments.

(ii) Issue size and issue method

Except for Debt Financing Instruments already issued by the Company, the issue size of onshore and offshore Debt Financing Instruments for 2022 is up to RMB10 billion (inclusive) in total, based on the outstanding balance upon the issuance, and in case of issuing in a foreign currency, converted at the central parity rate published by the PBOC on the date of issuance.

The Debt Financing Instruments will be issued in one or multiple tranches, through public offering or private placement.

(iii) Target subscribers

The target subscribers of the onshore and offshore Debt Financing Instruments are qualified domestic and foreign investors, respectively.

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(iv) Term and type

The term of the onshore and offshore Debt Financing Instruments shall not exceed 10 years. The onshore and offshore Debt Financing Instruments may be a type of Debt Financing Instruments with a single term or a combination of types of Debt Financing Instruments with multiple terms. The specific terms composition and the issue size of each of the various types of the Debt Financing Instruments will be determined according to relevant regulations and the market conditions, and the issue size of each type of the Debt Financing Instruments shall not exceed the limit on the issue size of such type of the Debt Financing Instruments issued by the Company in accordance with the relevant national regulations.

(v) Use of proceeds

It is expected that the proceeds from the issue of onshore and offshore Debt Financing Instruments will be used to satisfy the needs of production and operation, repay loans from financial institutions, replenish the working capital and/or used for project investment and otherwise.

(2) Authorization

According to the market conditions and the needs of operations, and by reference to market practices, it is proposed by the Board that the AGM grant a general mandate to the Board, and agree the Board to authorize the management of the Company in turn, to issue the Debt Financing Instruments, by a special resolution, so as to:

- (i) determine the category, specific type, specific terms, conditions and other matters of Debt Financing Instruments, including but not limited to the specific number to be issued, the actual total amount, type of currency, issue price, interest rate or its confirmation method, place and timing of the issuance, term, whether the Debt Financing Instruments are issued in tranches and the number of tranches, the issue size for each tranche, whether to specify put and redemption provisions, rating arrangement, guarantee-related matters, maturity of repayment of the principal and interest, use of proceeds, listing and underwriting arrangements, and any other issue-rated matters;
- (ii) take all necessary and incidental actions and steps with regard to the issue of Debt Financing Instruments, including but not limited to the provision of necessary guarantees for the issue of Debt Financing Instruments by the Company and/or its subsidiaries (referring to wholly-owned or controlled subsidiaries of the Company), engagement of intermediaries, and the application on behalf of the Company to relevant regulatory authorities for relevant approval, registration, filing and other formalities, signing all the necessary legal instruments in relation to the issue, and handling other

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matters in relation to the issue, trade and circulation, as well as the approval, confirmation and ratification of the above actions and steps already taken by the Company in relation to the issue of bonds;

- (iii) sign and publish/distribute announcements and circulars in relation to the issue of Debt Financing Instruments, and go through relevant information disclosure and/or approval procedures (if required) in accordance with requirements of relevant domestic regulatory authorities and the Listing Rules;
- (iv) correspondingly adjust matters in relation to the issue of Debt Financing Instruments or determine whether to proceed with the issuance according to the actual conditions within the scope of authorization by the Shareholders' general meeting, according to the opinions of relevant domestic regulatory authorities, the changes in policies and market conditions, except for matters subject to further voting at the Shareholders' general meeting of the Company under relevant laws, regulations and Articles of Association;
- (v) make a decision on debt repayment measures, in accordance with the relevant laws, regulations and requirements of relevant regulatory authorities and the Listing Rules, if the Company is expected to fail or has already failed to repay the principal and interest of the due bonds as scheduled;
- (vi) determine and handle matters in relation to the listing of the issued Debt Financing Instruments (if necessary), after the completion of the issuance;
- (vii) handle any other specific matters in relation to the issuance and sign all the required documents;
- (viii) under the general mandate for the issuance of Debt Financing Instruments, any exercise of powers by the Board and the management shall comply with the relevant provisions of the Listing Rules, the Articles of Association and the relevant laws and regulations of China.

The aforesaid general mandate for the issuance of Debt Financing Instruments is valid for a period commencing on the date on which the resolution is approved by the AGM and ends on the earliest of:

- (1) the conclusion of the 2022 annual general meeting of the Company;
- (2) the expiry date of 12 months from the passing of the resolution at the AGM;
or
- (3) the date on which the mandate set out in this resolution is revoked or amended by a resolution at any of the Shareholders' general meeting of the Company.

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If the Company determines to issue the Debt Financing Instruments in whole or in part within the validity period of the resolution, and the Company obtains the issue approval, permission, filing or registration from the regulatory authorities within the validity period, then the Company may complete the issue of relevant Debt Financing Instruments within the validity period confirmed in the approval, permission, filing or registration.

IX. GENERAL MANDATE FOR THE ISSUANCE OF SHARES

With a view to fully leveraging on the financing advantages of the capital market and seizing the financing window in the market, and by reference to market practices, it is proposed by the Board that the AGM grant a general mandate for the issuance of Shares to the Board, by a special resolution, namely authorising the Board to separately or concurrently issue and allot (the “**Issue**”) additional Shares not exceeding 20% of each of the numbers of Domestic Shares and/or H Shares in issue on the date on which the resolution is approved at the AGM, within the scope of authorization, and according to the market conditions and the needs of the Company. The additional Shares include but not limited to Domestic Shares and/or H Shares, convertible securities, and options, warrants or similar rights to subscribe for any Shares or such convertible securities.

The details of the authorization are as follows:

- (1) formulation and implementation of a specific issue plan specifying, among others, the class of additional Shares proposed to be issued (hereafter including but not limited to Domestic Shares and/or H Shares, convertible securities, and options, warrants or similar rights to subscribe for any Shares or such convertible securities), pricing method and/or issue price (including price range), the number to be issued, target subscribers and use of proceeds, and the determination of the issue timing and period, and otherwise;
- (2) consideration and approval of matters in relation to the issue of additional Shares, including but not limited to engagement of intermediaries, the application to relevant regulatory authorities for matters in relation to the issuance, reporting, trade and circulation and listing of the additional Shares, and signature of necessary agreements and legal instruments;
- (3) going through relevant approval and information disclosure procedures, in accordance with the requirements of the regulatory authorities and the place of listing of the Company;
- (4) approving the Company to increase its registered capital upon the issue of the new Shares, amend the relevant provisions of the Articles of Association in relation to the total share capital, the shareholding structure and otherwise, and go through the relevant domestic and overseas statutory registration and filing formalities;
- (5) determining other matters in relation to the above-mentioned issue of additional Shares.

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The validity period of the general mandate for the issuance of Shares commences on the date on which it is considered and approved by the AGM and ends on the earliest of:

- (1) the conclusion of the 2022 annual general meeting of the Company;
- (2) the expiration of 12-month period from the date of approving of this resolution at the AGM; or
- (3) the date on which the mandate set out in this resolution is revoked or amended by a resolution at any of the Shareholders' general meeting of the Company.

If during the validity period of the aforesaid general mandate for the issuance of Shares, the Company enters into an agreement¹ or grants share options² with regard to the issuance of additional Domestic Shares and/or H Shares which may be required to be performed or exercised after the expiry of the validity period, the Company may continue to complete the issuance of the additional Shares.

Under the general mandate for the issuance of Shares, the exercise of any power by the Board shall comply with the relevant provisions of the Listing Rules, the Articles of Association and the relevant laws and regulations of China.

III. MATTERS TO BE RESOLVED AT THE AGM AND SHAREHOLDERS CLASS MEETINGS

SPECIAL RESOLUTION

X. GENERAL MANDATE FOR THE REPURCHASE OF SHARES

In order to enable the Company to make full use of repurchase of Shares as a means for adjusting the capital structure in line with the market conditions and the needs of the Company, and increase the net asset value and/or earnings per share to protect the interests of investors, and by reference to market practices, it is proposed by the Board that the AGM and the Shareholders Class Meetings grant a general mandate for the repurchase of Shares to the Board by a special resolution, respectively, so as to repurchase Domestic Shares and H Shares not exceeding 10% of the respective aggregate number of the Domestic Shares and/or H Shares in issue at the date of the approval of the resolutions at the AGM and Shareholders Class Meetings.

The details of the authorization are as follows:

- (1) formulation and implementation of a specific repurchase plan specifying repurchase purpose, class of Shares to be repurchased, repurchase pricing method and/or repurchase price (including price range), repurchase method, number to be repurchased, repurchase timing, repurchase period and other matters;

¹ Agreement: placing agreement, share purchase and sales agreement, underwriting agreement or any other document entered into for the issuance of Shares.

² Share options: options, warrants or similar rights to subscribe for Shares.

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- (2) consideration and approval of matters in relation to the repurchase, including but not limited to engagement of intermediaries, the application to relevant regulatory authorities for the repurchase, and signature of necessary agreements and legal instruments;
- (3) going through relevant approval and information disclosure procedures, in accordance with the requirements of the regulatory authorities and the place of listing of the Company;
- (4) approving the Company to cancel its Shares and correspondingly reduce its registered capital upon the repurchase of the Shares, amend the relevant provisions of the Articles of Association in relation to the total share capital, the shareholding structure and otherwise, and go through the relevant domestic and overseas statutory registration and filing formalities;
- (5) securing internal resources of the Company (which may include surplus reserves and retained earnings) for the repurchase in accordance with applicable laws and regulations of China, and the Articles of Association;
- (6) determining other matters in relation to the repurchase above.

The validity period of the aforesaid general mandate for the repurchase of Shares commences on the date on which it is approved at the AGM and the Shareholders Class Meetings, respectively, and ends on the earliest of:

- (1) the conclusion of the 2022 annual general meeting of the Company;
- (2) the expiration of the 12-month period from the date of approving of this resolution at the AGM and the Shareholders Class Meetings of the Company, respectively; or
- (3) the date on which the mandate mentioned in the resolution is revoked or amended by a resolution at any Shareholders' general meeting or the shareholders class meeting of the Company.

