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北京汽车
BAIC MOTOR

北京汽車股份有限公司

BAIC MOTOR CORPORATION LIMITED*

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

(Stock Code: 1958)

ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS WITH BAIC GROUP

References are made to the announcements of the Company dated 27 April 2022 and 26 May 2022 in relation to, among others, the proposed annual caps for the continuing connected transactions under the Trademark Licensing Agreement.

ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE TRADEMARK LICENSING AGREEMENT

As the annual caps for the continuing connected transactions under the Trademark Licensing Agreement will expire on 31 December 2022, the Board resolved on 27 April 2022 to propose annual caps for such continuing connected transactions for the three years ending 31 December 2025 and to seek independent shareholders' approval at the annual general meeting of the Company. The Company subsequently published a supplemental announcement on 26 May 2022 after deciding not to seek independent shareholders' approval at the annual general meeting of the Company as more time was needed to review and determine such annual caps.

On 16 December 2022, the Board resolved to propose new annual cap for the transactions for the financial year ending 31 December 2023. The Company will continue to review and determine the annual caps for the transactions for the subsequent years according to the then business needs of the Group. Once confirmed, the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules.

LISTING RULES IMPLICATIONS

As at the date of this announcement, BAIC Group is the sole controlling shareholder of the Company and holds 42.63% of the total issued share capital of the Company, thus it is a connected person of the Company. The transactions contemplated between Beijing Benz, a non-wholly owned subsidiary of the Company, and BAIC Group under the Trademark Licensing 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 the proposed annual cap for the continuing connected transactions to be contemplated under the Trademark Licensing Agreement is more than 0.1% but less than 5%, such continuing connected transactions are only subject to the reporting, announcement and annual review, but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. TRADEMARK LICENSING AGREEMENT

References are made to the announcements of the Company dated 27 April 2022 and 26 May 2022 in relation to, among others, the proposed annual caps for the continuing connected transactions under the Trademark Licensing Agreement.

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Details of the Trademark Licensing Agreement are summarised as follows:

- Parties:**
- (i) BAIC Group (as the licensor)
 - (ii) Beijing Benz (as the licensee)

Term: The term of the Trademark Licensing Agreement entered into between Beijing Benz and BAIC Group commenced on 28 February 2013 and will be effective within the term of the joint venture agreement of Beijing Benz.

As stated in the prospectus of the Company dated 9 December 2014, it is the normal industry practice that the term of the transactions relating to the use of intellectual property rights be fixed with reference to the expected life cycle of vehicles models and the term of the joint venture contracts which will be for a duration of longer than three years. Any early termination, variation or risk in successful renewal may have a detrimental effect on the business continuity and successful operation of the Company.

Principal Terms: According to the Trademark Licensing Agreement, BAIC Group granted Beijing Benz a non-exclusive license for the use of the “Beijing” trademark in its company name and on the passenger vehicles manufactured and assembled by Beijing Benz. Beijing Benz shall pay a trademark licensing fee to BAIC Group on a regular basis.

Pricing Policy: When determining the trademark licensing fee, Beijing Benz and BAIC Group have agreed that a licensing fee will be paid to BAIC Group with reference to a pre-agreed rate of the net revenue generated by each vehicle. Net revenue generated by each vehicle will be calculated based on the suggested retail price of the manufacturer net of the value-added tax, gross margin of dealers, sales rebates to dealers, consumption tax, sales discounts and other deductions.

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

Reasons and Benefits: The trademark licensing arrangement was a part of the joint venture agreement regarding Beijing Benz between the Company and Mercedes-Benz AG. Beijing Benz has been using the trademark “Beijing” and trademark “Benz” since its establishment. Such trademark licenses are critical to the operation and production of Beijing Benz. It will be in the best interests of the Group and the Shareholders for Beijing Benz to continue the use of those trademarks.

