
CONNECTED TRANSACTIONS

Upon the Listing of H Shares on the Stock Exchange, transactions with us and our Connected Persons will constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

Upon Listing, the following entities, with whom we have entered into certain transactions in the ordinary and usual course of our business, will become our Connected Persons:

- **BAIC Group**

BAIC Group (previously known as BAIC Holding), is a state-owned enterprise established on June 30, 1994 with a registered capital of approximately RMB4.55 billion. Its principal businesses include the manufacture, sales, import and export of vehicles and components, the operation and management of state-owned assets, investment and investment management, technology development, service and consultancy, and real property development and sales.

BAIC Group has been our sole Controlling Shareholder throughout the Track Record Period. As of the Latest Practicable Date, BAIC Group owned approximately 55.22% of the total issued share capital of our Company. Upon completion of the Global Offering, BAIC Group will own approximately 45.61% of the total issued share capital of our Company (assuming the Over-allotment Option is not exercised) or approximately 44.41% of the total issued share capital of our Company (assuming the Over-allotment Option is exercised in full). BAIC Group will continue to be our sole Controlling Shareholder after the Listing.

- **Associates of BAIC Group (excluding our Group)**

Associates of BAIC Group (excluding our Group), being the subsidiaries and companies in which BAIC Group holds a 30% or more interest, including but not limited to BAIC Group Finance Co., Ltd. (北京汽車集團財務有限公司) (“**BAG Finance**”), are our Connected Persons by virtue of them being associates of BAIC Group as defined under Chapter 14A of the Listing Rules.

- **Daimler AG**

Daimler AG is a company established in Germany in 1886. Daimler AG is one of the largest producers of premium cars and commercial vehicles in terms of sales volume globally. Its principal businesses include producing premium automobiles, trucks, vans and buses, and providing tailored services around these products.

Immediately prior to the completion of the Global Offering, Daimler AG will hold 12.00% of the Shares of our Company. Immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, Daimler AG will be our Substantial Shareholder. Furthermore, Daimler AG and Daimler Greater China will continue to hold 49% of the equity interests in Beijing Benz (our non-wholly owned subsidiary) and are substantial shareholders of Beijing Benz. As a result, Daimler AG will continue to be a Substantial Shareholder of us as well as a substantial shareholder of our subsidiary, and will hence become our Connected Person upon Listing.

CONNECTED TRANSACTIONS

- **Beijing Benz**

Beijing Benz is a company incorporated in China on July 1, 1983. Its scope of business ranges from research and development, engines and complete vehicles production and sales and aftersales services. On November 18, 2013, following a new round of capital increase subscribed by our Company, and as part of the Pre-IPO Strategic Investment as set out in “History, Reorganization and Corporate Structure—Major Acquisitions and Disposals” of this prospectus, our Company increased our equity holding in Beijing Benz from 50% to 51% and thus Beijing Benz has been included in the consolidated financial statements of our Group, with Daimler AG and Daimler Greater China holding the remaining 38.665% and 10.335% equity interests, respectively. As such, since November 18, 2013, Beijing Benz has become and will continue to be a 51% owned subsidiary of our Company after our Listing.

Beijing Benz is our non-wholly owned subsidiary. As Daimler AG is our Connected Person at the Company level which holds more than 10% in Beijing Benz, Beijing Benz will become a Connected Person of our Company upon Listing under Rule 14A.16 of the Listing Rules.

- **Other associates of Daimler AG**

Other subsidiaries and companies in which Daimler AG directly or indirectly holds 30% or more interests are also Connected Persons by virtue of them being associates of Daimler AG as defined under Chapter 14A of the Listing Rules.

Accordingly, the following transactions between each of the Connected Persons and us, which have been entered into in the ordinary course of our business on a recurring and continuing nature, will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules upon Listing.

