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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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).

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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)

**REPORT OF THE BOARD OF DIRECTORS FOR 2022  
REPORT OF THE BOARD OF SUPERVISORS FOR 2022  
FINANCIAL REPORT FOR 2022**

**PROFITS DISTRIBUTION AND DIVIDENDS DISTRIBUTION PLAN FOR 2022  
RE-APPOINTMENT OF INTERNATIONAL AUDITOR AND DOMESTIC AUDITOR FOR 2023  
PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR  
PROPOSED APPOINTMENT OF SUPERVISOR  
MAJOR AND CONTINUING CONNECTED TRANSACTIONS  
(1) ENTRY OF TRADEMARK LICENSING FRAMEWORK AGREEMENT WITH BAIC GROUP  
(2) REVISIONS TO ANNUAL CAPS FOR THE MAJOR AND CONTINUING CONNECTED  
TRANSACTIONS WITH BAIC GROUP  
PROPOSED PROVISION OF FACILITY GUARANTEE TO BAIC HK  
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
GENERAL MANDATE FOR THE ISSUANCE OF BOND FINANCING INSTRUMENTS  
GENERAL MANDATE FOR THE ISSUANCE OF SHARES  
GENERAL MANDATE FOR THE REPURCHASE OF SHARES  
NOTICE OF 2022 ANNUAL GENERAL MEETING  
NOTICE OF 2023 FIRST DOMESTIC SHAREHOLDERS CLASS MEETING  
AND  
NOTICE OF 2023 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

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A letter from the Board is set out on pages 6 to 41 of this circular.

The notices of the AGM and Shareholders Class Meetings to be held at 9:30 a.m. on Monday, 26 June 2023 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 87 to 93 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](http://www.hkexnews.hk)) and the website of the Company.

Whether or not you intend to attend the AGM and/or Shareholders Class Meetings, holders of H Shares of the Company are requested to complete the enclosed forms of proxy in accordance with the instruction printed thereon and return them 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 forms 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 forms of proxy shall be returned not later than 24 hours before the time appointed for holding the AGM, Shareholders Class Meetings or any adjournment thereof. Please note that 24 June 2023 and 25 June 2023 are not working days in Hong Kong and Computershare Hong Kong Investor Services Limited's offices will not be open on these days for physical delivery of the proxy forms. Completion and return of the forms of proxy will not preclude the Shareholders from attending and voting in person should you so wish at the AGM, Shareholders Class Meetings or any adjournment thereof if they so wish.

\* For identification purpose only

24 May 2023

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## DEFINITIONS

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*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 2022 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 direct non-wholly subsidiary of BAIC Group, the controlling shareholder of the Company
“BAIC Group”	Beijing Automotive Group Co., Ltd.* (北京汽車集團有限公司), a state-owned enterprise incorporated in the PRC, and the sole controlling shareholder of the Company
“BAIC HK”	BAIC Hong Kong Investment Corp. Limited, a wholly-owned subsidiary of the Company
“Board” or “Board of Directors”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors of the Company
“Bond Financing Instruments”	one or several types of bond 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, bond financing instruments through private placement, and other RMB or foreign-currency, onshore or offshore bond financing instruments permitted by the regulatory authorities for issuance
“CBIRC”	China Banking and Insurance Regulatory Commission
“CCT Announcement”	the announcement of the Company dated 24 March 2023
“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

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## DEFINITIONS

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“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
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the 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 2023
“Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and BAIC Finance on 2 December 2014 and was last renewed by the parties 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

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## DEFINITIONS

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“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation 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), the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the (i) Trademark Licensing Framework Agreement and the proposed annual caps for trademark licensing fees to be paid by the Company to BAIC Group thereunder, for the three financial years ending 31 December 2025; and (ii) Revisions
“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 2023
“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) Trademark Licensing Framework Agreement and the proposed annual caps for trademark licensing fees to be paid by the Company to BAIC Group thereunder, for the three financial years ending 31 December 2025; and (ii) Revisions
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolutions to be proposed at the AGM in relation to the (i) Trademark Licensing Framework Agreement and the proposed annual caps for the trademark licensing fees to be paid by the Company to BAIC Group thereunder, for the three financial years ending 31 December 2025; and (ii) Revisions
“Latest Practicable Date”	17 May 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

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## DEFINITIONS

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“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
“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 was last renewed by the parties on 27 April 2022 for another term of three years expiring on 31 December 2025
“Provision of Products and Services Framework Agreement”	the sale of products and services framework agreement entered into between the Company and BAIC Group on 2 December 2014 and was last renewed by the parties on 27 April 2022 for another term of three years expiring on 31 December 2025
“Revisions”	the proposed revisions to annual caps for the (i) purchase of products and services transactions contemplated under the Products and Services Purchasing Framework Agreement; (ii) sale of products transactions contemplated under the Provision of Products and Services Framework Agreement; and (iii) maximum daily balance of deposits placed by the Group with BAIC Finance, the interest income from deposits placed by the Group with BAIC Finance and charges for other financial services of the Group with BAIC Finance under the Financial Services Framework Agreement, for the three financial years ending 31 December 2025
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Share(s)”	Domestic Shares and/or H Shares
“Shareholders Class Meetings”	the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Takeover Code”	The Codes on Takeovers and Mergers and Share Buy-backs, as amended from time to time

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## DEFINITIONS

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“Trademark Licensing Framework Agreement” the trademark licensing framework agreement entered into between the Company and BAIC Group on 24 March 2023

“%” percent

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LETTER FROM THE BOARD

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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)**

<i>Directors:</i>		
<b>Name</b>	<b>Position</b>	<i>Registered Address</i>
Mr. Chen Wei	<i>Chairman of the Board and Non-executive Director</i>	A5-061, Unit 101 5th Floor, Building No. 1 Courtyard No. 99 Shuanghe Street Shunyi District Beijing 101300 the PRC
Mr. Hu Hanjun	<i>Non-executive Director</i>	
Mr. Chen Hongliang	<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>	<i>Headquarter</i>
Mr. Harald Emil Wilhelm	<i>Non-executive Director</i>	No. 99 Shuanghe Street
Mr. Gu Tiemin	<i>Non-executive Director</i>	Shunyi District
Mr. Sun Li	<i>Non-executive Director</i>	Beijing 101300
Mr. Ge Songlin	<i>Independent non-executive Director</i>	the PRC
Ms. Yin Yuanping	<i>Independent non-executive Director</i>	
Mr. Xu Xiangyang	<i>Independent non-executive Director</i>	<i>Principal place of business in Hong Kong</i>
Mr. Tang Jun	<i>Independent non-executive Director</i>	31/F, Tower Two
Mr. Edmund Sit	<i>Independent non-executive Director</i>	Times Square 1 Matheson Street Causeway Bay Hong Kong

To the Shareholders

**REPORT OF THE BOARD OF DIRECTORS FOR 2022**  
**REPORT OF THE BOARD OF SUPERVISORS FOR 2022**  
**FINANCIAL REPORT FOR 2022**  
**PROFITS DISTRIBUTION AND DIVIDENDS DISTRIBUTION PLAN FOR 2022**  
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**(1) ENTRY OF TRADEMARK LICENSING FRAMEWORK AGREEMENT WITH BAIC GROUP**  
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**TRANSACTIONS WITH BAIC GROUP**  
**PROPOSED PROVISION OF FACILITY GUARANTEE TO BAIC HK**  
**PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**  
**GENERAL MANDATE FOR THE ISSUANCE OF BOND FINANCING INSTRUMENTS**  
**GENERAL MANDATE FOR THE ISSUANCE OF SHARES**  
**GENERAL MANDATE FOR THE REPURCHASE OF SHARES**  
**NOTICE OF 2022 ANNUAL GENERAL MEETING**  
**NOTICE OF 2023 FIRST DOMESTIC SHAREHOLDERS CLASS MEETING**  
**AND**  
**NOTICE OF 2023 FIRST H SHAREHOLDERS CLASS MEETING**

\* For identification purpose only



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## LETTER FROM THE BOARD

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### I. INTRODUCTION

The Company intends to hold the AGM and Shareholders Class Meetings at 9:30 a.m. on Monday, 26 June 2023 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 87 to 93 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

##### 1. Report of the Board of Directors for 2022

An ordinary resolution will be proposed at the AGM to approve the report of the Board of Directors for 2022, the full text of which is included in the annual report published by the Company on 25 April 2023 on the Company's website and the HKEXnews website of the Hong Kong Stock Exchange.

##### 2. Report of the Board of Supervisors for 2022

An ordinary resolution will be proposed at the AGM to approve the report of the Board of Supervisors for 2022, the full text of which is included in the annual report published by the Company on 25 April 2023 on the Company's website and the HKEXnews website of the Hong Kong Stock Exchange.

##### 3. Financial Report for 2022

An ordinary resolution will be proposed at the AGM to approve the financial report for 2022.

The financial report for 2022 prepared by the Company according to China Accounting Standards is summarized as follows:

###### *(1) Revenue and profits*

In 2022, the Company's consolidated statements recorded revenue of RMB190,463 million. The net profit for the year was RMB16,335 million, of which RMB4,197 million was the net profit attributable to the equity holders of the Company.

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## LETTER FROM THE BOARD

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### *(2) Cash flows*

In 2022, the net cash generated from operating activities in the Company's consolidated statements was RMB19,292 million. The net cash used in investing activities was RMB7,848 million. The net cash used in financing activities was RMB15,328 million. The net decrease of cash and cash equivalents was RMB3,742 million.

### *(3) Assets and liabilities*

As of 31 December 2022, the total assets in the consolidated statements of the Company were RMB173,375 million, the total liabilities were RMB94,438 million and the total equity was RMB78,937 million.

The financial report for 2022 prepared by the Company according to International Financial Reporting Standards is summarized as follows:

### *(1) Revenue and profits*

In 2022, the Company's consolidated statements recorded revenue of RMB190,463 million. The net profit for the year was RMB16,335 million, of which RMB4,197 million was the net profit attributable to the equity holders of the Company.

### *(2) Cash flows*

In 2022, the net cash generated from operating activities in the Company's consolidated statements was RMB18,654 million. The net cash used in investing activities was RMB7,857 million. The net cash used in financing activities was RMB14,681 million. The net decrease of cash and cash equivalents was RMB3,884 million.

### *(3) Assets and liabilities*

As of 31 December 2022, the total assets in the consolidated statements of the Company were RMB173,375 million, the total liabilities were RMB94,438 million and the total equity was RMB78,937 million.

## **4. Profits Distribution and Dividends Distribution Plan for 2022**

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.

The Board proposed to distribute a final dividend of RMB0.17 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 2022

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## LETTER FROM THE BOARD

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will be distributed to the Shareholders whose names appear on the register of members of the Company on Wednesday, 5 July 2023. Based on the total existing issued shares of the Company of 8,015,338,182 shares as at 31 December 2022, an aggregate cash dividend of RMB1,362,607,490.94 will be paid.

The above dividend is subject to the approval of the Shareholders at the AGM to be held on Monday, 26 June 2023. The final dividend is expected to be distributed on Friday, 15 September 2023.

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 2022 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.

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.

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## LETTER FROM THE BOARD

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### 5. Re-Appointment of International Auditor and Domestic Auditor for 2023

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 2023 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.

### 6. Proposed Appointment of Non-Executive Director

Reference is made to the announcement of the Company dated 16 December 2022 in relation to the proposed appointment of non-executive Director and member of the strategy committee under the Board.

The Board at the meeting held on 16 December 2022 resolved to propose to appoint Mr. Song Wei as a non-executive Director and a member of the strategy committee under the Board 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.

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

Mr. Song Wei (宋璋), born in November 1981, aged 42, holds a master's degree and is a senior engineer and an economist. He is currently the head of the technology and product management department of BAIC Group as well as an alternate member of the 13th Beijing Municipal Committee of the Communist Party of China.

Since 2007, Mr. Song Wei had successively served as the supplier quality management engineer and the schedule supervisor of parts and components projects of 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 procurement supervisor of exterior decoration, the cost control supervisor as well as the senior manager of projects and cost control of Beijing Benz Automotive Co., Ltd.\* (北京奔馳汽車有限公司), the head of the procurement projects control department of the procurement center of the Company, the deputy general manager of Off-road Vehicle Branch of BAIC Group\* (北汽集團越野車分公司), the assistant to the general manager of the off-road vehicle business department of BAIC Group and the deputy director of the procurement center of the Company, a member of the party committee and deputy general manager of BAIC Group Off-road Vehicle Co., Ltd.\* (北京汽車集團越野車有限公司) and the deputy head of the organisation department of the party committee of BAIC Group.

Save as disclosed above, Mr. Song Wei confirmed that, (i) 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 listed companies in the past three years; (ii) he does not have any relationships with any other directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company or any of its subsidiaries; and (iii) he does not have any interest in any Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

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## LETTER FROM THE BOARD

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

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

### **7. Proposed Appointment of Supervisor**

Reference is made to the announcement of the Company dated 24 March 2023 in relation to the proposed appointment of non-employee representative Supervisor.

The Board of Supervisors resolved to propose to appoint Ms. Jiao Feng as the non-employee representative supervisor of the Company 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 of Supervisors.

The biographical details of Ms. Jiao Feng which are discloseable pursuant to Rule 13.51(2) of the Listing Rules are as follows:

Ms. Jiao Feng, born in December 1976, aged 47, holds a master's degree in public administration and is a senior auditor. She is currently the head of the audit department, an officer of the inspection office of the party committee and the secretary of the discipline inspection commission of the headquarter of BAIC Group.

Since 1999, Ms. Jiao Feng has successively served as the staff member, the deputy chief and the chief of the Beijing Audit Bureau; the senior manager and the assistant to the head of the audit department of BAIC Group; the deputy secretary of the party committee, the secretary of the discipline inspection commission, the chairlady of the labour union of BAIC Group Industrial Investment Co., Ltd. (北京汽車集團產業投資有限公司); and the deputy head of the organisation department of the party committee of BAIC Group.

Save as disclosed above, Ms. Jiao Feng confirmed that, (i) she 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; (ii) she 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 (iii) she does not have any interest in any Shares within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

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## LETTER FROM THE BOARD

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Save as disclosed above, Ms. Jiao Feng confirmed that, there is no other information that needs to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules, and there are no other matters concerning the appointment of Ms. Jiao Feng as the non-employee representative supervisor of the Company that need to be brought to the attention of the Shareholders.

If the proposed appointment of Ms. Jiao Feng as the non-employee representative supervisor of the Company is approved at the AGM, the Company will enter into relevant supervisor's service contract with her as soon as possible. Ms. Jiao Feng will not receive any remuneration from the Company for her role as the non-employee representative supervisor of the Company.

### **8. Major and Continuing Connected Transactions**

#### *(1) Entry of Trademark Licensing Framework Agreement with BAIC Group*

Reference is made to the CCT Announcement in relation to, among others, the entry of the Trademark Licensing Framework Agreement.