Under the aforesaid general mandate for the repurchase of Shares, the exercise of any power by the Board shall comply with the relevant provisions of the Listing Rules, the Articles of Association and the relevant laws and regulations of China.

If during the validity period of the General Mandate for the Repurchase of Shares, the Company makes or enters into a Repurchase Proposal³ or an Agreement⁴ with regard to the repurchase of Domestic Shares and/or H Shares which may be required to be performed or conducted even after the expiry of the mandate, the Company may continue to complete the repurchase of such shares.

³ Repurchase Proposal: repurchase plan made by the Board of Directors with regard to the repurchase of shares.

⁴ Agreement: repurchase agreement or any other document entered into with regard to the repurchase of shares.

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The Listing Rules prescribe that the requisite information of the recommended repurchase of Shares shall be provided for Shareholders to consider, to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolution on the repurchase of Shares at the AGM and Shareholders Class Meetings. The explanatory statement containing such information is set out in Appendix II to this circular.

IV. VOTES BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at the AGM and Shareholders Class Meetings must be taken by poll. Therefore, the resolutions set out in the notices of the AGM and Shareholders Class Meetings shall be voted by poll. Votes may be given either in person or by proxy. Results of the poll voting will be posted on the HKEXnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company after the conclusion of the AGM and Shareholders Class Meetings.

At the meeting of the Board at which the continuing connected transactions were considered, since BAIC Group held 56% of the equity of BAIC Finance, Mr. Jiang Deyi, Mr. Chen Hongliang and Mr. Hu Hanjun, each being a Director who also held office in BAIC Group and its subsidiaries, were deemed to have material interests in the continuing connected transactions contemplated under the renewed Products and Services Purchasing Framework Agreement, the renewed Provision of Products and Services Framework Agreement and the renewed Financial Services Framework Agreement, and therefore have abstained from voting on the related resolutions. Save for the above-mentioned persons, none of the other Directors has any interest in the relevant transactions.

Meanwhile, since BAIC Group is deemed to have material interests in the continuing connected transactions contemplated under the renewed Products and Services Purchasing Framework Agreement and the renewed Provision of Products and Services Framework Agreement, and the renewed Financial Services Framework Agreement, BAIC Group and its associates are required to abstain from voting on the resolutions in relation to the (i) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; and (iii) renewal of the Financial Services Framework Agreement and the proposed annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance thereunder, for the three financial years ending 31 December 2025. As at the Latest Practicable Date, BAIC Group and its associates directly and indirectly held 3,416,659,704 Domestic Shares (representing approximately 42.63% of the total issued share capital of the Company) with voting right.

To the best knowledge of the Directors and having made all reasonable enquiries, save for the above Shareholders and their respective associates, no other Shareholders have material interests in the other resolutions and are required to abstain from voting on the such resolutions to be proposed at the AGM.

LETTER FROM THE BOARD

V. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the (a) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder; (b) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; and (c) renewal of the Financial Services Framework Agreement and the proposed annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance thereunder, for the three financial years ending 31 December 2025; and (ii) letter from Gram Capital set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders on the same matter, as well as the principal factors and reasons taken into account by Gram Capital in arriving at its advice.

The Directors (excluding the independent non-executive Directors, whose opinions are given in the letter from the Independent Board Committee contained in this circular) are of the view that: (i) the transactions, including (a) the transactions under the renewed Products and Services Purchasing Framework Agreement; (b) the sale of products transactions under the renewed Provision of Products and Services Framework Agreement; and (c) the deposit services transactions under the renewed Financial Services Framework Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms or better; (ii) the terms and conditions of the Products and Services Purchasing Framework Agreement, the Provision of Products and Services Framework Agreement and the Financial Services Framework Agreement as well as (a) the proposed annual caps for the purchase of products and purchase of services transactions; (b) the proposed annual caps for the sale of products transactions; and (c) the proposed annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance for the next three financial years ending 31 December 2025, are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

In addition, the Board considers that the above-mentioned other resolutions are also in the interests of the Company and the Shareholders as a whole, and thereby recommends the Shareholders to vote in favour of the resolutions at the AGM and Shareholders Class Meetings.

VI. THE AGM AND SHAREHOLDERS CLASS MEETINGS

The notices of the AGM and Shareholders Class Meetings to be held at 9:30 a.m. on Tuesday, 28 June 2022 at Multi-purpose Hall, 1st Floor, the South Tower of Beijing Automotive Industry Research and Development Base, No. 99 Shuanghe Street, Shunyi District, Beijing, the PRC are set out on pages 83 to 89 of this circular. The forms of proxy for use at the AGM and Shareholders Class Meetings are also enclosed. Such forms of proxy are also published on the HKExnews website of the Hong Kong Stock Exchange and the website of the Company.

LETTER FROM THE BOARD

Whether you wish to attend the AGM and/or Shareholders Class Meetings or not, holders of H Shares are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; and for holders of Domestic Shares, the form of proxy shall be returned to the Board of Directors' Office at Room 5-054, Tower A, Beijing Automotive Industry Research and Development Base, No. 99 Shuanghe Street, Shunyi District, Beijing, the PRC as soon as possible but in any event not later than 24 hours before the time appointed for holding the AGM and Shareholders Class Meetings or any adjournment thereof. Completion and return of the form(s) of proxy will not preclude the Shareholders from attending and voting in person at the AGM and Shareholders Class Meetings or any adjournment thereof if they so wish.

VII. CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements of the Shareholders to attend the AGM and Shareholders Class Meetings, the register of members of the Company will be closed from Thursday, 23 June 2022 to Tuesday, 28 June 2022 (both days inclusive), during which period no transfer of Shares will be effected. To be eligible to attend and vote at the AGM and Shareholders Class Meetings, all transfer documents must be lodged with the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H Shares no later than 4:30 p.m. on Wednesday, 22 June 2022 or China Securities Depository and Clearing Corporation Limited at No. 17 Tai Ping Qiao Street, Xicheng District, Beijing, the PRC for holders of Domestic Shares no later than 4:00 p.m. on Wednesday, 22 June 2022.

In order to ascertain the entitlements of the Shareholders to receive the proposed final dividend, the register of members of the Company will be closed from Wednesday, 6 July 2022 to Monday, 11 July 2022 (both days inclusive), during which period no transfer of Shares will be effected. To be eligible to receive the proposed final dividend, all the transfer documents must be lodged with the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H Shares no later than 4:30 p.m. on Tuesday, 5 July 2022, or China Securities Depository and Clearing Corporation Limited at 23 Floor, Shenzhen Stock Exchange Square, Futian District, Shenzhen, Guangzhou, the PRC for holders of Domestic Shares no later than 4:00 p.m. on Tuesday, 5 July 2022.

By Order of the Board
BAIC Motor Corporation Limited
Jiang Deyi
Chairman of the Board

27 May 2022



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)

27 May 2022

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONTINUING CONNECTED TRANSACTION –
RENEWAL OF CONTINUING CONNECTED
TRANSACTIONS WITH BAIC GROUP**

We refer to the circular of the Company dated 27 May 2022 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders as to whether (i) the terms and conditions of the renewed Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder; (ii) the terms and conditions of the renewed Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; and (iii) the terms and conditions of the renewed Financial Services Framework Agreement and the annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance thereunder are entered into in accordance with normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the terms and conditions of the renewed Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder; (ii) the terms and conditions of the renewed Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; and (iii) the terms and conditions of the renewed Financial Services Framework Agreement and the annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance thereunder are entered into in

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

accordance with normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. The text of the letter of advice from Gram Capital containing their recommendations and the principal factors they have taken into account in arriving at their recommendations is set out on pages 51 to 71 of this Circular.

Independent Shareholders are recommended to read the letter of advice from Gram Capital, the letter from the Board contained in the Circular as well as the additional information set out in the Appendix I to the Circular.

Having considered (i) the terms and conditions of the renewed Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder; (ii) the terms and conditions of the renewed Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; and (iii) the terms and conditions of the renewed Financial Services Framework Agreement and the annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance thereunder, the interests of the Independent Shareholders and the advice of Gram Capital, we are of the opinion that the renewed Products and Services Purchasing Framework Agreement, the renewed Provision of Products and Services Framework Agreement and the renewed Financial Services Framework Agreement were entered into after arm's length negotiation and are on normal commercial terms, and the terms of the connected transactions of the Company contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favor of the relevant resolutions to be proposed at the AGM.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Ge Songlin
*Independent Non-executive
Director*

Ms. Yin Yuanping
*Independent Non-executive
Director*

Mr. Xu Xiangyang
*Independent Non-executive
Director*

Mr. Tang Jun
Independent Non-executive Director

Mr. Edmund Sit
Independent Non-executive Director

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the CCTs for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

27 May 2022

*To: The independent board committee and the independent shareholders
of BAIC Motor Corporation Ltd.**

Dear Sir/ Madam,

**(A) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH
BAIC GROUP;
AND
(B) RENEWAL OF MAJOR AND CONTINUING CONNECTED
TRANSACTION WITH BAIC FINANCE**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the renewal of (a) purchase of products transactions (the “**Purchase Transactions (Products)**”) and purchase of services transactions (the “**Purchase Transactions (Services)**”), together with the Purchase Transactions (Products), the “**Purchase Transactions**”) under the Products and Services Purchasing Framework Agreement; (b) sale of products transactions (the “**Sale Transactions**”) under the Provision of Products and Services Framework Agreement; and (c) deposit services (the “**Deposit Services**”, together with the Purchase Transaction and the Sale Transaction, the “**CCTs**”) under the Financial Services Framework Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 27 May 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 27 April 2022:

- (a) The Company and BAIC Group entered into (i) the Products and Services Purchasing Framework Agreement; and (ii) the Provision of Products and Services Framework Agreement for a further term of three years from 1 January 2023 to 31 December 2025 and set new annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025.

LETTER FROM GRAM CAPITAL

- (b) The Company and BAIC Finance entered into the Financial Services Framework Agreement for a further term of three years from 1 January 2023 to 31 December 2025 and set new annual caps for the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025.

With reference to the Board Letter, the CCTs constitute non-exempted continuing connected transactions of the Company and shall be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the Deposit Services also constitute major transaction of the Company.