CONTINUING CONNECTED TRANSACTIONS RELATING TO BAIC GROUP AND ITS ASSOCIATES

<u>Nature of transaction</u>	<u>Applicable Listing Rules</u>	<u>Waiver sought</u>	<u>Historical amounts</u> (RMB million)	<u>Proposed annual cap for the year ending December 31</u> (RMB million)
Exempt continuing connected transactions				
<i>Transactions with BAIC Group and/or its associates</i>				
1. Trademark and Technology Licensing Framework Agreement	14A.76	N/A	For the year ended December 31	
			2011: 0	2014: N/A
			2012: 0	2015: N/A
			2013: 0	2016: N/A
			For the six months ended June 30	
			2014: 0	

CONNECTED TRANSACTIONS

Nature of transaction	Applicable Listing Rules	Waiver sought	Historical amounts (RMB million)	Proposed annual cap for the year ending December 31 (RMB million)
Non-exempt continuing connected transactions				
<i>Transactions with BAIC Group and/or its associates</i>				
1. Trademark licensing agreement between BAIC Group and Beijing Benz	14A.34, 14A.35, 14A.49, 14A.52, 14A.53 and 14A.71	Announcement requirements	For the year ended December 31	
			2011: N/A	2014: 220.6
			2012: N/A	2015: 315.3
			2013: 25.4	2016: 387.8
			For the six months ended June 30	
			2014: 79.3	
2. Property and Facility Leasing Framework Agreement	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 and 14A.71	Announcement and independent Shareholders' approval requirements	For the year ended December 31	
			2011: 46.2	2014: 147.1
			2012: 45.3	2015: 147.1
			2013: 144.8	2016: 147.1
			For the six months ended June 30	
			2014: 56.3	
3. Financial Services Framework Agreement	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 and 14A.71	Announcement and independent Shareholders' approval requirements	Maximum daily balance of deposits placed by our Group with BAG Finance	
			For the year ended December 31	
			2011: 0	2014: 14,733.1
			2012: 4,031.3	
			2013: 7,295.7	
			For the six months ended June 30	
				2014: 8,855.0
			Maximum daily balance of loans granted by BAG Finance to our Group	
			For the year ended December 31	
			2011: 0	2014: 2,988.0
2012: 1,315.0				
2013: 1,730.0				
For the six months ended June 30				
	2014: 1,725.9			
Fees and charges paid by our Group to BAG Finance for other financial services				
For the year ended December 31				
2011: 0	2014: 39.2			
2012: 0				
2013: 0				
For the six months ended June 30				
	2014: 0			

CONNECTED TRANSACTIONS

<u>Nature of transaction</u>	<u>Applicable Listing Rules</u>	<u>Waiver sought</u>	<u>Historical amounts</u> (RMB million)	<u>Proposed annual cap for the year ending December 31</u> (RMB million)
4. Products and Services Purchasing Framework Agreement	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 and 14A.71	Announcement and independent Shareholders' approval requirements	Products	
			For the year ended December 31	
			2011: 904.3	2014: 9,789.1
			2012: 2,270.9	2015: 15,195.0
			2013: 3,188.3	2016: 22,973.8
			For the six months ended June 30	
			2014: 2,783.2	
			Services	
			For the year ended December 31	
			2011: 171.3	2014: 3,651.0
2012: 363.2	2015: 5,571.8			
2013: 1,258.2	2016: 7,687.0			
For the six months ended June 30				
2014: 1,565.3				
Total				
For the year ended December 31				
2011: 1,075.7	2014: 13,440.1			
2012: 2,634.2	2015: 20,766.8			
2013: 4,446.5	2016: 30,660.8			
For the six months ended June 30				
2014: 4,348.5				
5. Provision of Products and Services Framework Agreement	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 and 14A.71	Announcement and independent Shareholders' approval requirements	Products	
			For the year ended December 31	
			2011: 54.9	2014: 1,927.7
			2012: 266.9	2015: 2,796.8
			2013: 594.4	2016: 4,173.9
			For the six months ended June 30	
2014: 878.5				

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Nature of transaction	Applicable Listing Rules	Waiver sought	Historical amounts (RMB million)	Proposed annual cap for the year ending December 31 (RMB million)
			Services	
			For the year ended December 31	
			2011: 24.2	2014: 53.6
			2012: 10.5	2015: 98.4
			2013: 19.7	2016: 128.8
			For the six months ended June 30	
			2014: 17.3	
			Total	
			For the year ended December 31	
			2011: 79.1	2014: 1,981.3
			2012: 277.4	2015: 2,895.2
			2013: 614.1	2016: 4,302.7
			For the six months ended June 30	
			2014: 895.9	

EXEMPT CONTINUING CONNECTED TRANSACTIONS

1 Trademark and Technology Licensing Framework Agreement (“Transaction 1A”)

Parties: BAIC Group (as the licensor); and
Our Company (as the licensee).