As disclosed in the CCT Announcement, on 24 March 2023 (after trading hours), the Company and BAIC Group entered into the Trademark Licensing Framework Agreement, pursuant to which BAIC Group has agreed to grant the Group a license for the use of certain registered trademarks owned by BAIC Group and/or its associates and the relevant trademark licensing fees. The Trademark Licensing Framework Agreement will take effect from the date of approval by the Shareholders at the AGM to 31 December 2025, unless otherwise terminated by both parties.

#### *(A) Trademark Licensing Framework Agreement*

Details of the Trademark Licensing Framework Agreement are summarised as follows:

Parties:	(i) BAIC Group (as the licensor)
	(ii) the Company (as the licensee)
Date:	24 March 2023
Terms:	The term of the Trademark Licensing Framework Agreement will be from the date of approval by the Shareholders at the AGM to 31 December 2025, subject to renewal through mutual consent by the parties.

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## LETTER FROM THE BOARD

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Principal Terms: According to the Trademark Licensing Framework Agreement, BAIC Group grants the Group a license for the use of certain trademarks on the products manufactured (such as Beijing Brand and Beijing Benz vehicles) by and the services provided (such as technical services, after-sales services and other services derived from the products manufactured) by, and in the documents of the Group. The actual trademark licensing fees and the method of payment shall be determined on the principles, conditions and terms of the Trademark Licensing Framework Agreement and set out in the specific agreements to be entered into by the parties.

The Trademark Licensing Framework Agreement is a framework agreement setting out the general principles governing the grant of the trademark licenses. The Group and BAIC Group shall from time to time enter into individual contracts for each of the licenses which will govern the licensing fees, payment term and other detailed terms.

Pricing Policy: The licensing fees will be paid to BAIC Group with reference to a pre-agreed rate of the net revenue generated by each product manufactured. The pre-agreed rate will be determined after arm' length negotiation between the parties with reference to factors including (i) the estimated demand of the relevant vehicle models and the expected scale of operating revenue generated from the sale of such vehicle models, (ii) initial investments in the relevant vehicle models (mainly relating to product research and development) and the associated costs of such models, (iii) profitability of the relevant vehicle models, and (iv) potential risks arising from the use of the licensed trademarks of BAIC Group. In general, the higher the estimated demand and revenue, initial investments, profitability and potential risks, the higher the pre-agreed rate. Net revenue generated by each product manufactured (such as Beijing Brand and Beijing Benz vehicles) will be calculated based on the suggested retail price of the whole vehicle manufacturer net of the value-added tax, gross margin of dealers, sales rebates to dealers, consumption tax, sales discounts and other deductions.

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## LETTER FROM THE BOARD

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The relevant prices of licensing fees to be paid to BAIC Group will be determined after arm' length negotiation by both parties with reference to the historical prices of the relevant licensing fees to be paid to BAIC Group. The Group will ensure that the terms and conditions of the licensing fees to be paid to BAIC Group are fair and reasonable based on the principle of cost plus a fair reasonable profit rate.

Please also refer to the section headed "Internal Control Measures" of this circular for details of the internal control procedures adopted by the Company.

Reasons and  
Benefits:

A significant portion of the trademarks used for passenger cars produced and sold by the Group are licensed by BAIC Group. Such trademark licenses are critical to the operation and production of the Group and in the best interests of the Group and the Shareholders.

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

The proposed annual caps for the trademark licensing fees to be paid by the Group to BAIC Group under the Trademark Licensing Framework Agreement for the three financial years ending 31 December 2025 are as follows:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Trademark licensing fees to be paid by the Group to BAIC Group	985.0	992.0	996.0



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## LETTER FROM THE BOARD

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### *(C) Historical Transaction Amounts and Annual Caps*

The following table sets forth the historical amounts, the annual caps and the utilisation rate of the annual caps for the trademark licensing fees paid by the Group to BAIC Group for the three financial years ended 31 December 2022:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Trademark licensing fees paid by the Group to BAIC Group	772.8	680.7	753.5
Annual caps	939.8	986.8	1,036.2
Utilisation rate of the annual caps	82.23%	68.98%	72.72%

To the best knowledge of the Directors, the decrease in the trademark licensing fees paid by the Group to BAIC Group for the financial year ended 31 December 2021 was mainly due to the decrease in the sales volume of certain models of Beijing Brand and Beijing Benz vehicles using the licensed trademarks, representing a year-on-year decrease of 8.70% compared to the year ended 31 December 2020. Such decrease was mainly attributable to the reoccurrence of the COVID-19 outbreaks in China and the resulting raw material shortage leading to a temporary slowdown in the Group's production and supply.

The Company confirmed that the total trademark licensing fees paid by the Group to BAIC Group as at the Latest Practicable Date were within the relevant maximum caps as set out in the announcement of the Company dated 16 December 2022.

### *(D) Basis of Determination of the Proposed Annual Caps*

In determining the annual caps for the trademark licensing fees to be paid by the Group to BAIC Group under the Trademark Licensing Framework Agreement, the Company mainly considered the following factors:

- (i) the trademark licensing fee rate previously agreed between the Group and BAIC Group, and the trademark licensing fees previously paid by the Group to BAIC Group;
- (ii) based on the Group's development strategy and business expansion plan from 2023 to 2025, it is expected that the aggregate sales volume of vehicles of the Group for the three years ending 31 December 2025 will increase by more than 20% as compared to the three years ended 31 December 2022. Such increase will be primarily attributable to the introduction of new products during the three years ending 31 December 2025, including three new models of all-electric battery

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## LETTER FROM THE BOARD

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vehicles and two new models of off-road passenger vehicles of Beijing Brand and new models of passenger vehicles of Beijing Benz, which were not available during the three years ended 31 December 2022; and

- (iii) a buffer of 10% on estimated licensing fees for each of the three financial years ending 31 December 2025.

Having considered the above-mentioned factors, the Board is of the view that the proposed annual caps for the trademark licensing fees to be paid by the Group to BAIC Group under the Trademark Licensing Framework Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

**(2) *Revisions to Annual Caps for the Major and Continuing Connected Transactions with BAIC Group***

Reference is made to the CCT Announcement in relation to, among others, the revisions of annual caps for certain major and continuing connected transactions of the Company with BAIC Group including the revisions to annual caps for the (i) purchase of products and services transactions contemplated under the Products and Services Purchasing Framework Agreement; (ii) sale of products transactions contemplated under the Provision of Products and Services Framework Agreement; and (iii) maximum daily balance of deposits placed by the Group with BAIC Finance, the interest income from deposits placed by the Group with BAIC Finance and charges for other financial services of the Group with BAIC Finance under the Financial Services Framework Agreement, for the three financial years ending 31 December 2025.

As disclosed in the CCT Announcement, the Board resolved on 24 March 2023 to revise 2023, 2024 and 2025 annual caps for the above-mentioned major and continuing connected transactions with BAIC Group as follows:

Agreement	Transactions	Existing Annual Caps for the Year Ending 31 December			Revised Annual Caps for the Year Ending 31 December		
		2023	2024	2025	2023	2024	2025
		(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Products and Services Purchasing Framework Agreement	Purchase of products	26,832.1	27,756.0	27,385.4	38,209.4	49,511.1	56,883.5
	Purchase of services	4,415.3	4,568.6	4,507.1	6,037.4	5,797.6	5,746.3
Provision of Products and Services Framework Agreement	Sale of products	27,042.3	27,780.5	27,484.4	33,849.7	48,097.3	46,060.2

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## LETTER FROM THE BOARD

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Agreement	Transactions	Existing Annual Caps for the Year Ending 31 December			Revised Annual Caps for the Year Ending 31 December		
		2023	2024	2025	2023	2024	2025
		(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Financial Services Framework Agreement	Maximum daily balance of deposits placed by the Group with BAIC Finance	16,000.0	16,000.0	16,000.0	22,000.0	22,000.0	22,000.0
	Interest income from deposits placed by the Group with BAIC Finance	356.4	356.4	356.4	490.1	490.1	490.1
	Charges for other financial services of the Group with BAIC Finance	243.2	243.2	243.2	457.5	775.7	761.4

*(A) The Products and Services Purchasing Framework Agreement*

Pursuant to the Products and Services Purchasing Framework Agreement, BAIC Group and/or its associates provide several types of products and services to the Group. These products include commodities such as equipment, raw materials, components (including but not limited to batteries, electric drives, motor controllers, panels, bumpers, lighting fixtures, and skylights) and vehicles and related technologies, related derivatives derived from these commodities (including but not limited to energy credits and carbon emissions policy trading), while these services include sales agency services, processing agency services, labor services, logistics services, transportation services, technical services and consultancy services.

On 27 April 2022, the Board resolved to set the annual caps for purchase of products and services contemplated under the Products and Services Purchasing Framework Agreement for the three financial years ending 31 December 2025 as follows:

	2023	2024	2025
	(RMB million)	(RMB million)	(RMB million)
Purchase of products	26,832.1	27,756.0	27,385.4
Purchase of services	4,415.3	4,568.6	4,507.1

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## LETTER FROM THE BOARD

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a) Historical Transaction Amounts and Annual Caps

The following table sets forth the historical transaction amounts, the annual caps and the utilisation rate of the annual caps for the continuing connected transactions under the Products and Services Purchasing Framework Agreement for the three financial years ended 31 December 2022:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
<i>Purchase of products</i>			
Transaction amount	17,742.3	26,635.1	27,094.0
Annual caps	50,346.0	52,920.8	55,603.1
Utilisation rate of annual caps	35.24%	50.33%	48.73%
<i>Purchase of services</i>			
Transaction amount	3,565.6	3,552.6	4,310.0
Annual caps	5,036.4	4,990.2	5,194.6
Utilisation rate of annual caps	70.80%	71.19%	82.97%

To the best knowledge of the Directors, the transaction amount for the purchase of products under the Products and Services Purchasing Framework Agreement for the year ended 31 December 2020 was relatively low due to an exceptionally low demand for products for the year ended 31 December 2020 as a result of the first occurrence of the COVID-19 outbreak in China. The significant increase in transaction amounts for the purchase of products under the Products and Services Purchasing Framework Agreement for the year ended 31 December 2021 was mainly due to (i) the increase in the Group's demand for products for the year ended 31 December 2021 as markets and businesses began to normalise from the first occurrence of the COVID-19 outbreak, and (ii) the increase in the purchase of commodities such as equipment, raw materials, components (mainly relating to batteries, electric drives and motor controllers) as a result of the increase in the Group's sales volume of all-electric battery vehicles of approximately 80% in the year ended 31 December 2021 as compared to the year ended 31 December 2020, and (iii) the increase in the Group's purchase quantity from BAIC Group instead of from overseas suppliers due to the instability and uncertainty on the supply and delivery of products from the Group's overseas suppliers during the COVID-19 outbreak.

As at the Latest Practicable Date, the existing annual caps for the financial year ended 31 December 2022 and the financial year ending 31 December 2023 have not been exceeded.

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## LETTER FROM THE BOARD

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b) Revised Annual Caps for the Three Financial Years Ending 31 December 2025

With the continuous business development and based on the demand forecast and operating status, the Company expects that the existing annual caps for the transactions contemplated under the Products and Services Purchasing Framework Agreement for the three financial years ending 31 December 2025 will not be sufficient to meet the needs of the Group. Based on the products and services to be purchased as a result of the rapid expansion of the Group's business, the Company expects that there will be an increase in the purchase of products and services from BAIC Group for the three financial years ending 31 December 2025. Therefore, on 24 March 2023, the Board resolved to propose the annual caps for the three financial years ending 31 December 2025 being revised as follows:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Purchase of products	38,209.4	49,511.1	56,883.5
Purchase of services	6,037.4	5,797.6	5,746.3

c) Basis of Determination of the Revised Annual Caps

In determining the revised annual caps for the Products and Services Purchasing Framework Agreement, the Company mainly considered the following factors:

- (i) the volume of raw materials, components and equipment needed by the Group for the manufacturing of whole vehicles is expected to increase with the growth in the aggregate sales volume of whole vehicles in the three years ending 31 December 2025 as compared with the three years ended 31 December 2022. In 2022, the number of whole vehicles manufactured was approximately 664,000. The total number of whole vehicles manufactured for the three financial years ending 31 December 2025 is expected to increase by over 50% as compared with that for the three years ended 31 December 2022, especially taking into account (a) the accelerated promotion of iterations of two new models of off-road vehicles and three new models of all-electric battery vehicles of Beijing Brand and new models of passenger vehicles of Beijing Benz; and (b) the normalisation of the Group's production capacity and market demand with the optimization of COVID-19 control measures;
- (ii) the change in the product mix of the raw materials, components, equipment and other products to be purchased by the Group with higher unit prices due to the change in the Group's focus in the off-road vehicles segment beginning from 2023, which generally require products from BAIC Group with higher unit prices;

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## LETTER FROM THE BOARD

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- (iii) purchase of services mainly including logistics, transportation and research and development related technical services. The transaction amount for such services is expected to remain relatively stable with a slight decline for the three years ending 31 December 2025 primarily as a result of (a) the expected decrease in investment in research and development as more models are expected to complete the research and development stage for commercialization; and offset by (b) the expected increase in the volume of raw materials, components and equipment to be needed by and the revised target annual production and sales volume of vehicles of the Group as compared with the three financial years ended 31 December 2022 due to the expected increase in the sales volume of whole vehicles resulting from the accelerated promotion of iterations of two new models of off-road vehicles and three new models of all-electric battery vehicles of Beijing Brand and new models of passenger vehicles of Beijing Benz; and
- (iv) a buffer of 10% on estimated purchase of products and services, respectively, for each of the three financial years ending 31 December 2025.

Having considered the above-mentioned factors, the Board is of the view that the revised annual caps for the Products and Services Purchasing Framework Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

*(B) The Provision of Products and Services Framework Agreement*

Pursuant to the Provision of Products and Services Framework Agreement, the products and services provided by the Group to BAIC Group and/or its associates primarily include products and services, such as facilities, raw materials, components and parts (including but not limited to battery modules, body modules, chassis modules and modules of back suspended part) and whole vehicles etc., relevant technologies, and derivatives derived from such products including but not limited to energy credits and carbon emissions policy trading, while these services include sales agency services, processing agency services, labor services, logistics services, transportation services, technical services and consultancy services.