The Independent Board Committee comprising Mr. Ge Songlin, Ms. Yin Yuanping, Mr. Xu Xiangyang, Mr. Tang Jun and Mr. Edmund Sit (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the CCTs are on normal commercial terms and are fair and reasonable; (ii) whether the CCTs are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the CCTs at the AGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in respect of a possible notifiable and continuing connected transaction of the Company which was not proceeded (our term of this engagement ended on 20 January 2022). Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company during the past two years immediately preceding the Latest Practicable Date. Notwithstanding the aforesaid engagement, we were not aware of any relationship or interest between Gram Capital and the Company or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Having considered the above and that none of the circumstances as set out under Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the management of the Company (the "**Management**"). We have assumed that all information and representations that have been provided by the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all

LETTER FROM GRAM CAPITAL

statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Management, which have been provided to us. Our opinion is based on the Management's representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the CCTs. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, BAIC Group, BAIC Finance, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the CCTs. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

LETTER FROM GRAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the CCTs, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Company was established in September 2010, and its H Shares were listed on the Main Board of the Hong Kong Stock Exchange in December 2014. The Company's brands cover joint venture premium passenger vehicles, joint venture premium multi-purpose passenger vehicles, joint venture mid- to high-end passenger vehicles, proprietary brand passenger vehicles and other vehicles.

Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 December 2021 as extracted from the Company's annual report for the year ended 31 December 2021 (the "2021 Annual Report"):

	For the year ended 31 December 2021	For the year ended 31 December 2020	Change from 2020 to 2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Revenue	175,915,687	176,973,004	(0.60)
Gross profit	37,643,235	42,139,943	(10.67)
Profit for the year	15,151,479	12,955,151	16.95
	As at 31 December 2021	As at 31 December 2020	Change from 2020 to 2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Cash and cash equivalents	40,968,622	48,146,250	(14.91)

As illustrated in the above table, the Group's revenue and gross profit for year ended 31 December 2021 ("FY2021") decreased by approximately 0.60% and approximately 10.67% respectively as compared to those for the year ended 31 December 2020 ("FY2020"). With reference to the 2021 Annual Report, the aforesaid decrease in revenue was mainly attributable to the decrease in revenue from Beijing Benz (a major brand of the Company) as partially offset by increase in revenue from Beijing Brand (a major brand of the Company). As advised by the Management, the aforesaid (i) decrease in revenue from Beijing Benz was mainly due to decrease in overall sales volume, the impact of which was partially offset by increase in sales proportion of relatively higher-priced models; and (ii) increase in revenue from Beijing Brand was mainly due to increase in sales proportion of relatively higher-priced models. The aforesaid decrease in gross profit was mainly attributable to decrease in the gross profit of Beijing Benz and increase in the gross loss of Beijing Brand.

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Despite the aforesaid decrease in the Group's revenue and gross profit, the Group's profit for FY2021 increased by approximately 16.95% as compared to that for FY2020. With reference to the 2021 Annual Report, the aforesaid increase in profit was mainly attributable to decrease in (i) selling and distribution expenses; (ii) general and administrative expenses; (iii) net impairment losses on financial assets; (iv) share of loss of investments accounted for using equity method, and turnaround from other net losses for FY2020 to other net gains for FY2021.

With reference to the 2021 Annual Report, the Group will focus on achieving "double improvements" in market scale and development quality, accelerating the strategic transformation and product iteration, pushing for deeper reforms and improving operational capabilities.

A. PURCHASE TRANSACTIONS AND SALE TRANSACTIONS

Information on BAIC Group

With reference to the Board Letter, BAIC Group is the sole Controlling Shareholder of the Company, being a state-owned enterprise wholly owned by Beijing State-owned Capital Operation and Management Company Limited (北京國有資本運營管理有限公司), and held 42.63% equity interest in the Company. BAIC Group is one of the main automobile manufacturing groups in the PRC. It has now developed into a comprehensive and modern automobile conglomerate with diversified business portfolio and integrating vehicle research and development and manufacturing, parts and components manufacturing, automobile service trade, education and investment and financing business, as well as incubation of new industries.

Reasons for and benefit of the Purchase Transactions and the Sale Transactions

With reference to the Board Letter, in the ordinary and usual course of business, the Group purchases products and services from BAIC Group and/or its associates. The Company has been using the products and services provided by BAIC Group and/or its associates for several years. BAIC Group has been providing the Group with a long-term stable supply. As a result, BAIC Group and its associates understand the Group's business and operational requirements well. It is crucial to maintain a stable and quality supply of products and general services for the Company's existing and future production and operation. With reference to the previous purchasing experience with BAIC Group and its associates, BAIC Group can efficiently fulfil the Company's requirements with stable and quality supply of products and general services.

We also understood from the Management that the Sale Transactions allow the Group to have a stable source of revenue.

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Details of reasons and benefits for the Purchase Transactions and the Sale Transactions are set out under the sub-section headed “Reasons and benefits” under the sections headed “(A) Renewed Products and Services Purchasing Framework Agreement” and “(A) Renewal of the Provision of Products and Services Framework Agreement” of the Board Letter.

As confirmed by the Management, as the Purchase Transactions and the Sale Transactions are conducted in the ordinary and usual course of business of the Group and on a frequent and regular basis, it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Listing Rules, if necessary. Accordingly, the Management is of the view that the Purchase Transactions and the Sale Transactions will be beneficial to the Company and the Shareholders as a whole. We noted from the Products and Services Purchasing Framework Agreement and the Provision of Products and Services Framework Agreement that the scope of products and services contemplated thereunder are related to the Group’s principal activities.

Having considered the above factors, we are of the view that the Purchase Transactions and Sale Transactions are conducted in the ordinary and usual course of business of the Company and in the interest of the Company and the Shareholders as a whole.

Principal terms of the Purchase Transactions and Sale Transactions

Set out below are the key terms of Products and Services Purchasing Framework Agreement and Provision of Products and Services Framework Agreement. Details of terms of agreement are set out under the sections headed “A. Renewal of the Products and Services Purchasing Framework Agreement” and “B. Renewal of the Provision of Products and Services Framework Agreement” of the Board Letter.

	Products and Services Purchasing Framework Agreement	Provision of Products and Services Framework Agreement
Date:	27 April 2022	27 April 2022
Parties:	(i) BAIC Group (ii) the Company	(i) BAIC Group (ii) the Company
Term of the agreement:	From 1 January 2023 to 31 December 2025	From 1 January 2023 to 31 December 2025

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Principal terms:

BAIC Group and/or its associates will provide several types of products and services to the Company and/or its subsidiaries. These products will include automobile equipments, raw materials, components and parts and complete vehicles, and these services will include labour services, logistics services, transportation services and consultancy services.

Members of the Group and BAIC Group and its associates will enter into individual agreement for each of the specific transactions contemplated under the renewed Products and Services Purchasing Framework Agreement, provided that any such individual agreement shall be within the ambit of the renewed Products and Services Purchasing Framework Agreement.

The product prices and service fees shall be paid in accordance with the individual agreements to be signed by members of the Group and BAIC Group and its associates under the renewed Products and Services Purchasing Framework Agreement.

BAIC Group and/or its associates will purchase the following types of products (including products such as facilities, raw materials, components and parts and complete vehicles etc., relevant technologies, and derivatives derived from such products including but not limited to average fuel consumption quota of new energy vehicles etc.) and services (including sales agency, processing agency, labour, logistics, transportation and consultancy etc.) from the Company and/or its subsidiaries. It is expected that the Group will mainly sell complete vehicles and provide relevant automotive parts and components to BAIC Group.

Members of the Group and BAIC Group and its associates will enter into individual agreement for each of the specific transactions contemplated under the renewed Provision of Products and Services Framework Agreement, provided that any such individual agreement shall be within the ambit of the renewed Provision of Products and Services Framework Agreement.

The product prices and service fees shall be paid in accordance with the individual agreements to be signed by members of the Group and BAIC Group and its associates under the renewed Provision of Products and Services Framework Agreement.

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Pricing policy and internal control measures

Details of the pricing policy of the Purchase Transactions and Sale Transactions are set out under the sub-section headed “Pricing Policy” under the respective section headed “A. Renewal of the Products and Services Purchasing Framework Agreement” and “B. Renewal of the Products and Services Purchasing Framework Agreement” of the Board Letter.

For our due diligence purpose, we obtained a list of members of the Group which conducted Purchase Transactions (Products) and Purchase Transactions (Services) with members of BAIC Group for each of the three years ended 31 December 2021. We randomly selected three members of the Group from the list and obtained three sets of signed contracts (with relevant supporting documents) for each of the Purchase Transactions (Products) and the Purchase Transactions (Services) between the Group and members of BAIC Group (six sets of signed contracts in total). Based on the aforesaid signed contracts and supporting documents as provided by the Group, we noted that:

- (i) for Purchase Transactions that were conducted with tender process, before signing the individual contracts, the Group conducted tender processes with three bidders or all the qualified suppliers if number of such suppliers were less than three, and selected supplier based on a combination of factors such as expertise, quality, compatibility and price; and
- (ii) for Purchase Transactions that were conducted without tender process, the prices offered by members of BAIC Group to the Group were not higher than those offered by independent third parties for the same services.

For our due diligence purpose, we obtained a list of members of the Group which entered into Sale Transactions with members of BAIC Group for each of the three years ended 31 December 2021. We randomly selected three members of the Group from the list and obtained three sets of invoices from the Company, showing selling prices of vehicles by the Group to (i) members of BAIC Group; and (ii) independent third parties. We noted from the invoices that same selling prices applied to both the connected person and the independent third parties for the same type of vehicles.

With reference to the 2021 Annual Report, the independent non-executive Directors of the Company reviewed, amongst others, the Purchase Transactions and Sale Transactions for FY2021 and confirmed that, they have been entered into: in the ordinary and usual course of the Group’s business; on normal commercial or better terms; with the terms no less favourable to the Company than those offered to or by (as the case may be) independent third parties, if those available for comparison are insufficient to determine whether the terms of such transaction is normal commercial terms; and in accordance with relevant agreements whose conditions are fair and reasonable and in the interest of the Shareholders of the Company as a whole.