Reasons for the transaction: We are a major subsidiary of BAIC Group and have been the main operating platform for the production and sales of passenger vehicles under BAIC Group. We have been using the Licensed Trademarks of BAIC Group for several years and it is in the best interests of our Group and our Shareholders for us to continue to use the Licensed Trademarks after completion of the Global Offering.

Principal Terms: We entered into a trademark and technology licensing framework agreement (the “**Trademark and Technology Licensing Framework Agreement**”) with BAIC Group on December 2, 2014, pursuant to which BAIC Group agreed to grant our Group (excluding Beijing Benz) a non-exclusive license for the use of certain registered trademarks owned by BAIC Group (“**Licensed Trademarks**”) on a royalty-free basis. Our Group will use the Licensed Trademarks and production technologies within the scope specified in the Trademark and Technology License Framework Agreement. For details of the Licensed Trademarks, please see item 1 to item 4 under “Appendix VI—Statutory and General Information—2. Further Information about Our Business—B. Our intellectual property rights—(a) Trademarks—Trademarks under the Trademark Licensing Agreements” to this prospectus.

The initial term of the Trademark and Technology Licensing Framework Agreement will commence on the Listing Date and end on December 31, 2016. The Trademark and Technology Licensing Framework Agreement is subject to the renewal through mutual consents by the parties. Pursuant to the Share Subscription Agreement entered into with BAIC Group, Daimler AG and us on February 1, 2013 in relation to the Pre-IPO Strategic Investment, BAIC Group has undertaken that it

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shall permit the use of the Licensed Trademarks by our Company (excluding Beijing Benz) on a royalty-free basis for five years commencing from the date of completion of the Pre-IPO Strategic Investment, being November 18, 2013. It is therefore expected that our Company will continue to be entitled to use the Licensed Trademarks and Technology with nil consideration payable to BAIC Group for approximately two additional years upon renewal of the Trademark and Technology Licensing Framework Agreement.

Historical amounts: The amounts involved in respect of the licensing of the Licensed Trademarks and technologies by BAIC Group to our Group (excluding Beijing Benz) for each of the three years ended December 31, 2011, 2012 and 2013 and for the six months ended June 30, 2014 were nil.

The Trademark and Technology Licensing Framework Agreement was entered into on normal commercial terms and the applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be less than 0.1% on an annual basis. By virtue of Rule 14A.76 of the Listing Rules, Transaction 1A is exempted from annual reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the following transactions with BAIC Group and its associates in the ordinary and usual course of our business, which will, upon Listing, constitute continuing connected transactions of our Company subject to the annual reporting, announcement and (as the case may be) independent Shareholders' approval requirements under Chapter 14A of the Listing Rules (the "**Non-exempt Continuing Connected Transactions**").

1. Trademark Licensing Agreement between BAIC Group and Beijing Benz ("**Transaction 1B**")

Parties: BAIC Group (as the licensor); and
Beijing Benz (as the licensee).

Reasons for the transaction: The trademark licensing arrangement was a part of the joint venture agreement regarding Beijing Benz between our Company and Daimler AG. Beijing Benz has been using the trademark "Beijing" and trademark "Benz" since its establishment. Such trademark licenses are critical to the operation and production of Beijing Benz. Beijing Benz has been using those trademarks for several years, and it will be in the best interests of our Group and our Shareholders for Beijing Benz to continue the use of those trademarks upon the completion of the Global Offering.

Principal terms: Beijing Benz, a non-wholly owned subsidiary of our Company, entered into a trademark licensing agreement respectively with each of BAIC Group and Daimler AG in respect of the company name of Beijing Benz, "Beijing Benz", and the production and the assembly of existing vehicle models. According to the trademark licensing agreement between Beijing Benz and BAIC Group, BAIC Group granted Beijing Benz a non-exclusive license for the use of the "Beijing" trademark in its company name and on the passenger vehicles manufactured and assembled by Beijing Benz. Beijing Benz shall pay a trademark licensing fee to BAIC Group on a regular basis. For details in relation to the trademark "Beijing" granted by BAIC Group, please see item 1 under "Appendix VI—Statutory and General Information—2. Further Information about Our Business—B. Our intellectual property rights—(a) Trademarks—Trademarks under the Trademark Licensing Agreements". For details regarding the trademark license granted by Daimler AG to Beijing Benz for

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the use of “Benz,” please see the section below headed “Continuing connected transactions relating to Daimler AG and its associates—Provision of the use of intellectual property rights (including trademarks and technologies) by Daimler AG and its associates to Beijing Benz (“Daimler AG Transaction 2”).”