On 27 April 2022, the Board resolved to set the annual caps for sale of products contemplated under the Provision of Products and Services Framework Agreement for the three financial years ending 31 December 2025 as follows:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Sale of products	27,042.3	27,780.5	27,484.4

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## LETTER FROM THE BOARD

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a) Historical Transaction Amounts and Annual Caps

The following table sets forth the historical transaction amounts, the annual caps and the utilisation rate of the annual caps for the continuing connected transactions under the Provision of Products and Services Framework Agreement for the three financial years ended 31 December 2022:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(RMB</i>	<i>(RMB</i>	<i>(RMB</i>
	<i>million)</i>	<i>million)</i>	<i>million)</i>
Sale of products	15,702.5	17,209.4	18,166.0
Annual caps	29,726.4	31,250.5	32,836.9
Utilisation rate of annual caps	52.82%	55.07%	55.32%

As at the Latest Practicable Date, the existing annual caps for the financial year ended 31 December 2022 and the financial year ending 31 December 2023 have not been exceeded.

b) Revised Annual Caps for the Three Financial Years Ending 31 December 2025

With the continuous business development and based on the demand forecast and operating status, the Company expects that the existing annual caps for the transactions contemplated under the Provision of Products and Services Framework Agreement for the three financial years ending 31 December 2025 will not be sufficient to meet the needs of the Group. Based on the products needed by BAIC Group and/or its associates as a result of the rapid expansion of their business, the Company expects that there will be an increase in the sale of products for the three financial years ending 31 December 2025. Therefore, on 24 March 2023, the Board resolved to propose the annual caps for the three financial years ending 31 December 2025 being revised as follows:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB</i>	<i>(RMB</i>	<i>(RMB</i>
	<i>million)</i>	<i>million)</i>	<i>million)</i>
Sale of products	33,849.7	48,097.3	46,060.2

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## LETTER FROM THE BOARD

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c) Basis of Determination of the Revised Annual Caps

In determining the revised annual caps for the Provision of Products and Services Framework Agreement, the Company mainly considered the following factors:

- (i) as a result of new business expansion of the Group, it is expected that the Group will also expand the existing product offerings to a wider range of products, including speed up the marketing of iterations of two new models of off-road vehicles and three new models of all-electric battery vehicles of Beijing Brand and new models of passenger vehicles of Beijing Benz, to meet growing demands of BAIC Group along with the increased demand of the market, and hence it is expected that the total number of whole vehicles manufactured in the three financial years ending 31 December 2025 is expected to further increase by over 50% as compared with that for the three financial years ended 31 December 2022;
- (ii) the change in the product mix of products to be sold by the Group to the BAIC Group and/or its associates as a result of the Group's focus in the off-road vehicles segment since 2023, which generally have higher unit prices;
- (iii) the expected proportion of future sales to dealerships operated by the associates of BAIC Group, which was calculated with reference to the proportion of historical sales of whole vehicles manufactured and assembled by the Group to dealerships operated by associates of BAIC Group; and
- (iv) a buffer of 10% on estimated sale of products for each of the three financial years ending 31 December 2025.

Having considered the above-mentioned factors, the Board is of the view that the revised annual caps for the Provision of Products and Services Framework Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE BOARD

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*(C) The Financial Services Framework Agreement*

Pursuant to the Financial Services Framework Agreement, the financial services provided by BAIC Finance to the Group primarily include (i) deposits; (ii) loans and entrusted loans; (iii) other financial services including discounted notes and acceptance service, finance lease, settlement and entrusted loan agency, and other services subject to relevant approvals from the CBIRC.

On 27 April 2022, the Board resolved to set the annual caps for (i) the maximum daily balance of deposits placed by the Group with BAIC Finance, (ii) interest income from deposits placed by the Group with BAIC Finance, and (iii) charges for other financial services of the Group with BAIC Finance for the three financial years ending 31 December 2025 as follows:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<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
Interest income from deposits placed by the Group with BAIC Finance	356.4	356.4	356.4
Charges for other financial services of the Group with BAIC Finance	243.2	243.2	243.2

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## LETTER FROM THE BOARD

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a) Historical Transaction Amounts and Annual Caps

The following table sets forth the historical transaction amounts, the annual caps and the utilisation rate of the annual caps for the major and continuing connected transactions under the Financial Services Framework Agreement for the three financial years ended 31 December 2022:

	<b>2020</b> <i>(RMB million)</i>	<b>2021</b> <i>(RMB million)</i>	<b>2022</b> <i>(RMB million)</i>
Maximum daily balance of deposits placed by the Group with BAIC Finance	15,999.3	15,968.0	15,994.0
Annual caps	16,000.0	16,000.0	16,000.0
Utilisation rate of annual caps	99.99%	99.80%	99.96%
Interest income from deposits placed by the Group with BAIC Finance	292.4	289.3	196.6
Annual caps	292.8	292.8	292.8
Utilisation rate of annual caps	99.86%	98.80%	67.14%
Charges for other financial services of the Group with BAIC Finance	20.1	19.8	22.1
Annual caps	25.0	25.0	25.0
Utilisation rate of annual caps	80.40%	79.20%	88.40%

As at the Latest Practicable Date, the existing annual caps for the financial year ended 31 December 2022 and the financial year ending 31 December 2023 have not been exceeded.

b) Revised Annual Caps for the Three Financial Years Ending 31 December 2025

With the continuous business development and based on the demand forecast and operating status, the Company expects that the existing annual caps for the transactions contemplated under the Financial Services Framework Agreement for the three financial years ending 31 December 2025 will not be sufficient to meet the needs of the Group. Based on the financial services required as a result of the rapid expansion of the Group's business, the Company expects that there will be an increase in (i) the existing daily maximum deposits placed by the Group with BAIC Finance, and the corresponding interest income from deposits placed by the Group with BAIC Finance, and (ii) charges for other financial services of the

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## LETTER FROM THE BOARD

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Group with BAIC Finance, for the three financial years ending 31 December 2025. Therefore, on 24 March 2023, the Board resolved to propose the annual caps for the three financial years ending 31 December 2025 being revised as follows:

	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	22,000.0	22,000.0	22,000.0
Interest income from deposits placed by the Group with BAIC Finance	490.1	490.1	490.1
Charges for other financial services of the Group with BAIC Finance	457.5	775.7	761.4

c) **Basis of Determination of the Revised Annual Caps**

In determining the revised maximum daily balance of deposits placed by the Group with BAIC Finance under the Financial Services Framework Agreement, the Company mainly considered the following factors:

- (i) the expected increase in the sales volume of vehicles for the three financial years ending 31 December 2025 with reference to the Group's revised target annual sales volume of vehicles (including the existing Beijing Brand vehicles and the new models to be launched) for the same period;
- (ii) the revised projected average selling price of whole vehicles to end customers for the three financial years ending 31 December 2025, which is used for the calculation of the revised annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance for the three years ending 31 December 2025 is expected to increase given the introduction of new models of vehicles. The projected average selling price was revised after taking into account (a) the expected increase in the sales proportion of higher-priced vehicle models such as the new models of Beijing Brand off-road vehicles due to the Group's plan to sell more high-value vehicle models with higher prices and (b) the market factors such as higher production costs due to the rapid global inflation in the past 12 months;

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## LETTER FROM THE BOARD

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- (iii) the estimated investment income to be gained from long-term equity investments by the Group in its joint ventures is expected to increase by over 10% for each of the three years ending 31 December 2025 as compared with each of the three years ending 31 December 2022 as a result of the expected increase in turnover of such joint ventures;
- (iv) the maximum daily balance of deposits placed by the Group with BAIC Finance for the three financial years ended 31 December 2022, representing 9.0%, 9.1% and 8.4% of the revenue of the Group for the same period; and
- (v) although the Group expects a growth in future revenues, meanwhile, the Group also pays attention to the control of the amount of deposit placed with BAIC Finance to avoid potential risks in connection with over-concentration of capital.

Having considered the above-mentioned factors, the Board is of the view that the revised annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance under the Financial Services Framework Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

In determining the revised annual caps for interest income from deposits placed by the Group with BAIC Finance under the Financial Services Framework Agreement, the Company mainly considered the following factors:

- (i) the revised maximum daily balance of deposits placed by the Group with BAIC Finance under the Financial Services Framework Agreement for the three financial years ending 31 December 2025; and
- (ii) the type of deposits placed by the Group with BAIC Finance in the past and the corresponding interest rates. The interest rates of 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.

Having considered the above-mentioned factors, the Board is of the view that the revised annual caps for interest income from deposits placed by the Group with BAIC Finance under the Financial Services Framework Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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In determining the revised annual caps for charges for other financial services of the Group with BAIC Finance under the Financial Services Framework Agreement, the Company mainly considered the following factors:

- (i) the Group's revised target annual production and sales volume of vehicles (including the existing Beijing Brand vehicles and the new models to be launched), of which the total sales volume in the three years ending 31 December 2025 is expected to increase by over 50% as compared with that for the three years ended 31 December 2022, resulting from the accelerated promotion of iterations of two new models of off-road vehicles and three new models of all-electric battery vehicles of Beijing Brand and new models of passenger vehicles of Beijing Benz, for the three financial years ending 31 December 2025; and
- (ii) the types and fees of the other financial services provided by BAIC Finance to the Group. The services fees mainly apply to services subject to relevant approvals from the CBIRC, mainly related to consumer credit, including interest-free fixed-rate loans, low/zero down payments, zero monthly payments and other financial products provided to end customers of the Group, of which the aggregate amount generated during the three years ending 31 December 2025 is expected to increase as a result of the expansion of the scope of application of such financial services from two models of whole vehicles in 2022 to over ten models sold by the Group (primarily the newly introduced off-road vehicles and all-electric battery vehicles) from 2023. The 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 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. The charges for other financial services of the Group with BAIC Finance are expected to increase approximately 88.1% to 218.9% to the original charges used for the calculation of the existing annual caps for the other financial services of the Group with BAIC Finance for the three financial years ending 31 December 2025.

Having considered the above-mentioned factors, the Board is of the view that the revised annual caps for charges for other financial services of the Group with BAIC Finance under the Financial Services Framework Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### *(3) Internal Control Measures*

The Company has adopted the following internal management 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 the 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.

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 management 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 persons 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

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## LETTER FROM THE BOARD

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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 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 components or product, which is estimated with reference to (i) the market price of the raw materials or semi-finished products forming the components 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. Such profit margin shall be determined with reference to (i) the profit margin of a comparable quantity of the similar products sold to at least two independent third parties by the Group in the financial year, and (ii) the profit margin of a comparable quantity of the similar products sold to the relevant connected person(s) by the Group in the past transactions; 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.

The independent non-executive Directors will, on an annual basis, review the implementation and execution of transactions under the above-mentioned agreements independently. If the independent non-executive Directors are of the opinion that the decrease in the relevant annual caps is in the interest of the Company, the Company will take appropriate measures to implement the decisions of the independent non-executive Directors. The views of the independent non-executive Directors on such

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## LETTER FROM THE BOARD

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transactions (including their views on how to comply with the terms of the above-mentioned agreements), 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 of the Company to ensure that the transactions under the above-mentioned agreements have been conducted in accordance with the Listing Rules and the relevant disclosure requirements have been complied with.

To the best knowledge of the Directors and having made all reasonable enquiries, none of the persons involved in the internal control procedures are dependent on BAIC Group and/or its associates.

#### ***(4) Listing Rules Implications***

As at the Latest Practicable Date, BAIC Group is the sole controlling shareholder of the Company and holds 44.5% of the total issued share capital of the Company, and hence a connected person of the Company. The transactions contemplated between the Company and BAIC Group under the Trademark Licensing Framework Agreement, the Products and Services Purchasing Framework Agreement and the 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 56.0% of the equity interests in BAIC Finance, and hence BAIC Finance is an associate of BAIC Group. Therefore, BAIC Finance is a connected person of the Company and the transactions between the Company and BAIC Finance under the Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the revised annual caps for (i) the maximum daily balance of deposits placed by the Group with BAIC Finance and (ii) the interest income from deposits placed by the Group with BAIC Finance under the Financial Services Framework Agreement is, on an aggregate basis, more than 25%, the revisions to the annual caps for such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of (i) the proposed annual caps for the Trademark Licensing Framework Agreement, (ii) the revised annual caps for the Products and Services Purchasing Framework Agreement; (iii) the revised annual caps for the Provision of Products and Services Framework Agreement; and (iv) the revised annual caps for charges for other financial services of the Group with BAIC Finance under the Financial Services Framework Agreement is more than 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.



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## LETTER FROM THE BOARD

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### (5) *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. 44.50% 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 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 44.50% of 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.

#### *Information on BAIC Finance*

BAIC Finance is a non-banking financial institution incorporated in October 2011 in the PRC with the approval of the CBIRC. BAIC Finance was initiated and established by 4 shareholders, namely BAIC Group, BAIC Investment Co., Ltd. (北京汽車投資有限公司), Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司) and Beijing Hainachuan Automotive Parts Stock Co., Ltd. (北京海納川汽車部件股份有限公司), 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 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).

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## LETTER FROM THE BOARD

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### **9. Proposed Provision of Facility Guarantee to BAIC HK**

BAIC HK is a wholly-owned subsidiary of production and operation, principally engaging in overseas investment and financing.

In order to meet the BAIC HK's operational needs and functional performance, the Board resolved the provision of a joint and several liability guarantee by the Company in respect of the facility of BAIC HK equivalent to not exceeding US\$427 million or equivalent in RMB. The amount is a rolling guarantee amount and may be reused. It is also proposed at the AGM that the Board of Directors is authorised and approved to authorise the Company's management to decide and handle matters regarding the above-mentioned facility guarantee within its limit.

The authorisation shall take effect from the date of the approval at the AGM to the following (whichever is the earliest):

1. the expiry of 18 months from the date of approval for the resolution at the AGM;
2. the date of authorisation for the Company's new facility guarantee for BAIC HK subject to the approval from the ultimate decision-making institutions as stipulated by the Articles of Association;
3. the date of termination of the Company's facility guarantee for BAIC HK under the resolution subject to the approval from the ultimate decision-making institutions as stipulated by the Articles of Association.

Transactions thereunder the above-mentioned facility guarantee do not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules, nor a connected transaction of the Company under Chapter 14A of the Listing Rules.

### **Special Resolutions**

### **10. Proposed Amendments to the Articles of Association**

Reference is made to the announcement of the Company dated 9 March 2023 in relation to the proposed amendments to the Articles of Association.

In order to better satisfy the requirements of corporate governance and compliance operation, the Board proposed to amend the Articles of Association pursuant to the amendments made to Appendix 3 to the Listing Rules, and in light of the actual situations of the Company, which shall be further proposed and subject to the approval of the Shareholders at the AGM by a special resolution. Such amendments shall take effect from the date of approval at the AGM.

Details of the proposed amendments to the Articles of Association are set out in Appendix IV to this circular.

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## LETTER FROM THE BOARD

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### 11. General Mandate for the Issuance of Bond 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 bond 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, bond financing instruments through private placement, and other RMB or foreign-currency, onshore or offshore bond financing instruments permitted by the regulatory authorities for issuance, 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 Bond Financing Instruments.

##### (ii) *Issue size and issue method*

Except for Bond Financing Instruments already issued by the Company, the issue size of onshore and offshore Bond Financing Instruments for 2023 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.

Issuance will be made in one or multiple tranches, through public offering or private placement.

##### (iii) *Target subscribers*

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

##### (iv) *Term and type*

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

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## LETTER FROM THE BOARD

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(v) *Use of proceeds*

It is expected that the proceeds from the issue of onshore and offshore Bond 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 Bond Financing Instruments, by a special resolution, so as to:

- (i) determine the category, specific type, specific terms, conditions and other matters of Bond 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 Bond 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 relevant issue-rated matters;
- (ii) take all necessary and incidental actions and steps with regard to the issue of Bond Financing Instruments, including but not limited to the provision of necessary guarantees for the issue of Bond 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 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 Bond 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 Bond 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

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## LETTER FROM THE BOARD

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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 Bond 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 Bond 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 Bond 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 2023 annual general meeting of the Company;
- (2) the expiry date of 12 months from the passing of the resolution at the AGM;
- (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 the Company determines to issue the Bond 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 Bond Financing Instruments within the validity period confirmed in the approval, permission, filing or registration.