With reference to the 2021 Annual Report, the Company engaged its auditor to report on the Group’s continuing connected transactions in accordance with HKSAE 3000 (Revised) “Hong Kong Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accounts. Based on the auditor’s work, the Company’s auditor provided the Board with a letter confirming that, with respect to,

LETTER FROM GRAM CAPITAL

amongst others, the Purchase Transactions and Sale Transactions for FY2021: (1) nothing has come to the auditor's attention that causes it to believe that the Purchase Transactions and Sale Transactions have not been approved by the Board; (2) nothing has come to our auditor's attention that causes it to believe that the Purchase Transactions and Sale Transactions were not, in all material respects, in accordance with the pricing policies of the Group; (3) nothing has come to our auditor's attention that causes it to believe that the Purchase Transactions and Sale Transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; (4) with respect to the aggregate amount for each of the Purchase Transactions and Sale Transactions, nothing has come to the auditor's attention that causes it to believe that the amount of the Purchase Transactions and Sale Transactions has exceeded the annual cap as set by the Company.

The Group adopted a series of internal control measures to ensure the Purchase Transactions and Sale Transactions are conducted in a fair and reasonable manner. Details of the internal control measures are set out under the section headed "D. Internal Control Procedures for the Implementation of Continuing Connected Transactions" of the Board Letter.

Taking into account the aforesaid and that (i) various departments of the Company, including the finance department, procurement department, legal department and other relevant operation departments of the Company are jointly responsible for evaluating the transaction terms under the agreements for the Purchase Transactions and Sale Transactions, in particular, the fairness of the pricing terms under such agreement; (ii) the Company established a stringent market price inquiry system; and (iii) the proposed price will be reviewed to ensure that it is in line with the pricing terms of the relevant agreement and that the terms provided to the Company are no less favourable than those offered by the supplier to independent third parties, we consider that the effective implementation of the internal control mechanism would help to ensure fair pricing of the Purchase Transactions and Sale Transactions.

Proposed annual caps

Set out below are the historical transaction amounts in respect of (a) the Purchase Transactions (Products); (b) the Purchase Transactions (Services); and (c) the Sale Transactions, for the three years ended/ending 31 December 2022 with relevant annual caps:

	For the year ended/ending 31 December					
	2020		2021		2022	
	Historical transaction amounts <i>RMB' million</i>	Existing/ previous annual caps <i>RMB' million</i>	Historical transaction amounts <i>RMB' million</i>	Existing/ previous annual caps <i>RMB' million</i>	Historical transaction amounts <i>RMB' million</i>	Existing/ previous annual caps <i>RMB' million</i>
Purchase Transactions (Products)	17,742.3	50,346.0	26,635.1	52,920.8	4,763.5 <i>(Note)</i>	55,603.1
Purchase Transactions (Services)	3,565.6	5,036.4	3,552.6	4,990.2	546.2 <i>(Note)</i>	5,194.6
Sale Transactions	15,702.5	29,726.4	17,209.4	31,250.5	4,731.6 <i>(Note)</i>	32,836.9

Note: the figures are for the three months ended 31 March 2022.

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Set out below are the proposed annual caps in respect of (a) the Purchase Transactions (Products); (b) Purchase Transactions (Services); and (c) Sale Transactions, for the three years ending 31 December 2025:

	For the year ending 31 December 2023 <i>RMB' million</i>	For the year ending 31 December 2024 <i>RMB' million</i>	For the year ending 31 December 2025 <i>RMB' million</i>
Purchase Transactions (Products)	26,832.1	27,756.0	27,385.4
Purchase Transactions (Services)	4,415.3	4,568.6	4,507.1
Sale Transactions	27,042.3	27,780.5	27,484.4

The basis for determining proposed annual caps of (a) Purchase Transactions (Products); (b) Purchase Transactions (Services); and (c) Sale Transactions, for the three years ending 31 December 2025 are set out under the sections headed “A. Renewal of the Products and Services Purchasing Framework Agreement” and “B. Renewal of the Provision of Products and Services Framework Agreement” of the Board Letter.

According to the above tables:

- (a) the utilisation rates of the previous annual caps for Purchase Transactions (Products) were approximately 35.24% and 29.78% for the two years ended 31 December 2020 and 2021, respectively;
- (b) the utilisation rates of the previous annual caps for Purchase Transactions (Services) were approximately 70.80% and 51.92% for the two years ended 31 December 2020 and 2021, respectively; and
- (c) the utilisation rates of the previous annual caps for Sale Transactions were approximately 52.82% and 52.33% for the two years ended 31 December 2020 and 2021.

The Company adjusted the proposed annual caps downward for (a) Purchase Transactions (Products); (b) Purchase Transactions (Services); and (c) Sale Transactions, for the three years ending 31 December 2025 as compared to the existing annual cap for the year ending 31 December 2022 (“FY2022”).

The Group’s utilisation rates of most existing/previous annual caps for the Purchase Transactions and the Sale Transactions for the two years ended 31 December 2021 were generally low. As advised by the Management, the transaction amounts of (a) Purchase Transactions (Products); (b) Purchase Transactions (Services); and (c) Sale

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Transactions were mainly correlated to the Group's vehicle sales volume which was lower than previously estimated due to strategic adjustment; the adverse impact of chip shortage; and localized recurrence of the COVID-19 pandemic during FY2021.

The Company provided us calculation for the proposed annual caps (the "**S&P Calculation**") for (a) Purchase Transactions (Products); (b) Purchase Transactions (Services); and (c) Sale Transactions, for the three years ending 31 December 2025. We noted from the S&P Calculation that the proposed annual caps were formulated based on (i) estimated demand of products/services, which are directly linked to estimated demand for the Group's passenger vehicles under each of the Beijing Benz and the Beijing Brand, for each of the three years ending 31 December 2025; and (ii) a buffer of 10% on estimated demand of products/services for each of the three years ending 31 December 2025.

1. Estimated demand for Beijing Benz use

When determining the estimated demand of products/services for Beijing Benz use for the three years ending 31 December 2025, the Management considered (i) historical transaction amounts for demand of Beijing Benz use for FY2020 and FY2021; and (ii) the estimated growth on such demand from FY2021 to FY2022. According the S&P Calculation, the estimated growth in demand of products/services for Beijing Benz use for the three years ending 31 December 2025 was the same as the expected increase in sales volume of vehicles under Beijing Benz for the same years.

With reference to the 2021 Annual Report, as there were multiple challenges such as chip shortage, localized recurrence of COVID-19 pandemic, raw material price increase and dual control of energy consumption, Beijing Benz recorded sales of 561,008 units of vehicle during FY2021, representing a decrease of approximately 8.2% as compared to that for FY2020. The Management advised us that they consider the reasons for the decrease in sales volume as aforementioned are atypical and expected to ease off in future.

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We noted from the S&P Calculation that (i) there were moderate increases in estimated sales volume of vehicles under Beijing Benz brand in FY2022 (as compared to FY2021 actual) and FY2023 (as compared to FY2022 estimation); and (ii) the percentage increase in estimated sales volume of vehicles under Beijing Benz brand for FY2022 as compared to the actual sales volume for FY2021 is higher than the percentage increase in estimated sales volume of vehicles under Beijing Benz brand for FY2023 as compared to that for FY2022. As confirmed by the Management, the higher increase for FY2022 was estimated based on (i) their expectation that the aforementioned atypical negative impact on the sales volume of vehicles under Beijing Benz brand will ease off; (ii) the natural growth in sales volume of Beijing Benz; and (iii) the emergence of electric vehicles which leads to increasing demand for the electric vehicles of Beijing Benz.

Having also considered the sales volume of Beijing Benz increased from 317,069 units of vehicles for the year ended 31 December 2016 to 610,816 units of vehicles for FY2020, representing a compound annual growth rate of approximately 17.81% (according to the Company's historical annual reports), we are of the view that the above estimated increases in the sales volume of vehicles under Beijing Benz brand for FY2022 and FY2023 to be justifiable.

As advised by the Management, Beijing Benz will focus on consolidating its position in the high-end luxury vehicle market. Accordingly, the estimated sales volume of vehicles under Beijing Benz brand for the three years ending 31 December 2025 remains the stable under the S&P Calculation.

Based on the above, we consider that the estimated demand of products/services for Beijing Benz use for the three years ending 31 December 2025 to be justifiable.

2. Estimated demand for Beijing Brand use

As the Group's proprietary brand, Beijing Brand has nearly ten models on the market, covering a full range of oil powered models and new energy models of sedan and SUV (sport utility vehicle).

When determining the estimated demand of products/services for Beijing Brand use for the three years ending 31 December 2025, the Directors considered (i) historical transaction amounts for demand of products/services for Beijing Brand use for FY2020 and FY2021; (ii) the estimated sales volume of Beijing Brand for FY2022; and (iii) estimated changes in such demand for the three years ending 31 December 2025.

LETTER FROM GRAM CAPITAL

With reference to the 2021 Annual Report, as there were multiple challenges such as localized recurrence of COVID-19 pandemic and intensified market competition, Beijing Brand recorded decrease of approximately 12% in sales volume for FY2021 as compared to that for FY2020. We noted from the S&P Calculation that (i) the sales volume of traditional fuel passenger vehicles under Beijing Brand for FY2021 decreased by approximately 28.11% as compared to that for FY2020; and the sale volume of new energy vehicles under Beijing Brand for FY2021 increased by approximately 73.1% as compared to that for FY2020. As advised by the Management, in formulating the estimated sales volume for the three years ending 31 December 2025, the Directors made reference to the estimated sales volume for FY2022 and the actual sales volume for FY2020 and FY2021.

According the S&P Calculation, the estimated sales volume of Beijing Brand for FY2022 (which the estimated sales volume of Beijing Brand for the three years ending 31 December 2025 were based upon), comprised (i) the estimated sales volume of traditional fuel vehicles; and (ii) the estimated sales volume of new energy vehicles.