The trademark licensing agreement entered into between Beijing Benz and BAIC Group commenced on February 28, 2003 and will be effective within the term of the joint venture agreement of Beijing Benz.

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

Based on the reasons set out above, our Directors (including independent non-executive Directors) and the Joint Sponsors are of the view that the trademark licensing agreement of Transaction 1B with a term longer than three years sets out above is normal business practice in the PRC automotive industry and is in the interests of the Company and its shareholders as a whole.

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

Historical figures: For the period between January 1, 2011 and November 17, 2013 (both days inclusive), Beijing Benz was not our subsidiary and the transactions between Beijing Benz and BAIC Group did not constitute our connected transactions. The historical figures of Transaction 1B between Beijing Benz and BAIC Group for the years ended December 31, 2011 and 2012 were not applicable. The historical figures of Transaction 1B between Beijing Benz and BAIC Group for the period from November 18, 2013 to December 31, 2013 (both days inclusive) was RMB25.4 million, during which time Beijing Benz remained our subsidiary. The historical figure for the period ended June 30, 2014 was RMB79.3 million.

Annual caps:

The maximum aggregate annual amounts in respect of the trademark licensing agreement between Beijing Benz and BAIC Group for the three years ending December 31, 2014, 2015 and 2016 shall not exceed the caps set out below:

	Proposed annual cap for the year ended December 31		
	(RMB/ million)		
	2014	2015	2016
Trademark licensing agreement			
between BAIC Group and Beijing Benz	220.6	315.3	387.8

Basis of caps: The above proposed annual caps were estimated on the basis of: (i) the historical trademark licensing fees and agreed ratio to be paid to BAIC Group by Beijing Benz; (ii) the estimated sales volume of passenger vehicles to be manufactured and assembled by Beijing Benz with steady

CONNECTED TRANSACTIONS

growth by taking into account, among others, macroeconomic conditions as well as the development strategies and business expansion plan of our Group; and (iii) the estimated annual caps for 2014, 2015 and 2016 include the respective expected annual value of the connected transactions between Beijing Benz and BAIC Group and its associates, while the historical figure of Transaction 1B between Beijing Benz and BAIC Group and its associates for the year 2013 (approximately RMB25.4 million) only covered the period from November 18, 2013 to December 31, 2013 (both days inclusive), during which time Beijing Benz remained our subsidiary; meanwhile, the historical figure of the same transaction for the six months ended June 30, 2014 reached approximately RMB79.3 million, the trend of which is in line with the estimated annual cap for the year 2014 (RMB220.6 million).

2. Property and Facility Leasing Framework Agreement (“Transaction 2”)

Parties: BAIC Group (as the lessor); and
Our Company (as the lessee).

Reasons for the transaction: We have leased certain properties from the BAIC Group and/or its associates. Compared with Independent Third Parties, BAIC Group has a better understanding of our property requirements in relation to office premises, warehousing and production usage. In addition, relocating our offices, warehouses and plants to other premises will cause unnecessary disruptions to our operation and unnecessary costs.

Principal terms: We entered into a property and facility leasing framework agreement (the “Property and Facility Leasing Framework Agreement”) with BAIC Group on December 2, 2014, pursuant to which our Company and/or our subsidiaries will lease properties and facilities from BAIC Group and/or its associates for manufacturing specific passenger vehicles. The principal terms of the Property and Facility Leasing Framework Agreement are as follows:

- the rent payables under the Property and Facility Leasing Framework Agreement shall be agreed based on arm’s length negotiations between the relevant parties with reference to market rates at relevant location and subject to relevant rules and regulations of the PRC;
- separate agreements stipulating the specific terms and conditions (including property rents, payment methods and other usage fees) in respect of relevant leased properties and facilities shall be entered into; and
- the initial term of the Property and Facility Leasing Framework Agreement will commence on the Listing Date and end on December 31, 2016, subject to renewal through mutual consents by the parties.