### **12. 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 of the Company in issue on the date on which the resolution is approved at the AGM, within the scope of authorization, and

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## LETTER FROM THE BOARD

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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.

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 2023 annual general meeting of the Company;
- (2) the expiration of 12-month period from the date of approving of this resolution at the AGM;
- (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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## LETTER FROM THE BOARD

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If during the validity period of the aforesaid general mandate for the issuance of Shares, the Company enters into an agreement<sup>1</sup> or grants share options<sup>2</sup> 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

#### 13. 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 nominal amount of the Domestic Shares and/or H Shares of the Company 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;
- (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;

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

<sup>2</sup> Share options: options, warrants or similar rights to subscribe for Shares.

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## LETTER FROM THE BOARD

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- (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 2023 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;
- (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 Proposal<sup>3</sup> or Agreement<sup>4</sup> 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.

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.

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

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



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## LETTER FROM THE BOARD

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### 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 the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company after the conclusion of the AGM and Shareholders Class Meetings.

Since Mr. Chen Wei, Mr. Hu Hanjun and Mr. Chen Hongliang, each being a Director, also hold office in BAIC Group and/or its subsidiaries, they are therefore considered to be materially interested in the major and the continuing connected transactions contemplated under the Trademark Licensing Framework Agreement, the Products and Services Purchasing Framework Agreement, the Provision of Products and Services Framework Agreement and the Financial Services Framework Agreement. As a result, each of Mr. Chen Wei, Mr. Hu Hanjun, and Mr. Chen Hongliang has abstained from voting on the Board resolutions for approving the Trademark Licensing Framework Agreement and the proposed annual caps for the continuing connected transactions thereunder for the three financial years ending 31 December 2025, and the Revisions. Save for the above Directors, none of the other Directors has any interest in the above-mentioned transactions.

Meanwhile, BAIC Group is the sole controlling shareholder of the Company and holds 44.50% of the total issued share capital of the Company, thus it is a connected person of the Company. As BAIC Group holds 56.00% of the equity interests in BAIC Finance, BAIC Finance is an associate of BAIC Group. Therefore, BAIC Group is deemed to have material interests in the continuing connected transactions contemplated under the Trademark Licensing Framework Agreement, the Products and Services Purchasing Framework Agreement, the Provision of Products and Services Framework Agreement and the Financial Services Framework Agreement. As a result, BAIC Group and its associates are required to abstain from voting on the resolutions in relation to the (i) Trademark Licensing Framework Agreement and the proposed annual caps for trademark licensing fees to be paid by the Company to BAIC Group thereunder for the three financial years ending 31 December 2025; and (ii) Revisions. As at the Latest Practicable Date, BAIC Group and its associates directly and indirectly held 3,566,659,704 Domestic Shares (representing approximately 44.50% 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 such resolutions to be proposed at the AGM.

### V. RECOMMENDATION

Your attention is drawn to (a) 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 (i) Trademark Licensing Framework Agreement and the proposed annual caps for trademark licensing fees to be paid by the Company to BAIC Group thereunder for the three financial years ending 31 December 2025;

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## LETTER FROM THE BOARD

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and (ii) Revisions; and (b) the 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 Directors who have abstained from voting as more particularly described above and 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 (a) the transactions under the (i) Trademark Licensing Framework Agreement, (ii) Products and Services Purchasing Framework Agreement, (iii) Provision of Products and Services Framework Agreement and (iv) Financial Services Framework Agreement are in the ordinary and usual course of the Group and on normal commercial terms which are determined after arm's length negotiations between the parties; and (b) the terms and conditions therein as well as the proposed annual caps for the transactions under the Trademark Licensing Framework Agreement for the three financial years ending 31 December 2025, and the Revisions are fair and reasonable, and 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 resolution 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 the Shareholders Class Meeting to be held at 9:30 a.m. on Monday, 26 June 2023 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 87 to 93 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.

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 forms 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 forms 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 no later than 24 hours before the time appointed for holding the AGM and Shareholders Class Meetings or any adjournment thereof. Please note that 24 June 2023 and 25 June 2023 are not working days in Hong Kong and Computershare Hong Kong Investor Services Limited's offices will not be open on these days for physical delivery of the proxy forms.

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## LETTER FROM THE BOARD

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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 Tuesday, 20 June 2023 to Monday, 26 June 2023 (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 Monday, 19 June 2023 or China Securities Depository and Clearing Corporation Limited at 23 Floor, Shenzhen Stock Exchange Square, Futian District, Shenzhen, Guangdong Province, the PRC for holders of Domestic Shares no later than 4:00 p.m. on Monday, 19 June 2023.

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 Friday, 30 June 2023 to Wednesday, 5 July 2023 (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 Thursday, 29 June 2023, or China Securities Depository and Clearing Corporation Limited at 23 Floor, Shenzhen Stock Exchange Square, Futian District, Shenzhen, Guangdong Province, the PRC for holders of Domestic Shares no later than 4:00 p.m. on Thursday, 29 June 2023.

By Order of the Board  
**BAIC Motor Corporation Limited**  
**Chen Wei**  
*Chairman of the Board*

24 May 2023

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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)**

24 May 2023

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR AND CONTINUING CONNECTED TRANSACTIONS**  
**(1) ENTRY OF TRADEMARK LICENSING FRAMEWORK AGREEMENT**  
**WITH BAIC GROUP**  
**(2) REVISIONS TO ANNUAL CAPS FOR THE MAJOR**  
**AND CONTINUING CONNECTED TRANSACTIONS WITH BAIC GROUP**

We refer to the circular of the Company dated 24 May 2023 (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 Trademark Licensing Framework Agreement and the proposed annual caps for trademark licensing fees to be paid by the Company to BAIC Group thereunder for the three financial years ending 31 December 2025; and (ii) Revisions 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 Trademark Licensing Framework Agreement and the proposed annual caps for trademark licensing fees to be paid by the Company to BAIC Group thereunder for the three financial years ending 31 December 2025; and (ii) Revisions 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

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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 44 to 68 of this circular.

The 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 this circular.

Having considered the (A) Trademark Licensing Framework Agreement and the proposed annual caps for trademark licensing fees to be paid by the Company to BAIC Group thereunder for the three financial years ending 31 December 2025; and (B) Revisions and the advice of Gram Capital, we are of the opinion that the (a) the transactions under the (i) Trademark Licensing Framework Agreement, (ii) Products and Services Purchasing Framework Agreement, (iii) Provision of Products and Services Framework Agreement and (iv) Financial Services Framework Agreement are entered into after arm's length negotiation and are on normal commercial terms; and (b) the terms and conditions therein as well as the proposed annual caps for the transactions under the Trademark Licensing Framework Agreement for the three financial years ending 31 December 2025, and the Revisions are fair and reasonable, and 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*

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## LETTER FROM GRAM CAPITAL

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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

24 May 2023

To: *The independent board committee and the independent shareholders  
of BAIC Motor Corporation Limited\**

Dear Sir/ Madam,

**MAJOR AND CONTINUING CONNECTED TRANSACTIONS**  
**(1) ENTRY OF TRADEMARK LICENSING FRAMEWORK AGREEMENT;**  
**AND**  
**(2) REVISIONS OF ANNUAL CAPS**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (a) the entering of the Trademark Licensing Framework Agreement and the transactions contemplated thereunder (the “**Licensing Transactions**”); and (b) the Revisions in relation to (i) 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; (ii) sale of products transactions (the “**Sale Transactions**”) under the Provision of Products and Services Framework Agreement; (iii) deposit services under the Financial Services Framework Agreement (the “**Deposit Services**”); and (iv) other financial services under the Financial Services Framework Agreement (the “**Other Financial Services**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 24 May 2023 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 24 March 2023 (the “**Announcement Date**”):

- (i) The Company and BAIC Group entered into the Trademark Licensing Framework Agreement, pursuant to which BAIC Group agreed to grant the Group license for the use of certain registered trademarks owned by BAIC Group and/or its associate and the relevant trademark licensing fees. The Trademark Licensing Framework Agreement will take effect from the date of approval by the Shareholders at the AGM to 31 December 2025, unless otherwise terminated by both parties.

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## LETTER FROM GRAM CAPITAL

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- (ii) The Board resolved to revise the annual caps for Purchase Transactions, Sale Transactions, Deposit Services and Other Financial Services for the three years ending 31 December 2025.

With reference to the Board Letter, the Licensing Transactions and the Revisions (the “CCTs”) constitute non-exempted continuing connected transactions of the Company and shall be subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. In addition, the Deposit Services also constitute major transaction of the Company under Chapter 14 of the Listing Rules.

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 (i) a possible notifiable and continuing connected transaction of the Company which was not proceeded (our term of this engagement ended on 20 January 2022); (ii) major and continuing connected transactions of the Company, details of which were set out in the Company’s circular dated 27 May 2022 (the “**Previous CCTs Circular**”); and (iii) a discloseable and connected transaction of the Company, details of which are set out in the Company’s circular dated 8 August 2022. Save for the aforesaid engagements, 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 engagements, 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.

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## LETTER FROM GRAM CAPITAL

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### 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 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 (including review of the Group’s financial information for the two years ended 31 December 2022, the Trademark Licensing Framework Agreement, the Products and Services Purchasing Framework Agreement, the Provision of Products and Services Framework Agreement, the Financial Services Framework Agreement, the calculation for relevant proposed/revised annual caps; and discussion with the Management) 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.



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## LETTER FROM GRAM CAPITAL

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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.

### 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:

#### Background of and reasons for the CCTs

##### *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, which can maximally satisfy various customers' demands.

Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 December 2022 as extracted from the Company's annual report for the year ended 31 December 2022 (the "2022 Annual Report"):

	<b>For the year ended 31 December 2022 RMB'000</b>	<b>For the year ended 31 December 2021 RMB'000</b>	<b>Change from 2021 to 2022 %</b>
Revenue	190,462,586	175,915,687	8.27
Gross profit	42,334,207	37,643,235	12.46
Profit for the year	16,335,302	15,151,479	7.81
	<b>As at 31 December 2022 RMB'000</b>	<b>As at 31 December 2021 RMB'000</b>	<b>Change from 2021 to 2022 %</b>
Cash and cash equivalents	37,227,015	40,968,622	(9.13)

As illustrated in the above table, the Group's revenue and gross profit for year ended 31 December 2022 ("FY2022") increased by approximately 8.27% and approximately 12.46% respectively as compared to those for the year ended 31 December 2021 ("FY2021"). With reference to the 2022 Annual Report, the aforesaid increase in the

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## LETTER FROM GRAM CAPITAL

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Group's revenue and gross profit were mainly attributable to the increase in revenue and gross profit of Beijing Benz (a major brand of the Company) as a result of the increase in sales volume of Beijing Benz and proportion of high-value vehicle models.

Along with the aforesaid increase in the Group's revenue and gross profit, the Group's profit for FY2022 increased by approximately 7.81% as compared to that for FY2021. With reference to the 2022 Annual Report, the aforesaid increase in the Group's profit was mainly attributable to increase in revenue and gross profit as aforementioned, as partially offset by the increase in (i) selling and distribution expenses; (ii) share of loss of investments accounted for using equity method; and (iii) income tax expense.

### **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 holds 44.50% of equity interests 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.

### **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 CBIRC. BAIC Finance was initiated and established by four shareholders, namely BAIC Group, BAIC Investment Co., Ltd. (北京汽車投資有限公司), Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司) and Beijing Hainachuan Automotive Parts Stock Co., Ltd. (北京海納川汽車部件股份有限公司), 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 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).

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## LETTER FROM GRAM CAPITAL

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### (1) LICENSING TRANSACTIONS

#### **Reasons for and benefit of the Licensing Transactions**

With reference to the Board Letter, a significant portion of the trademarks used for passenger cars produced and sold by the Group are licensed by BAIC Group. Such trademark licenses are critical to the operation and production of the Group and in the best interests of the Group and the Shareholders.

We understood from the Management that the trademark underlying the Licensing Transactions are used for the Group's operation. Accordingly, we consider the Licensing Transactions are part and parcel to the Group's business operations.

In light of the aforesaid, we are of the view that the Licensing 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 Licensing Transactions**

Set out below are the key terms of Trademark Licensing Framework Agreement, details of which are set out under the section headed "(A) Trademark Licensing Framework Agreement" of the Board Letter.

- Date:*** 24 March 2023
- Parties:*** (i) BAIC Group (as the licensor)  
(ii) the Company (as the licensee)
- Term:*** The term of the Trademark Licensing Framework Agreement will be from the date of approval by the Shareholders at the AGM to 31 December 2025, subject to renewal through mutual consent by the parties.
- Principal terms:*** According to the Trademark Licensing Framework Agreement, BAIC Group grants the Group license for the use of certain trademarks on the products manufactured by and the services provided by, and in the documents of the Group. The actual trademark licensing fees and the method of payment shall be determined on the principles, conditions and terms of the Trademark Licensing Framework Agreement and set out in the specific agreements to be entered into by the parties.

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## LETTER FROM GRAM CAPITAL

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### *Pricing policy and internal control measures*

With reference to the Board Letter, the licensing fees will be paid to BAIC Group with reference to a pre-agreed rate of the net revenue generated by each product manufactured. The pre-agreed rate will be determined after arm's length negotiation between the parties with reference to factors including (i) the estimated demand of the relevant vehicle models and the expected scale of operating revenue generated from the sale of such vehicle models; (ii) initial investments in the relevant vehicle models (mainly relating to product research and development) and the associated costs of such models; (iii) profitability of the relevant vehicle models; and (iv) potential risks arising from the use of the licensed trademarks of BAIC Group. In general, the higher the estimated demand and revenue, initial investments, profitability and potential risks, the higher the pre-agreed rate. Net revenue generated by each product manufactured (such as Beijing Brand and Beijing Benz vehicles) will be calculated based on the suggested retail price of the whole vehicle manufacturer net of the value-added tax, gross margin of dealers, sales rebates to dealers, consumption tax, sales discounts and other deductions.

For our due diligence purpose, we obtained a calculation of the licensing fees paid by the Group to BAIC Group for FY2022 (the “**FY2022 Licensing Fees Calculation**”) and noted that such calculation did not deviate from the aforesaid pricing policy. Given that (i) the trademarks underlying the Licensing Transactions are used for the generation of revenue from the vehicles to be manufactured by the Group (including Beijing Brand and Beijing Benz); (ii) the abovementioned factors in determining the pre-agreed rate; and (iii) the trademarks underlying the Licensing Transactions are not comparable to that may be offered by independent third parties, we consider the basis for determining the pre-agreed rate is justifiable.