2(a) Estimated sales volume of traditional fuel passenger vehicles under Beijing Brand

We noted from the S&P Calculation that the estimated sales volume of traditional fuel vehicles for FY2022 represents (i) an increase of approximately 66.6% as compared to that for FY2021; and (ii) an increase of approximately 19.8% as compared to that for FY2020. The estimated sales volumes of traditional fuel vehicles for each of the three years ending 31 December 2025 represents increases of approximately 42.68%, 37.80% and 41.46% respectively, as compared to that for FY2022.

As advised by the Management, the Group is expected to launch new vehicle models of traditional fuel vehicles during the second half of FY2022 and FY2024, which would increase the sales volume for the launching years and subsequent years.

2(b) Estimated sales volume of new energy vehicles under Beijing Brand

According to the S&P Calculation, the sales volume of new energy vehicles under Beijing Brand for FY2021 represented a significant increase of approximately 73.1% as compared to that for FY2020. The estimated sales volume of new energy vehicles for FY2022 is expected to increase by approximately 115.3% as compared to the actual sales volume for FY2021. The estimated sales volume of new energy vehicles for each of the three years ending 31 December 2025, which was formulated based on the estimated sales volume of new energy vehicles for FY2022, were approximately 94.0% to 138.4% of the estimated sales volume of new energy vehicles for FY2022.

LETTER FROM GRAM CAPITAL

According to the latest five full-year statistics published by Wind Financial Terminal, the sales volume of other fuel passenger vehicles (including common hybrid fuel, plug-in hybrid fuel, pure electrical vehicles, fuel cells vehicles, natural gas vehicles and other alternative fuel vehicles) in the PRC increased from 722,587 unit of vehicles for 2017 to 3,931,312 unit of vehicles for 2021, representing a compound annual growth rate of approximately 52.73%. As confirmed by the Management, the Group's new energy vehicles are mainly pure electrical vehicles. We also noted that the government of the PRC issued various favorable government policies for new energy vehicles to support its development in recent years, such as subsidies arrangement for new energy vehicles, exemption of vehicle purchase tax for new energy vehicles, parallel credits policy on vehicle manufacturers and importers arrangement, guidance for the development of electric vehicle charging infrastructure, etc. In addition, in October 2020, the State Council of the PRC published the 《新能源汽车产业规划(2021-2035年)》(New Energy Vehicle Industry Development Plan (2021-2035)*), stipulating that the development of new energy vehicle is a must for China to transform to a powerful automobile country. The State Counsel of the PRC has set the target to raise the penetration rate of new energy vehicles to 20% of China's passenger vehicle market by 2025, and battery electric vehicle is expected to become the mainstream new energy vehicle type among the new vehicles sold.

Based on the above, we considered that the estimated increases in sale volume of new energy vehicles under Beijing Brand for four years ending 31 December 2025 to be justifiable.

Based on the above, we consider that the estimated demand of products/services under Beijing Brand for the three years ending 31 December 2025 to be justifiable.

3. *Buffer*

We noted from the S&P Calculation that a moderate buffer of 10% was applied on the estimated demand on raw materials and automobile parts and components, automotive modules for each of the three years ending 31 December 2025 so as to accommodate any unexpected increase in the demands on such products/services due to the unexpected increase in number of vehicles to be sold. We also noted from other Hong Kong listed companies' circulars regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps are common among listed companies in Hong Kong.

In light of the above factors, we consider that the proposed annual caps for the (a) Purchase Transactions (Products); (b) Purchase Transactions (Services); and (c) Sale Transactions for the three years ending 31 December 2025 are fair and reasonable.

LETTER FROM GRAM CAPITAL

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of revenue or cost to be recognised or incurred from the Purchase Transactions and Sale Transactions. Consequently, we express no opinion as to how closely the actual revenue or cost to be recognised or incurred from the Purchase Transactions and Sale Transactions will correspond with the respective proposed annual caps.

Having considered the principal terms of the Purchase Transactions and Sale Transactions as set out above, we consider that the terms of the Purchase Transactions and Sale Transactions (including the proposed annual caps) are on normal commercial terms and are fair and reasonable.

Listing Rules implication

The Management confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Purchase Transactions and the Sale Transactions must be restricted by their respective proposed annual cap for the period; (ii) the terms of the Purchase Transactions and the Sale Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Purchase Transactions and the Sale Transactions must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Purchase Transactions and the Sale Transactions (as the case may be) (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps. In the event that the total amounts of the Purchase Transactions or the Sale Transactions are anticipated to exceed their respective annual caps, or that there is any proposed material amendment to the terms of the Purchase Transactions or the Sale Transactions, as confirmed by the Management, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Purchase Transactions and the Sale Transactions and thus the interest of the Independent Shareholders would be safeguarded.

LETTER FROM GRAM CAPITAL

RECOMMENDATION ON THE PURCHASE TRANSACTIONS AND SALE TRANSACTIONS

Having taken into account that above factors and reasons, we are of the opinion that (i) the Purchase Transactions and Sale Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Purchase Transactions and Sale Transactions are on normal commercial terms and are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the AGM to approve the Purchase Transactions and Sale Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

B. DEPOSIT SERVICES

Information on BAIC Finance

With reference to the Board Letter, BAIC Finance is a non-banking financial institution incorporated in October 2011 in the PRC with the approval of the China Banking Regulatory Commission (now known as CBIRC). The main businesses of BAIC Finance include the provision of financial and financing consultation services, credit appraisal and other related consultation and agency services to members; assistance to members in the collection and payment of transaction amounts; authorised insurance agency services; provision of guarantee between members; provision of entrusted loans between members; provision of bill acceptance and discount services to members; provision of internal fund transfer and settlement services and corresponding settlement and clearing planning to members; accepting deposits from members; provision of loans and finance leasing to members; provision of inter-bank lending; underwriting of corporate bonds of members; provision of consumption credit, buyers' credit and finance leasing for products of members; and investments in negotiable securities (other than stock and trust investments).

We noted that the 《企業集團財務公司管理辦法》 (Measures on Administration of Finance Companies of Enterprise Groups*) promulgated by the China Banking Regulatory Commission (now known as CBIRC) set out certain compliance and risk control requirements/measures in relation to the operation of group financing companies, including but not limited to maintaining certain financial ratios at all times, etc.

Reasons for and benefit of the Deposit Services

Details of reasons and benefits for the Deposit Services are set out under the sub-section headed "Reasons and Benefits" under the section headed "(A) Renewed Financial Services Framework Agreement" of the Board Letter.

LETTER FROM GRAM CAPITAL

We noted from the existing Financial Services Framework Agreement and the renewed Financial Services Framework Agreement that interest rates for the deposits placed by the Group with BAIC Finance will not be lower than: (i) the minimum interest rate published by the PBOC for deposits of a similar type for the same period; (ii) the interest rate for deposits of a similar type for the same period placed by BAIC Group's other member companies (other than the Group); or (iii) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to the Group.

In light of the above factors, we consider that the Deposit Services are conducted in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

Principal terms of the Deposit Services

Set out below are the key terms of renewed Financial Services Framework Agreement. Details of terms of the agreement are set out under the section headed "C. Renewal of the Financial Services Framework Agreement" of the Board Letter.

Date: 27 April 2022

Parties: (i) the Company
(ii) BAIC Finance

Term of the agreement: From 1 January 2023 to 31 December 2025

Principal terms: BAIC Finance will provide financial services to the Company, and such financial services primarily include (i) deposits; (ii) loans and entrusted loan; (iii) other financial services including discounted notes and acceptance service, finance lease, settlement and entrusted loan agency; and (iv) other services subject to obtaining relevant approvals from CBIRC.

Members of the Group and BAIC Group and its associates will enter into individual agreement for each of the specific transactions contemplated under the renewed Financial Services Framework Agreement, provided that any such individual agreement shall be within the ambit of the renewed Financial Services Framework Agreement.

LETTER FROM GRAM CAPITAL

Pricing policy and internal control measures

With reference to the Board Letter, interest rates for the deposits placed by the Group with BAIC Finance will not be lower than: (a) the minimum interest rate published by the PBOC for deposits of a similar type for the same period; (b) the interest rate for deposits of a similar type for the same period placed by the subsidiaries of BAIC Group other than the Group; or (c) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to the Company and its subsidiaries.

Upon our request, the Company provided deposit records to us regarding (i) the Group's deposits placed in independent commercial banks and BAIC Finance (the "**Group's Deposit Records**"); and (ii) BAIC Group's other member companies (other than the Group) placed deposits in BAIC Finance (the "**Other Members' Deposit Records**") during FY2020 and FY2021. We noted from aforesaid deposit records that the deposit rates as shown in the deposit records are in line with the aforesaid requirements under the Deposit Services.

With reference to the 2021 Annual Report, the independent non-executive Directors of the Company reviewed, amongst others, the Deposit Services for FY2021 and confirmed that, they have been entered into: in the ordinary and usual course of the Group's business; on normal commercial or better terms; with the terms no less favourable to the Company than those offered to or by (as the case may be) independent third parties, if those available for comparison are insufficient to determine whether the terms of such transaction is normal commercial terms; and in accordance with relevant agreements whose conditions are fair and reasonable and in the interest of the Shareholders of the Company as a whole.

With reference to the 2021 Annual Report, the Company has engaged its auditor to report on the Group's continuing connected transactions in accordance with HKSAE 3000 (Revised) "Hong Kong Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accounts. Based on the auditor's work, the Company's auditor provided the Board with a letter confirming that, with respect to, amongst others, the Deposit Services for FY2021: (1) nothing has come to the auditor's attention that causes it to believe that the Deposit Services have not been approved by the Board; (2) nothing has come to our auditor's attention that causes it to believe that the Deposit Services were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; (3) with respect to the highest daily balance of deposits under the existing Financial Services Framework Agreement, nothing has come to the auditor's attention that causes it to believe that the highest daily balance of deposits under the existing Financial Services Framework Agreement has exceeded the annual cap as set by the Company.