Existing leases: Pursuant to the property leasing agreements entered into between our Group and BAIC Group, our Group leased several properties from BAIC Group and/or its associates with a total gross floor area of approximately 173,180.23 sq. m. as of December 31, 2013. At present, the total gross floor area under existing property leasing agreements is approximately 182,990.23 sq. m.. Such properties are mainly located in Beijing, the PRC, and are generally used as office premises, staff dormitories, warehousing and production purpose.

Pricing policy: The monthly rents payable during the leasing term are determined after arm’s length negotiations between the relevant parties with reference to the prevailing market price of properties of comparable size and quality situated in the same locality.

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The independent property valuer and consultant, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, has confirmed that the current rents under the existing property leasing agreements with a total gross floor area of approximately 182,990.23 sq. m. are fair and reasonable and represent the prevailing market rates for similar properties situated in their locality that are used for similar purposes in Beijing, the PRC.

Historical figures: The annual total property rents paid to BAIC Group and/or its associates for each of the three years ended December 31, 2011, 2012 and 2013, and for the six months ended June 30, 2014, were approximately RMB46.2 million, RMB45.3 million, RMB144.8 million and RMB56.3 million, respectively.

Annual caps: The maximum aggregate annual rent payable to BAIC Group and/or its associates for the three years ending December 31, 2014, 2015 and 2016 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31, (RMB million)		
	2014	2015	2016
Maximum aggregate annual rents to be paid to BAIC Group and/or its associates for properties leasing	147.1	147.1	147.1

Basis of Caps:

The above proposed annual caps for the rents of the leased properties were estimated on the basis of: (i) the total gross floor area of approximately 173,180.23 sq. m. of the properties leased by our Group from BAIC Group and its subsidiaries for the year ended December 31, 2013; and (ii) the unit rent agreed under the property leasing contracts entered into between BAIC Group and its subsidiaries and our Group.

3. Financial Services Framework Agreement (“Transaction 3”)

Parties: BAG Finance; and
Our Company.

Background: BAG Finance is a non-banking financial institution incorporated in November 2011 in the PRC with a registered capital of RMB1,500 million. BAG Finance is 56% owned by BAIC Group, 20% owned by BAIC Investment (a subsidiary wherein our Company owns an approximate 97.95% interest), 14% owned by Foton and 10% owned by Beijing Hainachuan Automotive Parts Co., Ltd. (北京海納川汽車部件股份有限公司). It is subject to the Administrative Measures on Financial Companies of Group Enterprises (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by the PBOC and CBRC. Its establishment was approved by the CBRC and its operation is subject to the ongoing supervision of the CBRC and the applicable regulations related to interest rates issued by the PBOC and CBRC. Under existing applicable PRC laws and regulations, BAG Finance is only permitted to provide financial services to the subsidiaries of the BAIC Group, including our Company.

As a non-banking financial institution, BAG Finance is subject to various regulatory and capital adequacy requirements, including capital sufficiency ratios, loan-to-deposit ratios, restrictions on interbank loans and deposit reserve thresholds. The CBRC issued a regulatory guideline, the Administrative Measures on Financial Companies of Group Enterprises (《企業集團財務公司管理辦法》) in

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July 2004 (as amended in December 2006) (the “**CBRC Guideline**”) with respect to the establishment and ongoing regulation of such non-banking financial institutions. The CBRC Guideline provides, among other things, that “when applying for the establishment of a financial company, the board of directors of the parent company shall undertake in writing that, if, in an emergency, the financial company faces difficulties in meeting its payment obligations, the parent company will increase the capital of the financial company as required to solve such payment difficulties. Such undertaking shall be contained in the articles of association of the financial company.” BAIC Group provided such undertaking to the CBRC in June 2011 (the “**Parent Undertaking**”). The Parent Undertaking provides that, pursuant to the CBRC Guideline, BAIC Group undertakes that if, in an emergency, BAG Finance faces difficulties in meeting its payment obligations, it will increase the capital of BAG Finance as required to solve such payment difficulties. As of December 31, 2013, BAG Finance had total assets of approximately RMB12.1 billion, shareholders’ equity of approximately RMB680.7 million, and registered capital of RMB500 million.