To assess the fairness and reasonableness of the existing pre-agreed rate for the existing Licensing Transactions as set out in the existing trademark licensing agreement entered into between the Group and BAIC Group (being the licensing fee rate used to formulate the Licensing Caps (as defined below), the “**Existing Pre-agreed Rate**”), we searched for continuing connected transactions in respect of brand/trademark licensing with licensing fee charged as a percentage of revenue/sales, as announced by Hong Kong listed companies during the past five years prior to the Announcement Date (the “**Reference Transaction(s)**”). On a best effort basis, we identified five Reference Transactions that we found based on our selection criteria. Despite the brand/trademarks under the Reference Transactions are not the same as that underlying the Licensing Transactions and the business operation of the licensees of the Reference Transactions are different from the Group, we consider that the Reference Transactions can provide a general reference of the licensing fee rates of other brand/trademark licensing transactions.

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## LETTER FROM GRAM CAPITAL

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Date of announcement/ prospectus	Company name (Stock code)	Licensing fee rates of the Reference Transactions
21 February 2020	Lenovo Group Limited (992)	(a) 0.21% of total gross sales amount of relevant company; and  (b) 0.21% of gross sales amount of relevant company to customers other than the licensor and/or the licensor's consolidated subsidiaries.
1 September 2020	Yum China Holdings, Inc. (9987 & YUMC.NYSE)	3% of net sales of relevant restaurants.
26 July 2022	IMAX China Holding, Inc. (1970)	5% of all revenues and other compensation received by relevant companies in connection with relevant business conducted in relevant territory.
13 December 2022	DPC Dash Ltd (1405)	(a) a pre-determined lump sum fee;  (b) a pre-determined one-off fee for each store opened; and  (c) 3% of all sales by all stores in the PRC opened and operated.
13 December 2022	Nissin Foods Company Limited (1475)	2.5% and 0.5% of net sales of the products using relevant trademarks and technology that are manufactured in Hong Kong and the PRC, respectively.

As depicted from the above table, the licensing fee rates of the Reference Transactions ranged from 0.21% to 5%. The Existing Pre-agreed Rate is within the aforesaid licensing fee rates range. Accordingly, we consider the Existing Pre-agreed Rate to be justifiable.

With reference to the Board Letter, the Group adopted the internal management procedures set out in the sub-section headed "8. Major and Continuing Connected Transactions – (3) Internal Control Measures" of the Board Letter, to ensure that the CCTs are fair and reasonable and on normal commercial terms. We consider that the effective implementation of such internal management procedures would help to ensure fair pricing of the Licensing Transactions.

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## LETTER FROM GRAM CAPITAL

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With reference to the 2022 Annual Report, the independent non-executive Directors have reviewed, amongst others, the Licensing Transactions for FY2022 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 which conditions are fair and reasonable and in the interest of the Shareholders of the Company as a whole (the “**INED Confirmation**”).

With reference to the 2022 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 Accountants. The Company's auditor, based on its work, provided the Board with a letter (the “**Auditor Confirmation**”) confirming that, with respect to, amongst others, the Licensing Transactions for FY2022: (1) nothing has come to the auditor's attention that causes it to believe that the Licensing Transactions have not been approved by the Board; (2) nothing has come to our auditor's attention that causes it to believe that the Licensing 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 Licensing 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 Licensing Transactions, nothing has come to the auditor's attention that causes it to believe that the amount of the Licensing Transactions has exceeded the annual cap as set by the Company.

In light of the above, in particular (i) the FY2022 Licensing Fees Calculation did not deviate from the aforesaid pricing policy; (ii) the INED Confirmation; and (iii) the Auditor Confirmation, we consider the internal control measures in place are sufficient ensure that the prices and terms of the Licensing Transactions would not deviate from those set out in the Trademark Licensing Framework Agreement.

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## LETTER FROM GRAM CAPITAL

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### *Proposed annual caps*

Set out below are (i) the historical transaction amounts of the Licensing Transactions for the three years ended 31 December 2022; (ii) the historical annual caps of the Licensing Transactions (the “**Licensing Cap(s)**”) for the three years ended 31 December 2022; and (iii) the proposed Licensing Caps for the three years ending 31 December 2025:

	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Historical transaction amounts	772.8	680.7	753.5
Historical Licensing Caps	939.8	986.8	1,036.2
Utilisation rate	82.23%	68.98%	72.72%
	<b>For the year ending 31 December 2023</b>	<b>For the year ending 31 December 2024</b>	<b>For the year ending 31 December 2025</b>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Proposed Licensing Caps	985.0	992.0	996.0

Basis for determining the proposed Licensing Caps for the three years ending 31 December 2025 is set out in the sub-section headed “(1) Entry of Trademark Licensing Framework Agreement with BAIC Group – (D) Basis of Determination of the Proposed Annual Caps” of the Board Letter.

The Company provided us calculation for the proposed Licensing Caps for the three years ending 31 December 2025 (the “**Licensing Caps Calculation**”). We noted from the Licensing Caps Calculation that the proposed Licensing Caps were formulated based on (i) the estimated net revenue from the sales of passenger vehicles that is expected to be subject to licensing fee (comprising of (a) sales of passenger vehicles that were historically subject to licensing fee; and (b) potential sales of passenger vehicles that may be subject to licensing fee in future, the aggregate of which are expected to increase by more than 20% in volume for the three years ending 31 December 2025 as compared to those for the three years ended 31 December 2022) for each of the three years ending 31 December 2025; (ii) the licensing fee rate; and (iii) a buffer of 10% on estimated licensing fees for each of the three years ending 31 December 2025.

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## LETTER FROM GRAM CAPITAL

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We noted from the Licensing Caps Calculation that:

- (i) based on (a) the net revenue from sales of passenger vehicles that were historically subject to licensing fee for FY2022; and (b) a growth rate similar to the Group's revenue growth rate from FY2021 to FY2022 (i.e. approximately 8%), the Management estimated an amount of net revenue from the sales of such passenger vehicles for the year ending 31 December 2023 ("FY2023"). In addition to the estimated net revenue that were historically subject to licensing fee, the Management adopted 10% of such amount for the estimated net revenue from potential sales of passenger vehicles that may be subject to licensing fee in future. The estimated net revenue from the sales of passenger vehicles that is expected to be subject to licensing fee for FY2023 is the sum of the aforesaid estimated net revenue from the sales of passenger vehicles that were historically subject to licensing fee and estimated net revenue from the sales of passenger vehicles that may be subject to licensing fee in future;
- (ii) the net revenue from the sales of passenger vehicles that is expected to be subject to licensing fee for each of the two years ending 31 December 2025 is estimated to remain stable as compared to that for FY2023; and
- (iii) the licensing fee rate adopted in the Licensing Caps Calculation is consistent with the Existing Pre-agreed Rate.

We noted from the Licensing Caps Calculation that a moderate buffer of 10% was applied on the estimated trademark licensing fees for each of the three years ending 31 December 2025 so as to accommodate any unforeseeable circumstances. To assess the fairness and reasonableness of the buffer of 10%, we searched for circulars regarding continuing connected transactions published by other Hong Kong listed companies during the period from 1 January 2023 to the Announcement Date. We noted that out of the 14 circulars published by other Hong Kong listed companies' that incorporated buffer in their proposed annual caps regarding continuing connected transactions regarding continuing connected transactions, 5 of which incorporated buffer of around 10% in their proposed annual caps regarding continuing connected transactions. As such, we consider the incorporation of buffer of 10% in the proposed annual caps are common among listed companies in Hong Kong and we therefore consider the buffer of 10% to be justifiable.

Despite that the proposed Licensing Caps for the three years ending 31 December 2025 each represent over 30% increase as compared to the historical transaction amount for FY2022, having considered (i) the utilisation rates of the historical Licensing Caps for the three years ended 31 December 2022 (as noted from the Board Letter, decrease in historical transaction amount for FY2021 was mainly due to the decrease in sales volume of the Group's vehicles as a result of the reoccurrence of the COVID-19 outbreak in the PRC, which resulted in raw



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## LETTER FROM GRAM CAPITAL

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material shortage leading to a temporary slowdown in the Group's production and supply); (ii) the Group expects to launch new products during the three years ending 31 December 2025, including new models of new energy, off-road and passenger vehicles, which were not available during the three years ended 31 December 2022; and (iii) the proposed Licensing Caps for the three years ending 31 December 2025 were less than the historical Licensing Cap for FY2022, we consider that the proposed Licensing Caps for the three years ending 31 December 2025 are fair and reasonable.

Shareholders should note that as the proposed Licensing 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 cost to be incurred from the Licensing Transactions. Consequently, we express no opinion as to how closely the actual cost to be incurred from the Licensing Transactions will correspond with the respective proposed Licensing Caps.

Having considered the principal terms of the Licensing Transactions as set out above, we consider that the terms of the Licensing Transactions (including the proposed Licensing 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 Licensing Transactions must be restricted by their respective proposed annual cap for the period; (ii) the terms of the Licensing 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 Licensing 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 Licensing Transactions (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 Licensing Transactions are anticipated to exceed their respective annual caps, or that there is any proposed material amendment to the terms of the Licensing Transactions, as confirmed by the Management, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

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## LETTER FROM GRAM CAPITAL

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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 Licensing Transactions and thus the interest of the Independent Shareholders would be safeguarded.

### **Recommendation on the Licensing Transactions**

Having taken into account that above factors and reasons, we are of the opinion that (i) the Licensing 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 Licensing 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 resolution to be proposed at the AGM to approve the Licensing Transactions and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

## **(2) THE REVISIONS**

### **Reasons for and benefit of the Revisions**

With reference to the Board Letter, with the continuous business development and based on demand forecast and operating status, the Company expects that the existing annual caps for the Purchase Transactions, Sales Transactions, Deposit Services and Other Financial Services for the three financial years ending 31 December 2025 will not be sufficient to meet the needs of the Group. Based on the products and services to be purchased by the Group, the Deposit Services and Other Financial Services required as a result of the rapid expansion of the Group's business; and the products demanded by BAIC Group and/or its associates as a result of expansion of their business, the Company expects that there will be increase in (i) purchase of products and services from BAIC Group; (ii) sale of products to BAIC Group and/or its associates; (iii) daily maximum deposits placed by the Group with BAIC Finance (and interest income arising therefrom); and (iv) charges for Other Financial Services provided by BAIC Finance, for the three financial years ending 31 December 2025. Therefore, the Board resolved to propose the Revisions.

We understood from the Management that the Revisions were mainly to cater for (i) estimated increase in sales volume of new energy vehicles under the Beijing Brand; (ii) estimated sales volume of off-road and new energy vehicles of Beijing Brand during the three years ending 31 December 2025; and (iii) estimated sales volume of new energy vehicles and related products of BAIC Group and its associates, which would lead to increase in demand for Purchase Transactions and Sale Transactions; and (iv) estimated increase in the Group's daily maximum deposits placed with BAIC Finance (and interest income arising therefrom) and the Group's demand for the Other Financial Services led by the aforesaid business development.

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## LETTER FROM GRAM CAPITAL

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We searched on Wind Financial Terminal (according to the website of Wind Financial Terminal, Wind Information Co., Ltd. (“Wind”, the developer of Wind Financial Terminal) is a leading provider of financial information services in the PRC, and an indispensable partner for lots of securities companies, fund management corporations, insurance companies, banks, investment firms, and media. Globally, Wind is also widely used by qualified foreign institutional investors (QFII approved by China Securities Regulatory Commission) for statistics regarding the passenger vehicles (including new energy passenger vehicles) in the PRC. We consider Wind Financial Terminal to be a reputable source of reference for the purpose of our research. Set out below are the sales volume of passenger vehicles (including new energy passenger vehicles) and new energy passenger vehicles in the PRC during the five years ended 31 December 2022:

	2018	2019	2020	2021	2022
<b>Sales volume of passenger vehicles in the PRC</b>	23,671,529	21,432,872	20,136,127	21,468,351	23,550,140
<b>Sales volume of new energy passenger vehicles in the PRC</b>	945,262	1,022,305	1,112,875	2,991,899	5,662,357

As shown in the above table, sales volume of passenger vehicles in the PRC decreased from 2018 to 2020 and recovered in 2021 and 2022. Sales volume of passenger vehicles in the PRC was approximately 23.6 million units for 2022, which was close to the sales volume for 2018. Sales volume of new energy passenger vehicles in the PRC increased substantially from approximately 0.95 million units for 2018 to approximately 5.66 million units for 2022, representing a compound annual growth rate of approximately 56.44%. Year-on-year increases in sales volume of new energy passenger vehicles in the PRC were approximately 168.84% for 2021 and approximately 89.26% for 2022. Proportion of sales volume of new energy passenger vehicles in the PRC to sales volume of passenger vehicles in the PRC increased from approximately 4% for 2018 to approximately 24% for 2022.

The above statistics indicated the recovery trend for passenger vehicles and the growth potential of the new energy vehicles industry in the PRC.

Having considered the above reasons for the Revisions which is in-line with the industrial trend, we are of the view that the Revisions 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.

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## LETTER FROM GRAM CAPITAL

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### **Principal terms of the Purchase Transactions and Sale Transactions**

#### *Subject matters*

With reference to the Board Letter:

- Pursuant to the Product and Services Purchase Framework Agreement, BAIC Group and/or its associates provide several types of products and services to the Group. These products 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 and carbon emissions policy trading), while these services include labor services, logistics services, transportation services, technical services and consultancy services.
- Pursuant to the Provision of Products and Services Framework Agreement, the products and services provided by the Group to BAIC Group and/or its associates primarily include, among others, 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.

#### *Pricing policy and internal control measures*

Details of the pricing policy for the Purchase Transactions and Sale Transactions are set out in the Company's announcement dated 27 April 2022 and the Previous CCTs Circular. With reference to the 2022 Annual Report, (i) the independent non-executive Directors have reviewed, amongst others, the Purchase Transactions and the Sale Transactions for FY2022 and provided the INED Confirmation; and (ii) the Company's auditor provided the Auditor Confirmation in respect of, amongst others, the Purchase Transactions and the Sale Transactions for FY2022.

With reference to the Board Letter, the Group adopted the internal management procedures set out in the sub-section headed "8. Major and Continuing Connected Transactions – (3) Internal Control Measures" of the Board Letter, to ensure that the CCTs are fair and reasonable and on normal commercial terms. We consider that the effective implementation of such internal management procedures would help to ensure fair pricing of the Purchase Transactions and the Sale Transactions.