LETTER FROM GRAM CAPITAL

Furthermore, the Group adopted a series of internal control measures to ensure the deposit transactions under the renewed Financial Services Framework Agreement are conducted in a fair and reasonable manner. Details of the internal control measures are set out under the section headed “D. Internal Control Procedures for the Implementation of Continuing Connected Transactions” of the Board Letter. Having considered that the aforesaid internal control measures include (i) the Group’s capital management team will update the statement of deposit rates of various financial institution on a monthly basis and prioritize the institutions with the most favourable rate for deposit; and (ii) financial department, audit department, legal department and other relevant departments will conduct review based on the transaction type and corresponding approved amount of each transaction made by the capital management team to ensure that the pricing terms of transactions under the renewed Financial Services Framework Agreement are on normal commercial terms, we consider the effective implementation of the internal control mechanism would help to ensure fair determination of the interest rates under the Deposit Services.

Proposed annual caps

Set out below is (i) the historical highest daily balance of deposits placed by the Group with BAIC Finance for the three years ended/ending 31 December 2022; (ii) the existing/previous annual caps for the highest daily balance of deposits (the “**Deposit Cap(s)**”) for the three years ended/ending 31 December 2022; and (iii) the proposed Deposit Caps for the three years ending 31 December 2025:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ending 31 December 2022
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Historical highest daily balance of deposits placed by the Group with BAIC Finance	15,999.3	15,968.0	Information not available
Existing/previous Deposit Caps	16,000.0	16,000.0	16,000.0
Utilisation rate (%)	Approximately 99.99	99.80	Information not available
	For the year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Proposed Deposit Caps	16,000.0	16,000.0	16,000.0

LETTER FROM GRAM CAPITAL

The basis for determining proposed Deposit Caps for the three years ending 31 December 2025 are set out in sub-section headed “(D) Basis of Determination of the Proposed Annual Caps” under the section headed “C. Renewal of the Financial Services Framework Agreement” of the Board Letter.

According to the above table, the utilisation rates for existing Deposit Caps were at very high levels for FY2020 and FY2021. We noted from the 2021 Annual Report that as at 31 December 2021, the Group’s (i) total cash (including cash and cash equivalents, restricted cash and time deposits with initial term of over three months) were approximately RMB42.6 billion; and (ii) accounts receivable was approximately RMB18.0 billion, the summation of which was approximately RMB60.6 billion (the “Sum”). The Deposit Caps for the three years ending 31 December 2025, which indicate the possible demand on deposit services, are less than the Sum. Having considered the aforesaid and the utilisation rates of the existing/previous Deposit Caps for the three years ended 31 December 2021, we do not doubt the Group’s continuous utilisation of the existing Deposit Caps for the three years ending 31 December 2025.

In light of the above, we consider that the Deposit Caps for the three years ending 31 December 2025 are fair and reasonable.

Shareholders should note that as the proposed Deposit Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of deposit amount under the Deposit Services. Consequently, we express no opinion as to how closely the actual deposit amount under the Deposit Services will correspond with the proposed Deposit Caps.

Listing Rules implication

The Management confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the maximum values of the Deposit Services must be restricted by the Deposit Caps for the period concerned under the Finance Services Framework Agreement; (ii) the terms of the Deposit Services must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors’ annual review on the terms of the Deposit Services must be included in the Company’s subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Deposit Services (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the annual caps. In the event that the maximum amounts of the Deposit Services are anticipated to exceed the Deposit Caps, or that there is any proposed material amendment to the terms of the Deposit Services, as confirmed by the Management, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

LETTER FROM GRAM CAPITAL

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Deposit Services and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION ON THE DEPOSIT SERVICES

Having taken into account that above factors and reasons, we are of the opinion that (i) the Deposit Services are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Deposit Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the AGM to approve the Deposit Services and transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *For identification purpose only*

1 RESPONSIBILITY STATEMENT

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

2 SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, and to the best knowledge of the Directors, the following entities/persons (except for the Directors, Supervisors and senior management) have interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company according to Divisions 2 and 3 in Part XV of SFO or recorded in the register required to be kept under section 336 of the SFO, or who were directly and/or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings:

Name of Shareholder	Class of Shares	Number of shares/ underlying shares ^{Note 1}	Percentage of relevant class of shares ^{Note 2} (%)	Percentage of the total share capital (%)
Beijing Automotive Group Co., Ltd.	Domestic Shares	3,416,659,704(L)	62.18	42.63
Shougang Group Co., Ltd.	Domestic Shares	1,028,748,707(L)	18.72	12.83
Shenzhen Benyuan Jinghong Equity Investment Fund (Limited Partner)	Domestic Shares	342,138,918(L)	6.23	4.27
Mercedes-Benz Group AG	H Shares	765,818,182(L)	30.38	9.55
BlackRock, Inc.	H Shares	129,566,312(L)	5.14	1.62

1 (L) – Long position, (S) – Short position, (P) – Lending pool.

2 The percentage is calculated by the number of shares held by relevant Shareholder/the amount of relevant class of shares issued by the Company as at the Latest Practicable Date.

3 DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, none of the Directors, Supervisors or the chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) had any interests and short positions which were required (i) to be notified to the

Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

4 DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS AND/OR CONTRACTS

As at the Latest Practicable Date, none of the Directors or the Supervisors had any direct or indirect interest in any assets which have been, since 31 December 2021, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or the Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

5 DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

The Company has entered into service contracts with all of the Directors and the Supervisors. As at the Latest Practicable Date, none of the Directors or the Supervisors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6 DIRECTORS' AND SUPERVISORS' POSITIONS IN SUBSTANTIAL SHAREHOLDERS

Save as disclosed in "9. COMPETING INTERESTS" in Appendix I to this circular, as of the Latest Practicable Date, the following Directors and the Supervisors were in the employment of those companies which had interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of the Director/Supervisor	Position in the specific company
Mr. Hubertus Troska	Member of the board of directors of Mercedes-Benz Group AG
Mr. Harald Emil Wilhelm	Member of the board of directors of Mercedes-Benz Group AG

7 LITIGATION

As at the Latest Practicable Date, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company.

8 MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, the date to which the latest published audited accounts of the Company were made up.

9 COMPETING INTERESTS

The table below summarizes the information of the Directors and Supervisors serving in BAIC Group and its subsidiaries as at the Latest Practicable Date.

Name of the Director/ Supervisor	Major positions in the Group	Position in the specific company
Mr. Jiang Deyi	<ul style="list-style-type: none"> Chairman of the Board and non-executive Director 	<ul style="list-style-type: none"> Chairman of the board of directors of Beijing Automotive Group Co., Ltd.
	<ul style="list-style-type: none"> Chairman of the board of directors of Beijing Benz Automotive Co., Ltd. 	
Mr. Chen Hongliang	<ul style="list-style-type: none"> Non-executive Director 	<ul style="list-style-type: none"> General manager assistant of Beijing Automotive Group Co., Ltd.

Name of the Director/ Supervisor	Major positions in the Group	Position in the specific company
Mr. Hu Hanjun	<ul style="list-style-type: none"> ● Non-executive Director 	<ul style="list-style-type: none"> ● General manager assistant and Secretary to the board of directors of Beijing Automotive Group Co., Ltd. ● Director of BAIC Automotive Asset Operation Management Co., Ltd. ● Director of BAIC ROCAR Automobile Services & Trade Co., Ltd. ● Director of Bohai Automotive Systems Co., Ltd.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the Supervisors or their respective close associates was interested in any business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the business of the Group.

10 EXPERT'S QUALIFICATION AND WRITTEN CONSENT

As at the Latest Practicable Date, Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following is the qualification of the expert who has given advice or recommendations, which are contained in this circular:

Name	Qualification
Gram Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

11 EXPERT'S INTERESTS

As at the Latest Practicable Date, Gram Capital:

- (1) did not have any direct or indirect interest in any assets which have been, since 31 December 2021, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group; and
- (2) did not have any shareholding in any member of the Group or the rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities in any member of the Group.

12 MISCELLANEOUS

- (1) The primary contact person of the Company is Mr. Wang Jianhui, Secretary to the Board and Company Secretary of the Company.
- (2) The registered address of the Company is A5-061, Unit 101, 5th Floor, Building No. 1, Courtyard No. 99, Shuanghe Street, Shunyi District, Beijing, the PRC. The Group is principally engaged in the manufacturing and sales of passenger vehicles, engines and auto parts in the PRC.
- (3) The H share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited located at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (4) The English version of the circular shall prevail over the Chinese version in the event of inconsistency.

13 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available on the Company's website (www.baicmotor.com) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) for a period of 14 days from the date of this circular:

- (1) the renewed Products and Services Purchasing Framework Agreement;
- (2) the renewed Provision of Products and Services Framework Agreement;
- (3) the renewed Financial Services Framework Agreement;
- (4) the letter from the Independent Board Committee, the text of which is set out on pages 49 to 50 of this circular;
- (5) the letter from Gram Capital, the Independent Financial Adviser, the text of which is set out on pages 51 to 71 of this circular;
- (6) written consents issued by Gram Capital referred to in the section headed "Expert's Qualification and Written Consent" above; and
- (7) this circular.

This appendix serves as an explanatory statement, as required by Rule 10.06(1)(b) of the Listing Rules, to provide the requisite information for the Shareholders to consider the proposed repurchase of Shares.

1. DESCRIPTION AND NUMBER OF SHARES PROPOSED TO BE REPURCHASED

As at the Latest Practicable Date, the total number of Shares issued by the Company is 8,015,338,182 (including 5,494,647,500 Domestic Shares and 2,520,690,682 H Shares). If the repurchase is carried out in full, the Shares to be repurchased shall not exceed 801,533,818 shares with a maximum of 549,464,750 Shares for Domestic Shares and a maximum of 252,069,068 Shares for H Shares. The exact number of Shares to be repurchased shall be determined by the actual number of Shares repurchased at the end of the repurchase period.

2. REASONS FOR REPURCHASE

In order to enable the Company to make full use of share repurchase as a means for adjusting the capital structure in line with the market conditions and the needs of the Company, the net asset value and/or earnings per Share may be increased under the principle of protecting investors' interests.

The Board believes that the repurchase of Shares is in the interests of the Shareholders and the Company as a whole, and conducive to boosting investors' confidence.