1. Historical Transaction Amounts

Set out below is a breakdown of the historical transaction amounts in respect of the trademark licensing fees paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement for the preceding three financial years ended 31 December 2021 and the six months ended 30 June 2022:

	For the year ended 31 December			For the six months ended
	2019	2020	2021	30 June
	(RMB million)	(RMB million)	(RMB million)	2022
				(RMB million)
Trademark licensing fees paid by Beijing Benz to BAIC Group	660.9	772.8	680.7	333.6

2. Proposed Annual Cap for the Financial Year Ending 31 December 2023

	For the year ending
	31 December 2023
	(RMB million)
Trademark licensing fees paid by Beijing Benz to BAIC Group	707.9

3. Basis of Determination of the Proposed Annual Cap

In determining the renewed annual cap for the trademark licensing fees paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement, the Board has mainly considered the following factors:

- (i) the trademark licensing fees historically paid by Beijing Benz to BAIC Group; and

(ii) the development strategy and planning of Beijing Benz's production and sales.

4. *Opinion of the Directors*

The Directors (including the independent non-executive Directors) are of the view that transactions under the Trademark Licensing Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as the proposed annual cap for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

Since Mr. Chen Wei, Mr. Chen Hongliang and Mr. Hu Hanjun, each being a Director, also hold office in BAIC Group and/or its subsidiaries, they are therefore considered to be materially interested in the continuing connected transactions contemplated under the Trademark Licensing Agreement. As a result, each of Mr. Chen Wei, Mr. Chen Hongliang, and Mr. Hu Hanjun has abstained from voting on the Board resolution for approving the proposed annual cap for the continuing connected transactions under the Trademark Licensing Agreement for the financial year ending 31 December 2023. Save for the above persons, none of the other Directors has any interest in the transactions under the Trademark Licensing Agreement.

II. INTERNAL CONTROL PROCEDURES FOR THE IMPLEMENTATION OF CONTINUING CONNECTED TRANSACTIONS

The Company has adopted the following internal control procedures to ensure that the above-mentioned 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 affairs 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
- 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.

III. LISTING RULES IMPLICATIONS

As at the date of this announcement, BAIC Group is the sole controlling shareholder of the Company and holds 42.63% of the total issued share capital of the Company, thus it is a connected person of the Company. The transactions contemplated between Beijing Benz, a non-wholly owned subsidiary of the Company, and BAIC Group under the Trademark Licensing 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 the proposed annual cap for the continuing connected transactions to be contemplated under the Trademark Licensing Agreement is more than 0.1% but less than 5%, such continuing connected transactions are only subject to the reporting, announcement and annual review, but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

IV. 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. 42.63% of the equity interests in the Company are directly owned by BAIC Group, which is the controlling shareholder of the Company and ultimately owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. 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 Beijing Benz

Beijing Benz is a subsidiary of the Company. The Company holds 51.0% equity interest of Beijing Benz, while Mercedes-Benz AG, the shares of which are listed on the Frankfurt Stock Exchange (stock code: MBG), and its wholly-owned subsidiary, Daimler Greater China Ltd., together hold 49.0% equity interest in Beijing Benz. Beijing Benz commenced the manufacturing and sales of passenger vehicles of Mercedes-Benz brand in 2006.

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 holds 42.63% of the equity interests 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.

V. DEFINITIONS

In this announcement, unless the content otherwise requires, the following terms and expressions have the following meanings:

“BAIC Group”	Beijing Automotive Group Co., Ltd.* (北京汽車集團有限公司), a state-owned enterprise incorporated in the PRC, and the sole controlling shareholder of the Company
“Beijing Benz”	Beijing Benz Automotive Co., Ltd.* (北京奔馳汽車有限公司) (previously known as Beijing Jeep Motor Co., Ltd. and Beijing Benz-Daimler Chrysler Automotive Co., Ltd.), a company incorporated in the PRC on 1 July 1983, a non wholly-owned subsidiary of the Company with 51.0% equity interest owned by the Company, and 49.0% directly and indirectly owned by Mercedes-Benz AG
“Board”	the board of Directors of the Company
“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
“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
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Trademark Licensing Agreement”	the trademark licensing agreement entered into between Beijing Benz and BAIC Group on 28 February 2013
“%”	percentage

By order of the Board of Directors
BAIC Motor Corporation Limited
Wang Jianhui

Secretary to the Board of Directors and Company Secretary

Beijing, the PRC, 16 December 2022

As at the date of this announcement, the Board comprises Mr. Chen Wei, 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.

* *For identification purpose only*