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## LETTER FROM GRAM CAPITAL

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### *Revised 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 31 December 2022 with relevant historical annual caps:

	For the year ended 31 December					
	2020		2021		2022	
	Historical transaction amounts	Historical annual caps	Historical transaction amounts	Historical annual caps	Historical transaction amounts	Historical annual caps
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Purchase Transactions (Products)	17,742.3	50,346.0	26,635.1	52,920.8	27,094.0	55,603.1
Purchase Transactions (Services)	3,565.6	5,036.4	3,552.6	4,990.2	4,310.0	5,194.6
Sale Transactions	15,702.5	29,726.4	17,209.4	31,250.5	18,166.0	32,836.9

Set out below are the (i) existing annual caps; and (ii) revised 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		2024		2025	
	Existing annual caps	Revised annual caps	Existing annual caps	Revised annual caps	Existing annual caps	Revised annual caps
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Purchase Transactions (Products)	26,832.1	38,209.4	27,756.0	49,511.1	27,385.4	56,883.5
Purchase Transactions (Services)	4,415.3	6,037.4	4,568.6	5,797.6	4,507.1	5,746.3
Sale Transactions	27,042.3	33,849.7	27,780.5	48,097.3	27,484.4	46,060.2

With reference to the Board Letter, the revised annual caps for Purchase Transactions (Products), Purchase Transactions (Services) and Sale Transactions were primarily a result of (i) the expected increase in sales volume of whole vehicles for the three years ending 31 December 2025, resulting in the corresponding increase in the Group's demand for raw materials, components and equipment; (ii) the change in the Group's focus in the off-road vehicles segment beginning from 2023, which generally require products from BAIC Group with higher unit prices. Detailed basis for determining revised 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 in the sub-section headed "c) Basis of Determination of the Revised Annual Caps" under each of the section headed "(A) The Products and Services Purchasing Framework Agreement" and "(B) The Provision of Products and Services Framework Agreement" of the Board Letter.

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## LETTER FROM GRAM CAPITAL

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According to the above tables:

- (i) the utilisation rates of the historical annual caps for Purchase Transactions (Products) were approximately 35.24%, 50.33% and 48.73% for the three years ended 31 December 2020, 2021 and 2022, respectively;
- (ii) the utilisation rates of the historical annual caps for Purchase Transactions (Services) were approximately 70.80%, 71.19% and 82.97% for the three years ended 31 December 2020, 2021 and 2022, respectively; and
- (iii) the utilisation rates of the historical annual caps for Sale Transactions were approximately 52.82%, 55.07% and 55.32% for the three years ended 31 December 2020, 2021 and 2022, respectively.

The historical annual caps for the Purchase Transactions and the Sale Transactions were not fully utilised for the three years ended 31 December 2022. As advised by the Management, the transaction amounts of (a) Purchase Transactions (Products); (b) Purchase Transactions (Services); and (c) Sale Transactions, were mainly correlated to the Group's vehicle sales volume, which was lower than previously estimated due to adverse impact of chip shortage; and localized recurrence of the COVID-19 pandemic.

Based on the existing annual caps for the three years ending 31 December 2025, the Company revised the annual caps upward for (a) Purchase Transactions (Products); (b) Purchase Transactions (Services); and (c) Sale Transactions, for the three years ending 31 December 2025.

The Company provided us calculation for the revised annual caps for (a) Purchase Transactions (Products); (b) Purchase Transactions (Services); and (c) Sale Transactions, for the three years ending 31 December 2025 (the "**S&P Caps Calculation**"). We noted from the S&P Caps Calculation that the revised annual caps were formulated based on the existing annual caps for the three years ending 31 December 2025, with the additional elements such as: (i) estimated additional sales volume of new energy vehicles under the Beijing Brand; (ii) estimated sales volume of off-road and new energy passenger vehicles of the Beijing Brand; and (iii) estimated sales volume of new energy vehicles and related products of BAIC Group and its associates, together with a buffer of 10% on the aforesaid additional elements for each of the three years ending 31 December 2025.

### *Estimated additional sales volume of new energy vehicles under Beijing Brand*

We noted from the S&P Caps Calculation that the estimated total sales volume for new energy vehicles for each of the three years ending 31 December 2025 (calculated based on the estimated sales volume of new energy vehicles under the Beijing Brand underlying the existing annual caps and the estimated additional sales volume of new energy vehicles under the Beijing Brand) represents substantial increase as compared to the actual sales volume of Beijing Brand's new energy vehicles underlying the Purchase Transactions and Sale Transactions for FY2022.

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## LETTER FROM GRAM CAPITAL

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We also noted from the S&P Caps Calculation that the year-on-year increases on the actual sales volume of Beijing Brand's new energy vehicles underlying the Purchase Transactions and Sale Transactions were approximately 73% for FY2021 and 51% for FY2022. Furthermore, with reference to the 2022 Annual Report, with the EU5 as the main model of Beijing Brand's electric vehicle models, Beijing Brand continues to develop the pure electric vehicle market, resulting in a year-on-year increase of 51.1% in sales.

According to the latest five full-year statistics published by Wind Financial Terminal as detailed in the sub-section headed "(2) THE REVISIONS – Reasons for and benefit of the Revisions" above, (i) sales volume of new energy passenger vehicles in the PRC increased substantially from approximately 0.95 million units for 2018 to approximately 5.66 million units for 2022, representing a compound annual growth rate of approximately 56.44%; (ii) year-on-year increases in sales volume of new energy passenger vehicles in the PRC were approximately 168.84% for 2021 and approximately 89.26% for 2022; and (iii) proportion of sales volume of new energy passenger vehicles in the PRC to sales volume of passenger vehicles in the PRC increased from approximately 4% for 2018 to approximately 24% for 2022.

We also noted that the government of the PRC issued various favourable 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 new energy vehicle charging infrastructure, etc. In addition, in October 2020, the State Council of the PRC published the 《新能源汽车产业发展规划(2021-2035)》 (New Energy Vehicle Industry Development Plan (2021-2035)\*), stipulating that the development of new energy vehicle is a must for the PRC to transform into a powerful automobile country.

Based on the above, we consider that the estimated additional sales volume of new energy vehicles under Beijing Brand for three years ending 31 December 2025 to be justifiable.

*Estimated sales volume of passenger vehicles (including off-road and new energy passenger vehicles) and related products of Beijing Brand and BAIC Group and its associates*

The Management advised us (i) that Beijing Brand is expected to launch more new products during the three years ending 31 December 2025, including three new models of new energy vehicles and two new models of off-road passenger vehicles; and (ii) it is expected that the sales of new energy vehicles and related products of BAIC Group and its associates would continue to grow. As a result, the demand for Purchase Transactions and Sale Transactions are expected to further increase for the three years ending 31 December 2025.

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## LETTER FROM GRAM CAPITAL

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With reference to the 2022 Annual Report and as advised by the Management, operation of Beijing Brand faced various external challenges such as localized recurrence of the COVID-19 pandemic in early-2022. Nonetheless, Beijing Brand actively responded to external challenges and made every effort to promote synergy of the entire value chain of products. The sales volume of Beijing Brand increased significantly in the second half of 2022 (as compared to the first half of 2022) and its annual sales volume reached 72,000 units of vehicle for FY2022, representing a year-on-year decrease of only approximately 0.7% as compared to that for FY2021.

With reference to the 2022 Annual Report, in 2023, Beijing Brand will accelerate the iteration of off-road vehicles and pure electric vehicle models for strategic markets in the PRC and beyond. The Group will comprehensively deepen reform and build efficient and responsive system capabilities. It will resolutely seek electrification and hybridization, continue to advance the upgrade of platform and technologies, and promote the achievement of annual business goals, paving way for high-quality development.

Despite the low utilisation of the historical annual caps for the three years ended 31 December 2022, given that (i) the total number of whole vehicles to be manufactured by the Group for the three years ending 31 December 2025 is expected to increase by over 50% as compared to that for the three years ended 31 December 2022, being a result of the new models of new energy, off-road and passenger vehicles expected to be launched by the Group; and (ii) the normalisation of the Group's production capacity and market demand after the COVID-19 pandemic in the PRC, we consider the estimated sales volume of passenger vehicles and related products of Beijing Brand and the BAIC Group and its associates, which thereby increases the demand for Purchase Transactions and Sale Transactions for the three years ending 31 December 2025, to be justifiable.

### *Buffer*

We noted from the S&P Caps Calculation that a moderate buffer of 10% was applied for each of the three years ending 31 December 2025 so as to accommodate any unforeseeable circumstances. 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, details of which are set out in the sub-section headed "Proposed annual caps" under the section headed "(1) LICENSING TRANSACTIONS" above.

In light of the above factors, we consider that the revised 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.



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## LETTER FROM GRAM CAPITAL

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Shareholders should note that as the revised annual caps for the (a) Purchase Transactions (Products); (b) Purchase Transactions (Services); and (c) Sale Transactions, 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 to be generated from the Sale Transactions or actual cost to be incurred by the Purchase Transactions will correspond with the respective revised 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 Revisions in respect of the Purchase Transactions and the Sale Transactions are on normal commercial terms and are fair and reasonable.

### **Principal terms of the Deposit Services and Other Financial Services**

#### *Subject matters*

With reference to the Board Letter, pursuant to the Financial Services Framework Agreement, the financial services provided by BAIC Finance to the Group primarily include (i) deposits; (ii) loans and entrusted loans; (iii) other financial services including discounted notes and acceptance service, finance lease, settlement and entrusted loan agency; and (iv) other services subject to relevant approvals from the CBIRC.

#### *Pricing policy and internal control measures*

Details of the pricing policy for the Deposit Services and the Other Financial Services are set out in the Company's announcement dated 27 April 2022 and the Previous CCTs Circular. With reference to the 2022 Annual Report, (i) the independent non-executive Directors have reviewed, amongst others, the Deposit Services for FY2022 and provided the INED Confirmation; and (ii) the Company's auditor provided the Auditor Confirmation in respect of, amongst others, the Deposit Services, for FY2022.

With reference to the Board Letter, the Group adopted the internal management procedures set out in the sub-section headed "8. Major and Continuing Connected Transactions – (3) Internal Control Measures" of the Board Letter, to ensure that the CCTs are fair and reasonable and on normal commercial terms. We consider that the effective implementation of such internal management procedures would help to ensure fair determination of the interest for the Deposit Services and charges for the Other Financial Services.

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**LETTER FROM GRAM CAPITAL**

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***Revised annual caps***

Set out below is (i) the historical maximum daily balance of deposits placed by the Group with BAIC Finance and interest income arising therefrom for the three years ended 31 December 2022, together with the historical annual caps for the maximum daily balance of deposits and interest income arising therefrom (the “**Deposit Cap(s)**”) for the three years ended 31 December 2022; (ii) the historical charges for Other Financial Services by BAIC Finance for the three years ended 31 December 2022; (iii) the existing Deposit Caps and the existing annual caps for the Other Financial Services (“**Other FS Cap(s)**”) for the three years ending 31 December 2025; and (iv) the revised Deposit Caps and the revised Other FS Caps for the three years ending 31 December 2025:

	<b>For the year ended 31 December 2020 RMB million</b>	<b>For the year ended 31 December 2021 RMB million</b>	<b>For the year ended 31 December 2022 RMB million</b>
Historical maximum daily balance of deposits placed by the Group with BAIC Finance	15,999.3	15,968.0	15,994.0
Interest income from deposits placed by the Group with BAIC Finance	292.4	289.3	196.6
Historical Deposit Caps			
– Maximum daily balance	16,000.0	16,000.0	16,000.0
– Interest income	292.8	292.8	292.8
Utilisation rates			
– Maximum daily balance	99.99%	99.80%	99.96%
– Interest income	99.86%	98.80%	67.14%
Historical charges for Other Financial Services by BAIC Finance	20.1	19.8	22.1
Historical Other FS Caps	25.0	25.0	25.0
Utilisation rate	80.40%	79.20%	88.40%

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**LETTER FROM GRAM CAPITAL**

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	<b>For the year ending 31 December 2023 RMB million</b>	<b>For the year ending 31 December 2024 RMB million</b>	<b>For the year ending 31 December 2025 RMB million</b>
Existing Deposit Caps			
– Maximum daily balance	16,000.0	16,000.0	16,000.0
– Interest income	356.4	356.4	356.4
Revised Deposit Caps			
– Maximum daily balance	22,000.0	22,000.0	22,000.0
– Interest income	490.1	490.1	490.1
Existing Other FS Caps	243.2	243.2	243.2
Revised Other FS Caps	457.5	775.7	761.4

With reference to the Board Letter, (a) the revised Deposit Caps were primarily a result of (i) the expected increase in sales volume of vehicles for the three years ending 31 December 2025; (ii) the revised projected average selling price of whole vehicles to end customers for the three years ending 31 December 2025; and (iii) the expected increase in investment income to be gained from long-term equity investment of the Group; and (b) the revised Other FS Caps were primarily a result of (i) the expected increase in sales volume of vehicles for the three years ending 31 December 2025; and (ii) the expansion of the scope of application financial services relating to customer credit. Detailed basis for determining the revised Deposit Caps and the revised Other FS Caps for the three years ending 31 December 2025 are set out in sub-section headed “(C) The Financial Services Framework Agreement – c) Basis of Determination of the Revised Annual Caps” of the Board Letter.

*Revised Deposit Caps*

According to the above table, the existing Deposit Caps were mostly utilised for each of the three years ended 31 December 2022. The Company revised the Deposit Caps upward for the three years ending 31 December 2025 as compared to the existing Deposit Caps for the three years ending 31 December 2025.

We noted from the 2022 Annual Report that as at 31 December 2022, the Group’s (i) cash and cash equivalents was approximately RMB37.2 billion; and (ii) accounts receivable was approximately RMB15.7 billion, the summation of which was approximately RMB52.9 billion (the “**Sum**”).

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## LETTER FROM GRAM CAPITAL

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The Company provided us a calculation of the revised Deposit Caps for the three years ending 31 December 2025 (the “**Deposit Caps Calculation**”). We noted from the Deposit Caps Calculation that the revised Deposit Caps were formulated based on the existing annual caps for the three years ending 31 December 2025, the estimated increase in the balances of deposits to be placed by the Group with BAIC Finance and the corresponding increase in interest income (with the same interest rate adopted for the existing Deposit Caps) as a result of the estimated increase in sales volume of vehicles for the three years ending 31 December 2025 (including the existing Beijing Brand vehicles and the new models to be launched).

Based on the estimated additional sales volume of new energy vehicles under Beijing Brand and the estimated sales volume of passenger vehicles (including off-road and new energy passenger vehicles) of the Group and BAIC Group and its associates (both being justifiable as detailed above), we consider the corresponding upward adjustment to the revised Deposit Caps for each of the three years ending 31 December 2025 to be justifiable.

Despite that the Sum is less than that as at 31 December 2021, given that the Sum is significantly higher than the revised Deposit Caps for the three years ending 31 December 2025, we are of the view that the revised Deposit Caps for the three years ending 31 December 2025 are fair and reasonable.

### *Revised Other FS Caps*

According to the above table, the historical charges for Other Financial Services by BAIC Finance ranged from RMB19.8 million to RMB22.1 million during the three years ended 31 December 2022. The historical charges for Other Financial Services by BAIC Finance were relatively low as compared to the revised Other FS Caps.

The Company provided us a calculation of the revised Other FS Caps for the three years ending 31 December 2025 (the “**Other FS Caps Calculation**”). We noted from the Other FS Caps Calculation that the revised Other FS Caps were formulated based on the existing annual caps for the three years ending 31 December 2025 and the estimated increase in the Other Financial Services to be provided by BAIC Finance based on the estimated sales volume of a new model of off-road passenger vehicles launched by Beijing Brand for the three years ending 31 December 2025.