3. SOURCE OF FUNDS

The Company shall, in accordance with the Articles of Association and the applicable PRC laws, regulations and statutes, legally set aside funds for purposes related to its internal resources (which may include surplus reserves and retained earnings) at the time of share repurchase.

4. IMPACT ON WORKING CAPITAL

The Directors believe that the exercise of the mandate for the repurchase of Shares in full at any time during the proposed repurchase period would not cause a material adverse impact on the working capital or gearing ratio of the Company (as compared with the disclosures of the latest audited accounts set out in the Company's annual report for the year ended 31 December 2021). However, if the provision exercise of the Company's working capital or assets and liabilities level would be materially and adversely affected as a result of the repurchase of Shares, then the Directors shall not propose the exercise of the general mandate for the repurchase of Shares to that degree. The Directors shall at an appropriate time consider the prevailing market conditions, and in the best interests of the Company, determine on the number, price of Shares to be repurchased and other terms.

5. PRESENT INTENTION OF DIRECTORS AND THEIR CLOSE ASSOCIATES

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, their close associates (as defined in the Listing Rules), has any present intention to sell to the Company any of the Shares according to the general mandate for the repurchase of shares if the relevant resolution is approved by the Shareholders.

6. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Hong Kong Stock Exchange that so far as relevant provisions may be applicable, they will exercise the powers of the Company to repurchase Shares pursuant to the Listing Rules and the applicable PRC laws and in accordance with the contents set out in the Special Resolutions in the AGM notice and notices of Shareholders Class Meetings.

7. EFFECT OF THE TAKEOVER CODE

If a Shareholder's proportionate interest in the voting rights of the Company increases as a result of the Directors exercising the power of the Company to repurchase Shares pursuant to the general mandate for the repurchase of Shares, such an increase will be treated as an acquisition of the voting rights pursuant to Rule 32 of the Takeovers Code. If such an increase results in the change in control, it could, under certain circumstances, result in an obligation to make a mandatory offer for Shares in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, save as disclosed above, to the best knowledge and belief of the Directors, the Directors are not aware of any consequence which may arise under the Takeovers Code or any similarly applicable laws as a consequence of any repurchase of Shares under the general mandate for the repurchase of Shares.

8. SHARE REPURCHASE MADE BY THE COMPANY

No repurchase of Shares has been made by the Company (whether on the Hong Kong Stock Exchange or otherwise) during the six months immediately preceding the Latest Practicable Date.

9. CORE CONNECTED PERSON

No core connected person (as defined in the Listing Rules) has notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so in the event that the repurchase of Shares is approved by the Shareholders' general meeting.

10. MARKET PRICES

The highest and lowest trading prices of each month at which the H Shares have been traded on the Hong Kong Stock Exchange over the last 12 months are as follows:

	Highest <i>Hong Kong</i> <i>dollars</i>	Lowest <i>Hong Kong</i> <i>dollars</i>
2021		
May	2.94	2.63
June	3.09	2.75
July	3.76	2.61
August	2.94	2.59
September	3.08	2.66
October	2.93	2.57
November	3.43	2.55
December	4.03	2.99
2022		
January	3.44	2.81
February	3.02	2.67
March	2.76	2.11
April	2.73	2.25
May (up to the Latest Practicable Date)	2.50	2.22

1. FINANCIAL INFORMATION OF THE GROUP

Details of the audited financial information of the Group for each of the three years ended 31 December 2019, 2020 and 2021 are disclosed in the following annual reports of the Company for the years ended 31 December 2019, 2020 and 2021, respectively, which have been published and are available on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.baicmotor.com):

- the 2019 annual report of the Company for the year ended 31 December 2019 which is published on 20 April 2020 (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0420/2020042000746.pdf>);
- the 2020 annual report of the Company for the year ended 31 December 2020 which is published on 27 April 2021 (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042701998.pdf>); and
- the 2021 annual report of the Company for the year ended 31 December 2021 which is published on 26 April 2022 (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042601117.pdf>).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2022, being the latest practicable date for the purpose of determining the indebtedness of the Group prior to the printing of this circular, the indebtedness of the Group was as follows:

(a) Bank loans and overdrafts, debt securities and other borrowings, mortgages and charges

	As at 31 March 2022 <i>RMB'000</i>
Non-current	
Borrowings from financial institutions – unsecured	4,314,335
Corporate bonds – unsecured	<u>3,212,432</u>
	<u>7,526,767</u>
Current	
Borrowings from financial institutions – secured(i)	200,000
Borrowings from financial institutions – unsecured	5,642,387
Add: current portion of non-current borrowings from financial institutions – unsecured	1,277,825
Corporate bonds – unsecured	<u>4,398,909</u>
	<u>11,519,121</u>
Total borrowings	<u><u>19,045,888</u></u>

(i) Secured by the Group's trade receivables amounting to RMB200,000,000.

Pledge of other assets of the Group

As at 31 March 2022, the amounts of notes receivable and deposits pledged as collateral for notes payable issued by banks are RMB279.4 million and RMB1,165.9 million, respectively.

(b) Lease liabilities

As at 31 March 2022, the current and non-current lease liabilities of the Group amounted to RMB26.2 million and RMB61.3 million, respectively, representing the outstanding rental amounts mainly in respect of leases of certain properties from other parties.

(c) Contingent Liabilities

As at 31 March 2022, the Group had no material contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 31 March 2022, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or material contingent liabilities.

As at 31 March 2022, the Directors have not been aware of any material and adverse changes in the indebtedness and contingent liabilities from 31 December 2021 onwards.

3. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that after taking into account the existing cash and bank balances of the Group, the existing financial resources available to the Group and the Group's expected internally generated funds, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. EFFECT OF THE DEPOSIT SERVICES TRANSACTIONS UNDER THE RENEWED FINANCIAL SERVICES FRAMEWORK AGREEMENT ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

In respect of the deposit services transactions under the renewed Financial Services Framework Agreement, there has been no, and the Group does not expect there will be any significant effect on the earnings and assets and liabilities of the Group.

5. FINANCIAL AND TRADING PROSPECTS

In 2022, it is expected that the domestic macro economy will continue to develop healthily and steadily and continue to build a new “double-cycle” development pattern with a high level of external openness. The year 2022 will be a year of intensified competition in the stock market and a gradual move towards “high quality” development for the industry as a whole. The Group will actively grasp the development trend of the passenger car industry, be guided by the creation of value for customers, and promote a market-oriented matrix innovation mechanism to push forward the business of each brand to break new ground. Focusing on the business operation policy of each brand, in 2022, Beijing brand will adopt “focus on development, value-oriented, deepen reform and collaborate on innovation” as its operation policy to focus on its main business and further build up its core competitiveness. Beijing Benz will upgrade its strategic objectives, promote reform and innovation, and drive all businesses to continuously improve efficiency, vitality and value. Beijing Hyundai will strengthen business innovation, enhance new product marketing, optimize its business layout and improve its brand competitiveness in order to achieve its annual business objectives.

NOTICE OF 2021 ANNUAL GENERAL MEETING

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, 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 notice.



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)

NOTICE OF 2021 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2021 annual general meeting (“**2021 AGM**”) of BAIC Motor Corporation Limited (the “**Company**”) will be held at 9:30 a.m. on Tuesday, 28 June 2022 at Multi-purpose Hall, 1st Floor, the South Tower of Beijing Automotive Industry Research and Development Base, No. 99 Shuanghe Street, Shunyi District, Beijing, the PRC for the purpose of considering, among others, and if thought fit, passing the following resolutions (with or without amendments). Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 27 May 2022:

Ordinary Resolutions

1. Report of the Board of Directors for 2021
2. Report of the Board of Supervisors for 2021
3. Financial Report for 2021
4. Profits Distribution and Dividends Distribution Plan for 2021
5. Re-appointment of International Auditor and Domestic Auditor for 2022
6. Proposed appointment of non-executive Director and executive Director:
 - a. appoint Mr. Chen Wei as non-executive Director of the Company
 - b. appoint Mr. Zhang Guofu as executive Director of the Company

* *For identification purpose only*

NOTICE OF 2021 ANNUAL GENERAL MEETING

7. To renew the continuing connected transactions with Beijing Automotive Group Co., Ltd.:
 - a. the purchase of products transactions between the Group and Beijing Automotive Group Co., Ltd. and its associates under the Products and Services Purchasing Framework Agreement
 - b. the purchase of services transactions between the Group and Beijing Automotive Group Co., Ltd. and its associates under the Products and Services Purchasing Framework Agreement
 - c. the sale of products transactions between the Group and Beijing Automotive Group Co., Ltd. and its associates under the Provision of Products and Services Framework Agreement
 - d. the deposit transactions between the Group and BAIC Group Finance Co., Ltd. under the Financial Services Framework Agreement

Special Resolutions

8. General Mandate for the Issuance of Debt Financing Instruments
9. General Mandate for the Issuance of Shares
10. General Mandate for the Repurchase of Shares

By Order of the Board
BAIC Motor Corporation Limited
Jiang Deyi
Chairman of the Board

Beijing, the PRC, 27 May 2022

Notes:

- (A) The register of members of the Company will be closed from Thursday, 23 June 2022 to Tuesday, 28 June 2022 (both days inclusive), during which period no transfer of shares will be effected. Holders of H shares of the Company whose names appear on the register of H shares of the Company as maintained by Computershare Hong Kong Investor Services Limited at the close of business hours on Wednesday, 22 June 2022 are entitled to attend and vote at the 2021 AGM following completion of the registration procedures. To be eligible to attend and vote at the 2021 AGM, all the transfer documents of H shares and domestic shares of the Company must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H shares no later than 4:30 p.m. on Wednesday, 22 June 2022 or China Securities Depository and Clearing Corporation Limited at 23 Floor, Shenzhen Stock Exchange Square, Futian District, Shenzhen, Guangzhou, the PRC for holders of domestic shares no later than 4:00 p.m. on Wednesday, 22 June 2022.
- (B) In order to ascertain the entitlements of the shareholders to receive the proposed final dividend, the register of members of the Company will be closed from Wednesday, 6 July 2022 to Monday, 11 July 2022 (both days inclusive), during which period no transfer of shares of the Company will be effected. To be eligible to receive the proposed final dividend, all the transfer documents of H shares and domestic shares of the Company must be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong

NOTICE OF 2021 ANNUAL GENERAL MEETING

Kong for holders of H shares no later than 4:30 p.m. on Tuesday, 5 July 2022, or China Securities Depository and Clearing Corporation Limited at 23 Floor, Shenzhen Stock Exchange Square, Futian District, Shenzhen, Guangzhou, the PRC for holders of domestic shares no later than 4:00 p.m. on Tuesday, 5 July 2022.

- (C) Each shareholder entitled to attend and vote at the 2021 AGM may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the 2021 AGM on its behalf. A proxy need not be a shareholder. With respect to any shareholder who has appointed more than one proxy, the proxies may only vote on a poll.
- (D) A proxy shall be appointed by a shareholder by a written instrument signed by the appointor or his attorney duly authorized in writing. In case of a corporation, the same must be either under its common seal or under the hand of its legal representative or duly authorized attorney(s). If the written instrument is signed by an attorney of the appointor, the power of attorney or other documents of authorization of such attorney shall be notarized.
- (E) To be valid, the form of proxy and the relevant notarized power of attorney (if any) and other relevant documents of authorization (if any) as mentioned in Note (D) above must be delivered to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H shares or the Board of Directors' Office at Room 5-054, Tower A, Beijing Automotive Industry Research and Development Base, No. 99 Shuanghe Street, Shunyi District, Beijing, the PRC for holders of domestic shares not later than 24 hours before the time appointed for holding the 2021 AGM or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting if he/she so desires.
- (F) A shareholder or his proxy should produce proof of identity when attending the 2021 AGM. Where a shareholder is a legal person, the legal representative of that shareholder or the person authorized by its board of directors or other governing body shall produce a copy of the authorization documents of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.
- (G) The 2021 AGM is expected to last for half a day. Shareholders who attend the 2021 AGM shall bear their own travelling and accommodation expenses.

As at the date of this notice, the Board comprises Mr. Jiang Deyi, as Chairman of the Board and non-executive Director; Mr. Chen Hongliang and Mr. Hu Hanjun, as non-executive Directors; Mr. Huang Wenbing, as executive Director; Mr. Ye Qian, Mr. Hubertus Troska, Mr. Harald Emil Wilhelm, Mr. Gu Tiemin and Mr. Sun Li, as non-executive Directors; and Mr. Ge Songlin, Ms. Yin Yuanping, Mr. Xu Xiangyang, Mr. Tang Jun and Mr. Edmund Sit, as independent non-executive Directors.

NOTICE OF 2022 FIRST DOMESTIC SHAREHOLDERS CLASS MEETING

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BAIC MOTOR CORPORATION LIMITED*

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(Stock Code: 1958)

NOTICE OF 2022 FIRST DOMESTIC SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN that the 2022 First Domestic Shareholders Class Meeting (the “**Domestic Shareholders Class Meeting**”) of BAIC Motor Corporation Limited (the “**Company**”) will be held on Tuesday, 28 June 2022 right after the 2021 AGM at Multi-purpose Hall, 1st Floor, the South Tower of Beijing Automotive Industry Research and Development Base, No. 99 Shuanghe Street, Shunyi District, Beijing, the PRC for the purpose of considering, among others, and if thought fit, passing the following resolution (with or without amendments). Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 27 May 2022:

Special Resolution

1. General Mandate for the Repurchase of Shares

By Order of the Board
BAIC Motor Corporation Limited
Jiang Deyi
Chairman of the Board

Beijing, the PRC, 27 May 2022

Notes:

- (A) The register of domestic shares of the Company will be closed from Thursday, 23 June 2022 to Tuesday, 28 June 2022 (both days inclusive). Holders of domestic shares of the Company whose names appear on the register of members of domestic shares of the Company, as maintained by China Securities Depository and

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NOTICE OF 2022 FIRST DOMESTIC SHAREHOLDERS CLASS MEETING

Clearing Corporation Limited, at the close of business hours on Wednesday, 22 June 2022 are entitled to attend and vote at the Domestic Shareholders Class Meeting following completion of the registration procedures. To be eligible to attend and vote at the Domestic Shareholders Class Meeting, all the documents on transfers of domestic shares of the Company must be lodged with China Securities Depository and Clearing Corporation Limited at No. 17 Tai Ping Qiao Street, Xicheng District, Beijing, the PRC, for shareholders no later than 4:00 p.m. on Wednesday, 22 June 2022.

- (B) Each shareholder entitled to attend and vote at the Domestic Shareholders Class Meeting may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the Domestic Shareholders Class Meeting on its behalf. A proxy need not be a shareholder. With respect to any shareholder who has appointed more than one proxy, the proxies may only vote on a poll.
- (C) A proxy shall be appointed by a shareholder by a written instrument signed by the appointor or his attorney duly authorized in writing. In case of a corporation, the same must be either under its common seal or under the hand of its legal representative or duly authorized attorney(s). If the written instrument is signed by an attorney of the appointor, the power of attorney or other documents of authorization of such attorney shall be notarized.
- (D) To be valid, the form of proxy and the relevant notarized power of attorney (if any) and other relevant documents of authorization (if any) as mentioned in Note (C) above must be delivered to the Board of Directors' Office at Room 5-054, Tower A, Beijing Automotive Industry Research and Development Base, No. 99 Shuanghe Street, Shunyi District, Beijing, the PRC before Monday, 27 June 2022. Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting if he/she so desires.
- (E) A shareholder or his proxy should produce proof of identity when attending the Domestic Shareholders Class Meeting. Where a shareholder is a legal person, the legal representative of that shareholder or the person authorized by its board of directors or other governing body shall produce a copy of the authorization documents of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.
- (F) The Domestic Shareholders Class Meeting is expected to last for half a day. Shareholders who attend the Domestic Shareholders Class Meeting shall bear their own travelling and accommodation expenses.

As at the date of this notice, the Board comprises Mr. Jiang Deyi, as Chairman of the Board and non-executive Director; Mr. Chen Hongliang and Mr. Hu Hanjun, as non-executive Directors; Mr. Huang Wenbing, as executive Director; Mr. Ye Qian, Mr. Hubertus Troska, Mr. Harald Emil Wilhelm, Mr. Gu Tiemin and Mr. Sun Li, as non-executive Directors; and Mr. Ge Songlin, Ms. Yin Yuanping, Mr. Xu Xiangyang, Mr. Tang Jun and Mr. Edmund Sit, as independent non-executive Directors.

NOTICE OF 2022 FIRST H SHAREHOLDERS CLASS MEETING

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(Stock Code: 1958)

NOTICE OF 2022 FIRST H SHAREHOLDERS CLASS MEETING

NOTICE IS HEREBY GIVEN that the 2022 First H Shareholders Class Meeting (the “**H Shareholders Class Meeting**”) of BAIC Motor Corporation Limited (the “**Company**”) will be held on Tuesday, 28 June 2022 right after the 2022 First Domestic Shareholders Class Meeting at Multi-purpose Hall, 1st Floor, the South Tower of Beijing Automotive Industry Research and Development Base, No. 99 Shuanghe Street, Shunyi District, Beijing, the PRC for the purpose of considering, among others, and if thought fit, passing the following resolution (with or without amendments). Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 27 May 2022:

Special Resolution

1. General Mandate for the Repurchase of Shares

By Order of the Board
BAIC Motor Corporation Limited
Jiang Deyi
Chairman of the Board

Beijing, the PRC, 27 May 2022

Notes:

- (A) The register of H shares will be closed from Thursday, 23 June 2022 to Tuesday, 28 June 2022 (both days inclusive), during which period no transfer of H shares will be registered. Holders of H shares of the Company whose names appear on the register of H shares of the Company, as maintained by Computershare Hong Kong Investor Services Limited, at the close of business hours on Wednesday, 22 June 2022 are

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NOTICE OF 2022 FIRST H SHAREHOLDERS CLASS MEETING

entitled to attend and vote at the H Shareholders Class Meeting following completion of the registration procedures. To be eligible to attend and vote at the H Shareholders Class Meeting, all the documents on transfers of H Shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's H share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for shareholders not later than 4:30 p.m. on Wednesday, 22 June 2022.

- (B) Each shareholder entitled to attend and vote at the H Shareholders Class Meeting may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the H Shareholders Class Meeting on its behalf. A proxy need not be a shareholder. With respect to any shareholder who has appointed more than one proxy, the proxy holders may only vote on a poll.
- (C) A proxy shall be appointed by a shareholder by a written instrument signed by the appointor or his attorney duly authorized in writing. In case of a corporation, the same must be either under its common seal or under the hand of its legal representative or duly authorized attorney(s). If the written instrument is signed by an attorney of the appointor, the power of attorney or other documents of authorization of such attorney shall be notarized.
- (D) To be valid, the form of proxy and the relevant notarized power of attorney (if any) and other relevant documents of authorization (if any) as mentioned in Note (C) above must be delivered to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before Monday, 27 June 2022. Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting if he/she so desires.
- (E) A shareholder or his proxy should produce proof of identity when attending the H Shareholders Class Meeting. Where a shareholder is a legal person, the legal representative of that shareholder or the person authorized by its board of directors or other governing body shall produce a copy of the authorization documents of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.
- (F) The H Shareholders Class Meeting is expected to last for half a day. Shareholders who attend the H Shareholders Class Meeting shall bear their own travelling and accommodation expenses.

As at the date of this notice, the Board comprises Mr. Jiang Deyi, as Chairman of the Board and non-executive Director; Mr. Chen Hongliang and Mr. Hu Hanjun, as non-executive Directors; Mr. Huang Wenbing, as executive Director; Mr. Ye Qian, Mr. Hubertus Troska, Mr. Harald Emil Wilhelm, Mr. Gu Tiemin and Mr. Sun Li, as non-executive Directors; and Mr. Ge Songlin, Ms. Yin Yuanping, Mr. Xu Xiangyang, Mr. Tang Jun and Mr. Edmund Sit, as independent non-executive Directors.