The Management advised us that the estimated increase in the sales volume of new model of off-road passenger vehicles of Beijing Brand is expected to lead to increase in the use of Other Financial Services (in particular, consumer credits arranged by BAIC Finance for the Group’s end customers).

Despite that the revised Other FS Caps for the three years ending 31 December 2025 each represent significant increase as compared to that historical transaction amount for the three years ended 31 December 2022, given that the estimated sales volume of passenger vehicles of Beijing Brand for the three years ending 31 December 2025 are justifiable as detailed in the sub-section headed “Estimated sales volume of passenger vehicles (including off-road and new energy passenger vehicles) and related

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## LETTER FROM GRAM CAPITAL

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products of Beijing Brand and BAIC Group and its associates” under the section headed “Principal terms of the Purchase Transactions and Sale Transactions” above, we are of the view that the corresponding increase in the Other Financial Services for the three years ending 31 December 2025 are justifiable.

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

Shareholders should note that as the revised Deposit Caps and the revised Other FS 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 or forecast of costs to be incurred from the Other Financial Services. Consequently, we express no opinion as to how closely the actual deposit amount under the Deposit Services and the actual costs to be incurred from Other Financial Services will correspond with the revised Deposit Caps and the revised Other FS Caps.

Having considered the principal terms of the Deposit Services and Other Financial Services as set out above, we consider that the terms of the Revisions in respect of the Deposit Services and the Other Financial Services 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 value of the Purchase Transactions and Sale Transactions and the Other Financial Services and the maximum values of the Deposit Services must be restricted by their respective annual caps for the period concerned under their respective framework agreements; (ii) the terms of the Purchase Transactions, Sale Transactions, Deposit Services and Other Financial 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 Purchase Transactions, Sale Transactions, Deposit Services and Other Financial 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 Purchase Transactions, Sale Transactions, Deposit Services and Other Financial 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 their respective annual caps. In the event that the total amounts of Purchase Transactions, Sale Transactions and Other Financial Services or the maximum values of the Deposit Services are anticipated to exceed their respective annual caps, or that there is any proposed material amendment to the terms of Purchase Transactions, Sale Transactions, Deposit Services and Other Financial Services, as confirmed by the Management, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

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## LETTER FROM GRAM CAPITAL

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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, Sale Transactions, Deposit Services and Other Financial Services and thus the interest of the Independent Shareholders would be safeguarded.

### **Recommendation on the Revisions**

Having taken into account that above factors and reasons, we are of the opinion that (i) the Revisions 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 Revisions 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 Revisions 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 at 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 which are required to be disclosed to the Company according to Divisions 2 and 3 in Part XV of the 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 <sup>Note 1</sup>	Percentage of relevant class of Shares (%) <sup>Note 2</sup>	Percentage of the total share capital (%)
Beijing Automotive Group Co., Ltd.	Domestic Shares	3,566,659,704(L)	64.91	44.50
Shougang Group Co., Ltd.	Domestic Shares	1,028,748,707(L)	18.72	12.84
Mercedes-Benz Group AG	H Shares	765,818,182(L)	30.38	9.55

Notes:

- (L) – Long position, (S) – Short position, (P) – Lending pool.
- The percentage is calculated by the number of Shares held by relevant Shareholder/the amount of relevant classes of Shares issued by the Company as at the Latest Practicable Date.

## 3. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' 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 executives 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' INTERESTS 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 2022, 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 Supervisors. As at the Latest Practicable Date, none of the Directors or 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 at the Latest Practicable Date, the following Directors and 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:

<b>Name of the Director</b>	<b>Position in the specific company</b>
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 2022, 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.

<b>Name</b>	<b>Major position(s) in the Group</b>	<b>Position in the specific company</b>
Mr. Chen Wei	<ul style="list-style-type: none"> <li>Chairman of the Board and non-executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Assistant general manager of Beijing Automotive Group Co., Ltd.</li> <li>Executive director of BAIC Group Off-road Vehicle Co., Ltd.</li> </ul>
Mr. Hu Hanjun	<ul style="list-style-type: none"> <li>Non-executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Deputy general manager and secretary to the board of directors of Beijing Automotive Group Co., Ltd.</li> </ul>
Mr. Chen Hongliang	<ul style="list-style-type: none"> <li>Non-executive Director</li> </ul>	<ul style="list-style-type: none"> <li>Assistant general manager of Beijing Automotive Group Co., Ltd.</li> <li>Director of Beijing BAIC ROCAR Automobile Services &amp; Trade Co., Ltd.</li> </ul>

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 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:

<b>Name</b>	<b>Qualification</b>
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 2022, 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 ON DISPLAY**

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

- (1) the Trademark Licensing Framework Agreement;
- (2) the Products and Services Purchasing Framework Agreement;
- (3) the Provision of Products and Services Framework Agreement;

- (4) the Financial Services Framework Agreement;
- (5) the letter from the Independent Board Committee, the text of which is set out on pages 42 to 43 of this circular;
- (6) the letter from Gram Capital, the Independent Financial Adviser, the text of which is set out on pages 44 to 68 of this circular;
- (7) written consent issued by Gram Capital referred to in the paragraph headed “Expert’s Qualification and Consent” above; and
- (8) 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 as a whole and the Company, 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 2022). 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:

	<b>Highest</b> <i>Hong Kong</i> <i>dollars</i>	<b>Lowest</b> <i>Hong Kong</i> <i>dollars</i>
<b>2022</b>		
May	2.52	2.22
June	2.75	2.49
July	2.48	2.10
August	2.65	1.96
September	2.19	1.70
October	1.88	1.67
November	2.13	1.73
December	2.33	2.02
<b>2023</b>		
January	2.50	2.04
February	2.49	2.11
March	2.32	1.96
April	2.28	2.09
May (up to the Latest Practicable Date)	2.36	2.15

## 1. FINANCIAL INFORMATION

Details of the audited financial information of the Group for each of the three years ended 31 December 2020, 2021 and 2022 are disclosed in the following annual reports of the Company for the years ended 31 December 2020, 2021 and 2022, respectively, which have been published and are available on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.baicmotor.com](http://www.baicmotor.com)):

- 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>);
- 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>); and
- the 2022 annual report of the Company for the year ended 31 December 2022 which is published on 25 April 2023 (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0425/2023042501093.pdf>).

## 2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2023, 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) Borrowings from financial institutions, corporate bonds and pledge

	<b>As at 31 March 2023 RMB'000</b>
<b>Non-current</b>	
Borrowings from financial institutions – unsecured	1,805,873
Corporate bonds – unsecured	<u>3,491,694</u>
	<u>5,297,567</u>
<b>Current</b>	
Borrowings from financial institutions – unsecured	3,801,051
Add: current portion of non-current borrowings from financial institutions – unsecured	3,802,245
Corporate bonds – unsecured	<u>2,400,976</u>
	<u>10,004,272</u>
<b>Total borrowings</b>	<u><u>15,301,839</u></u>

*Pledge of other assets of the Group*

As at 31 March 2023, the amounts of notes receivable and deposits pledged as collateral for notes payable issued by banks are RMB1,768.4 million and RMB494.5 million, respectively.

**(b) Lease liabilities**

As at 31 March 2023, the current and non-current lease liabilities of the Group amounted to RMB105.9 million and RMB139.5 million, respectively, representing the outstanding rental amounts mainly in respect of leases of certain properties from other parties.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, as the close of business on 31 March 2023, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, bank loans and overdrafts or other similar borrowings or indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

**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 FINANCIAL SERVICES FRAMEWORK AGREEMENT ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP**

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

**5. FINANCIAL AND TRADING PROSPECTS**

In 2023, China will continue to adhere to the overall tone of seeking progress while maintaining stability, promote the overall improvement of economic operation, achieve effective improvement in quality and reasonable growth in quantity, and the automotive market will continue to show a stable and positive development trend. The Group will continue to focus on its main business and stabilise its foundation with a clear "comprehensive new energy" product line, accelerate the transformation to electrification and intelligence, form a differentiated product mix, and strive to stabilise its competitive position and achieve business goals. Focusing on the business management policies of various brands, in 2023, Beijing Brand will take "survival, reform and development" as their business policy, implement domestic and international dual strategies, and open up channels for high-quality development; Beijing Benz will accelerate the implementation of high-quality projects and consolidating its leading position in the domestic high-end luxury car market; Beijing Hyundai will transform to a new era, ensuring both sales and revenue growth.



Article	Original	Revised																																				
Article 2	<p>...</p> <p>The code of the business license of the Company is 110000013242002.</p> <p>...</p>	<p>...</p> <p><del>The code of the business license of the Company is 110000013242002.</del></p> <p><b><u>The unified social credit code of the Company is 91110000562091696T.</u></b></p> <p>...</p>																																				
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Article 20	<p>...</p> <table border="1"> <thead> <tr> <th>Name of the Investors</th> <th>Number of Shares Held (Shares)</th> <th>Shareholding Percentage</th> </tr> </thead> <tbody> <tr> <td>Beijing Automotive Group Co., Ltd.</td> <td>3,416,659,704</td> <td>42.627%</td> </tr> <tr> <td>...</td> <td>...</td> <td>...</td> </tr> <tr> <td>Shenzhen Benyuan Jinghong Equity Investment Fund (Limited Partner)</td> <td>342,138,918</td> <td>4.269%</td> </tr> <tr> <td>...</td> <td>...</td> <td>...</td> </tr> <tr> <td>Beijing State-owned Assets Management and Administration Center</td> <td>274,273,061</td> <td>3.422%</td> </tr> </tbody> </table> <p>...</p>	Name of the Investors	Number of Shares Held (Shares)	Shareholding Percentage	Beijing Automotive Group Co., Ltd.	3,416,659,704	42.627%	...	...	...	Shenzhen Benyuan Jinghong Equity Investment Fund (Limited Partner)	342,138,918	4.269%	...	...	...	Beijing State-owned Assets Management and Administration Center	274,273,061	3.422%	<p>...</p> <table border="1"> <thead> <tr> <th>Name of the Investors</th> <th>Number of Shares Held (Shares)</th> <th>Shareholding Percentage</th> </tr> </thead> <tbody> <tr> <td>Beijing Automotive Group Co., Ltd.</td> <td><del>3,416,659,704</del> <b><u>3,566,659,704</u></b></td> <td><del>42.627%</del> <b><u>44.498%</u></b></td> </tr> <tr> <td>...</td> <td>...</td> <td>...</td> </tr> <tr> <td>Shenzhen Benyuan Jinghong Equity Investment Fund (Limited Partner)</td> <td>342,138,918 <b><u>192,138,918</u></b></td> <td>4.269% <b><u>2.397%</u></b></td> </tr> <tr> <td>...</td> <td>...</td> <td>...</td> </tr> <tr> <td><del>Beijing State-owned Assets Management and Administration Center</del> <b><u>Beijing State-owned Capital Operation and Management Company Limited</u></b></td> <td>274,273,061</td> <td>3.422%</td> </tr> </tbody> </table> <p>...</p>	Name of the Investors	Number of Shares Held (Shares)	Shareholding Percentage	Beijing Automotive Group Co., Ltd.	<del>3,416,659,704</del> <b><u>3,566,659,704</u></b>	<del>42.627%</del> <b><u>44.498%</u></b>	...	...	...	Shenzhen Benyuan Jinghong Equity Investment Fund (Limited Partner)	342,138,918 <b><u>192,138,918</u></b>	4.269% <b><u>2.397%</u></b>	...	...	...	<del>Beijing State-owned Assets Management and Administration Center</del> <b><u>Beijing State-owned Capital Operation and Management Company Limited</u></b>	274,273,061	3.422%
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Article	Original	Revised
<b>Article 30</b>	<p>...</p> <p>The Company shall notify its creditors within ten days from the date of the Company's resolution on reduction of registered capital and shall publish an announcement in the newspaper recognised by the stock exchange on which the shares of the Company are listed within thirty days from the date of such resolution. A creditor has the right, within thirty days of receiving the notice from the Company or, in the case of a creditor who does not receive the notice, within forty five days from the date of the announcement, to require the Company to repay its debt or provide a corresponding guarantee for such debt.</p> <p>...</p>	<p>...</p> <p>The Company shall notify its creditors within ten days from the date of the Company's resolution on reduction of registered capital and shall publish an announcement <del>in the newspaper recognised by the stock exchange on which the shares of the Company are listed</del> within thirty days from the date of such resolution. A creditor has the right, within thirty days of receiving the notice from the Company or, in the case of a creditor who does not receive the notice, within forty five days from the date of the announcement, to require the Company to repay its debt or provide a corresponding guarantee for such debt.</p> <p>...</p>
<b>Article 33</b>	<p>...</p> <p>For the redeemable shares which can be purchased by the Company, other than such purchases made through the market or by tender, the purchase price shall be limited to a certain single maximum price. If such purchases are made by tender, tenders shall be available to all shareholders alike.</p>	<p>...</p> <p><del>For the redeemable shares which can be purchased by the Company, other than such purchases made through the market or by tender, the purchase price shall be limited to a certain single maximum price. If such purchases are made by tender, tenders shall be available to all shareholders alike.</del></p>

Article	Original	Revised
<b>Article 40</b>	<p>The share certificates shall be signed by the legal representative. Where the stock exchange of the place where the shares of the Company are listed requires the share certificates to be signed by other senior management of the Company, the share certificates shall also be signed by such senior management. The share certificates shall take effect after being affixed, or affixed by way of printing, with the seal of the Company. The share certificates shall only be affixed with the Company's seal under the authorization of the board of directors. The signatures of the chairman of the board of directors or other relevant senior management of the Company on the share certificates may also be in printed form.</p>	<p>The share certificates shall be signed by the legal representative. <del>Where the stock exchange of the place where the shares of the Company are listed requires the share certificates to be signed by other senior management of the Company, the share certificates shall also be signed by such senior management. The share certificates shall take effect after being affixed, or affixed by way of printing, with the seal of the Company. The share certificates shall only be affixed with the Company's seal under the authorization of the board of directors. The signatures of the chairman of the board of directors or other relevant senior management of the Company on the share certificates may also be in printed form.</del></p>

Article	Original	Revised
<b>Article 45</b>	<p>All fully paid-up H shares can be freely transferred according to these Articles. However, the board of directors may refuse to recognise any instrument of transfer without giving any reasons, unless the following conditions are fulfilled:</p> <ol style="list-style-type: none"> <li>(1) a fee (for each instrument of transfer) of HK\$2.50 or such maximum fee as determined by the board of directors, but in any event no more than the maximum fee as stipulated from time to time by the Listing Rules of the Hong Kong Stock Exchange has been paid to the Company for registration of any instrument of transfer or any other document which is related to or will affect ownership of the shares;</li> <li>(2) the instrument of transfer only involves H shares;</li> <li>(3) the stamp duty payable on the instrument of transfer has been paid in full;</li> <li>(4) the relevant share certificates and any evidences in relation to the right of the transferor to transfer such shares as reasonably requested by the board of directors have been provided;</li> <li>(5) if the shares are to be transferred to joint holders, the maximum number of registered joint holders shall not exceed four;</li> <li>(6) the Company does not have any lien on the relevant shares; and</li> <li>(7) no transfer of share shall be made to minors or persons of unsound mind or under other legal disability.</li> </ol> <p>...</p>	<p>All fully paid-up H shares can be freely transferred according to these Articles. However, the board of directors may refuse to recognise any instrument of transfer without giving any reasons, unless the following conditions are fulfilled:</p> <ol style="list-style-type: none"> <li><del>(1) a fee (for each instrument of transfer) of HK\$2.50 or such maximum fee as determined by the board of directors, but in any event no more than the maximum fee as stipulated from time to time by the Listing Rules of the Hong Kong Stock Exchange has been paid to the Company for registration of any instrument of transfer or any other document which is related to or will affect ownership of the shares;</del></li> <li><u>(1)</u> <del>(2)</del> the instrument of transfer only involves H shares;</li> <li><u>(2)</u> <del>(3)</del> the stamp duty payable on the instrument of transfer has been paid in full;</li> <li><u>(3)</u> <del>(4)</del> the relevant share certificates and any evidences in relation to the right of the transferor to transfer such shares as reasonably requested by the board of directors have been provided;</li> <li><del>(5) if the shares are to be transferred to joint holders, the maximum number of registered joint holders shall not exceed four;</del></li> <li><del>(6) the Company does not have any lien on the relevant shares; and</del></li> <li><u>(4)</u> <del>(7)</del> no transfer of share shall be made to minors or persons of unsound mind or under other legal disability.</li> </ol> <p>...</p>

Article	Original	Revised
<b>Article 70</b>	<p>...</p> <p>Shareholders individually or collectively holding 3% or more of the shares of the Company may submit any extraordinary proposals in writing to the convener of the meeting within 10 days prior to the date of the general meeting. The convener shall issue supplemental notice of general meeting containing the details of such extraordinary proposals within two days upon the receipt of the proposals. Where the convener decides not to include such proposal into the agenda of the general meeting, he shall give reasons and explain at the general meeting.</p> <p>...</p>	<p>...</p> <p>Shareholders individually or collectively holding 3% or more of the shares of the Company may submit any extraordinary proposals in writing to the convener of the meeting within 10 days prior to the date of the general meeting. The convener shall issue supplemental notice of general meeting containing the details of such extraordinary proposals within two days upon the receipt of the proposals. <del>Where the convener decides not to include such proposal into the agenda of the general meeting, he shall give reasons and explain at the general meeting.</del></p> <p>...</p>
<b>Article 77</b>	<p>Shareholders shall appoint a proxy by written instrument which is signed by the appointer or his/her agent so authorized in writing, or if the appointer is a legal person, sealed by the stamp of the legal person or signed by its director or agent so officially authorized. Such instrument shall state clearly the number of shares represented by the proxy or, in case that more than one proxy is appointed, the instruments shall state clearly the number of shares represented by each of the proxies.</p>	<p>Shareholders shall appoint a proxy by written instrument which is signed by the appointer or his/her agent so authorized in writing, or if the appointer is a legal person, sealed by the stamp of the legal person or signed by its director or agent so <del>officially</del> authorized. Such instrument shall state clearly the number of shares represented by the proxy or, in case that more than one proxy is appointed, the instruments shall state clearly the number of shares represented by each of the proxies.</p>

Article	Original	Revised
<b>Article 98</b>	<p>The approach and procedures for nomination of candidates for directors and supervisors are as follows:</p> <p>...</p> <p>(4) The Company shall allow a notice period of no less than 7 days commencing from the day following the date of the notice of general meeting for the submission of the aforesaid notices and documents.</p> <p>(5) Voting for the election of each candidate for a director and supervisor shall be carried out separately in the general meeting.</p> <p>(6) Where there is a need to fill the casual vacancy of director or supervisor, the board of directors or board of supervisors shall submit a proposal to the general meeting for the election or change of a director or supervisor.</p>	<p>The approach and procedures for nomination of candidates for directors and supervisors are as follows:</p> <p>...</p> <p><del>(4) The Company shall allow a notice period of no less than 7 days commencing from the day following the date of the notice of general meeting for the submission of the aforesaid notices and documents.</del></p> <p><del>(4)(5)</del> Voting for the election of each candidate for a director and supervisor shall be carried out separately in the general meeting.</p> <p><del>(5)(6)</del> Where there is a need to fill the casual vacancy of director or supervisor, the board of directors or board of supervisors shall submit a proposal to the general meeting for the election or change of a director or supervisor.</p>
<b>Article 113</b>	<p>A resolution of a class meeting shall only be passed in accordance with Article 112 by shareholders present at the class meeting who represent more than two-thirds of voting rights.</p>	<p>A resolution of a class meeting shall only be passed in accordance with Article 112 by shareholders present at the class meeting who represent more than two-thirds of voting rights.</p> <p><b><u>The quorum for a class meeting (other than an adjournment) where any variation or abrogation of the rights of the relevant class shareholders is proposed shall at least be one third of the total issued shares of such class.</u></b></p>

Article	Original	Revised
<b>Article 196</b>	... The Company shall send a copy of the financial report together with the balance sheet (including all annexes to the balance sheet as prescribed by the applicable laws), profit and loss account or income and expenditure statement, or summary financial report to each holder of overseas listed foreign shares by pre-paid mail at least 21 days before the convening of the annual general meeting. The address of the recipient shall be the registered address as shown on the register of shareholders.	... <del>The Company shall send a copy of the financial report together with the balance sheet (including all annexes to the balance sheet as prescribed by the applicable laws), profit and loss account or income and expenditure statement, or summary financial report to each holder of overseas listed foreign shares by pre-paid mail at least 21 days before the convening of the annual general meeting. The address of the recipient shall be the registered address as shown on the register of shareholders.</del>

Article	Original	Revised
<b>Article 205</b>	<p>...</p> <p>Subject to the relevant laws and regulations in China and requirements of the Hong Kong Stock Exchange, the Company may exercise its right to confiscate any unclaimed dividends, provided that such right may only be exercised after the expiry of the relevant time frame.</p> <p>The Company shall have the right to terminate the issue of dividend coupons to holders of overseas listed foreign shares by post if the dividend coupons have not been claimed for two consecutive times. Nevertheless, the Company may exercise such right if the first dividend coupon has failed to reach the shareholder and has been returned.</p> <p>...</p> <p>The Company may sell the shares held by a holder of overseas listed foreign shares who is untraceable in such ways as the board of directors thinks fit, provided that the following conditions shall be complied with:</p> <p>(1) at least three dividends have been distributed in respect of such shares during the period of 12 years, and no dividend has been claimed by the shareholder during that period; and</p> <p>(2) after the expiry of the 12-year period, the Company shall make an announcement in one or more newspapers at the place where the shares of the Company are listed stating the Company's intention to sell the shares, and notify the stock exchange on which the shares of the Company are listed.</p>	<p>...</p> <p>Subject to the relevant laws and regulations in China and requirements of the Hong Kong Stock Exchange, the Company may exercise its right to confiscate any unclaimed dividends; <del>provided that such right may only be exercised after the expiry of the relevant time frame.</del></p> <p><del>The Company shall have the right to terminate the issue of dividend coupons to holders of overseas listed foreign shares by post if the dividend coupons have not been claimed for two consecutive times. Nevertheless, the Company may exercise such right if the first dividend coupon has failed to reach the shareholder and has been returned.</del></p> <p>...</p> <p>The Company may sell the shares held by a holder of overseas listed foreign shares who is untraceable in such ways as the board of directors thinks fit; <del>provided that the following conditions shall be complied with:</del></p> <p>(1) <del>at least three dividends have been distributed in respect of such shares during the period of 12 years, and no dividend has been claimed by the shareholder during that period; and</del></p> <p>(2) <del>after the expiry of the 12-year period, the Company shall make an announcement in one or more newspapers at the place where the shares of the Company are listed stating the Company's intention to sell the shares, and notify the stock exchange on which the shares of the Company are listed.</del></p>



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## NOTICE OF 2022 ANNUAL GENERAL MEETING

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**北京汽车**  
BAIC MOTOR

北京汽车股份有限公司

**BAIC MOTOR CORPORATION LIMITED\***

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

**(Stock Code: 1958)**

### NOTICE OF 2022 ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2022 annual general meeting (the “**2022 AGM**”) of BAIC Motor Corporation Limited (the “**Company**”) will be held at 9:30 a.m. on Monday, 26 June 2023 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 24 May 2023:

#### **Ordinary Resolutions**

1. Report of the Board of Directors for 2022
2. Report of the Board of Supervisors for 2022
3. Financial Report for 2022
4. Profits Distribution and Dividends Distribution Plan for 2022
5. Re-appointment of International Auditor and Domestic Auditor for 2023
6. Proposed appointment of non-executive director of the Company
7. Proposed appointment of supervisor of the Company
8. The following transactions:
  - (1) entry of the Trademark Licensing Framework Agreement with BAIC Group;

\* For identification purpose only

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## NOTICE OF 2022 ANNUAL GENERAL MEETING

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- (2) revisions to the annual caps for the purchase of products and services transactions contemplated under the Products and Services Purchasing Framework Agreement, for the three years ending 31 December 2025;
  - (3) revisions to the annual caps for the sale of products transactions contemplated under the Provision of Products and Services Framework Agreement, for the three years ending 31 December 2025;
  - (4) revisions to the annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance, the interest income from deposits placed by the Group with BAIC Finance and charges for other financial services of the Group with BAIC Finance under the Financial Services Framework Agreement, for the three years ending 31 December 2025
9. Proposed provision of Facility Guarantee to BAIC HK

### Special Resolutions

10. Proposed amendments to the Articles of Association
11. General Mandate for the Issuance of Bond Financing Instruments
12. General Mandate for the Issuance of Shares
13. General Mandate for the Repurchase of Shares

By order of the Board  
**BAIC Motor Corporation Limited**  
**Chen Wei**  
*Chairman of the Board*

Beijing, the PRC, 24 May 2023

#### Notes:

- (A) The register of members of the Company will be closed from Tuesday, 20 June 2023 to Monday, 26 June 2023 (both days inclusive), during which period no transfer of Shares will be effected. Holders of H Shares whose names appear on the register of H Shares as maintained by Computershare Hong Kong Investor Services Limited at the close of business hours on Monday, 19 June 2023 are entitled to attend and vote at the 2022 AGM following completion of the registration procedures. To be eligible to attend and vote at the 2022 AGM, all the transfer documents of H Shares and Domestic Shares 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 Monday, 19 June 2023 or the China Securities Depository and Clearing Corporation Limited at 23 Floor, Shenzhen Stock Exchange Square, Futian District, Shenzhen, Guangdong Province, the PRC for holders of Domestic Shares no later than 4:00 p.m. on Monday, 19 June 2023.
- (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 Friday, 30 June 2023 to Wednesday, 5 July 2023 (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 of H Shares and Domestic Shares 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 Thursday, 29 June 2023, or China Securities Depository and Clearing Corporation Limited at 23 Floor, Shenzhen Stock Exchange Square, Futian District, Shenzhen, Guangdong Province, the PRC for holders of Domestic Shares no later than 4:00 p.m. on Thursday, 29 June 2023.

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## NOTICE OF 2022 ANNUAL GENERAL MEETING

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- (C) Each Shareholder entitled to attend and vote at the 2022 AGM may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the 2022 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 2022 AGM or any adjournment thereof. Please note that 24 June 2023 and 25 June 2023 are not working days in Hong Kong and Computershare Hong Kong Investor Services Limited's offices will not be open on these days for physical delivery of the proxy form. 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/her proxy should produce proof of identity when attending the 2022 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 2022 AGM is expected to last for half a day. Shareholders who attend the 2022 AGM shall bear their own travelling and accommodation expenses.

*As at the date of this notice, the Board comprises Mr. Chen Wei, as Chairman of the Board and non-executive Director; Mr. Hu Hanjun and Mr. Chen Hongliang, 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.*

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## NOTICE OF 2023 FIRST DOMESTIC SHAREHOLDERS CLASS MEETING

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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)**

### NOTICE OF 2023 FIRST DOMESTIC SHAREHOLDERS CLASS MEETING

**NOTICE IS HEREBY GIVEN** that the 2023 First Domestic Shareholders Class Meeting (the “**Domestic Shareholders Class Meeting**”) of BAIC Motor Corporation Limited (the “**Company**”) will be held on Monday, 26 June 2023 right after the 2022 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 24 May 2023:

#### **Special Resolution**

1. General Mandate for the Repurchase of Shares

By order of the Board  
**BAIC Motor Corporation Limited**  
**Chen Wei**  
*Chairman of the Board*

Beijing, the PRC, 24 May 2023

*Notes:*

- (A) The register of domestic shares of the Company will be closed from Tuesday, 20 June 2023 to Monday, 26 June 2023 (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 Clearing Corporation Limited, at the close of business hours on Monday, 19 June 2023 are entitled to attend

\* *For identification purpose only*

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## NOTICE OF 2023 FIRST DOMESTIC SHAREHOLDERS CLASS MEETING

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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 23 Floor, Shenzhen Stock Exchange Square, Futian District, Shenzhen, Guangdong Province, the PRC, for shareholders no later than 4:00 p.m. on Monday, 19 June 2023.

- (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 Sunday, 25 June 2023. 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. Chen Wei, as Chairman of the Board and non-executive Director; Mr. Hu Hanjun and Mr. Chen Hongliang, 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.*

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## NOTICE OF 2023 FIRST H SHAREHOLDERS CLASS MEETING

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**北京汽车**  
BAIC MOTOR

北京汽车股份有限公司

**BAIC MOTOR CORPORATION LIMITED\***

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

**(Stock Code: 1958)**

### NOTICE OF 2023 FIRST H SHAREHOLDERS CLASS MEETING

**NOTICE IS HEREBY GIVEN** that the 2023 First H Shareholders Class Meeting (the “**H Shareholders Class Meeting**”) of BAIC Motor Corporation Limited (the “**Company**”) will be held on Monday, 26 June 2023 right after the 2023 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 24 May 2023:

#### **Special Resolution**

1. General Mandate for the Repurchase of Shares

By order of the Board  
**BAIC Motor Corporation Limited**  
**Chen Wei**  
*Chairman of the Board*

Beijing, the PRC, 24 May 2023

*Notes:*

- (A) The register of H shares will be closed from Tuesday, 20 June 2023 to Monday, 26 June 2023 (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 Monday, 19 June 2023 are entitled

\* *For identification purpose only*

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## NOTICE OF 2023 FIRST H SHAREHOLDERS CLASS MEETING

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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 Monday, 19 June 2023.

- (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 Sunday, 25 June 2023. Please note that 24 June 2023 and 25 June 2023 are not working days in Hong Kong and Computershare Hong Kong Investor Services Limited's offices will not be open on these days for physical delivery of the proxy form. 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. Chen Wei, as Chairman of the Board and non-executive Director; Mr. Hu Hanjun and Mr. Chen Hongliang, 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.*