As of the Latest Practicable Date, the main scope of business of BAG Finance includes: (i) providing financial and financing consultancy, credit certification and related consultancy and agency services; (ii) assisting with settlement; (iii) conducting approved insurance agency business; (iv) providing guarantees; (v) processing entrusted loans; (vi) providing bill acceptance and discount; (vii) processing the settlement of internal transfers between accounts and formulating plans for relevant settlement and clearing; (viii) taking deposits; (ix) processing loans and finance leasing; and (x) conducting inter-borrowings; (xi) underwriting corporate bonds of its members; and (xii) providing consumption loans for products of its members, loans to purchasers and finance leasing.

Principal terms: We entered into a financial services framework agreement (the “**Financial Services Framework Agreement**”) with BAG Finance on December 2, 2014, pursuant to which BAG Finance will provide financial services to us, and such financial services primarily include (i) deposits; (ii) loans; and (iii) other financial services including discounted notes service and other services subject to obtaining relevant approvals from CBRC.

The initial term of the Financial Services Framework Agreement will commence on the Listing Date and end on December 31, 2016, subject to renewal through mutual consents by the parties.

Pricing policy: The Financial Services Framework Agreement provides for the following pricing principles:

- (a) *Deposits services.* Interest rates for the deposits placed by our Group with BAG Finance will not be lower than: (i) the interest rate published by the PBOC for deposits of a similar type for the same period; (ii) the interest rate for deposits of a similar type for the same period placed by the subsidiaries of BAIC Group other than our Group; or (iii) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to us and our subsidiaries.
- (b) *Loans services.* Interest rates on the loans to be advanced by BAG Finance to our Group will not be higher than: (i) the loan interest rate published by the PBOC for loans of a similar type for the same period; (ii) the interest rate for comparable loans offered by BAG Finance to other subsidiaries of BAIC Group other than our Group; or (iii) the interest rate for loans of a similar type offered for the same period by independent commercial banks to us and our subsidiaries.

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

In relation to the discounted notes service and other financial services, the interest rates and service fees charged by BAG Finance will be determined with reference to the market rates of similar services and will not be higher than those offered by other independent PRC financial institutions to our Group. The staff in the finance center of our Group collect information on service fees from various commercial banks and BAG Finance on a regular basis for the purpose of gathering up-to-date market information on service fees for similar services. Such information will be updated when our Group enters into discounted notes service arrangements and other financial services. The financial institution that can provide the best interest rates or service fees will be selected for such financial services. The Directors consider that the above methods and procedures can ensure that the service fees charged by BAG Finance will not be higher than those offered by other independent PRC financial institutions to our Group and will not be prejudicial to the interests of our Company and our Shareholders.

Commercial rationale and benefits of the financial services: The main reasons for our Company to enter into the Financial Services Framework Agreement with BAG Finance are as follows:

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

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

Taking into account that our Group enjoys no less favorable interest rates and other commercial benefits, we believe that the continuation of provision of financial services by BAG Finance is beneficial to our Group and our Shareholders as a whole.

Historical figures:

	Historical Figures (RMB million)			
	For the year ended December 31,			For the six months ended June 30,
	2011	2012	2013	2014
Maximum daily balance of deposits placed by our Group with BAG Finance	0	4,031.3	7,295.7	8,855.0
Maximum daily balance of loans granted by BAG Finance to our Group	0	1,315.0	1,730.0	1,725.9
Fees and charges paid by our Group to BAG Finance for other financial services	0	0	0	0

Annual caps: The estimated caps in respect of the Financial Services Framework Agreement for the year ending December 31, 2014 are set out below:

	Proposed annual cap for the year ending December 31, (RMB million) 2014
Maximum daily balance of deposits placed by our Group with BAG Finance	14,733.1
Maximum daily balance of loans granted by BAG Finance to our Group	2,988.0
Fees and charges paid by our Group to BAG Finance for other financial services	39.2

Basis of caps:

Caps for deposits placed by our Group with BAG Finance: Such estimated caps are determined with reference to: (i) historical and expected sales revenues from Beijing Motor; (ii) historical and expected sales revenues from Beijing Benz; (iii) historical maximum daily balance deposited with BAG Finance as a percentage of sales revenue from Beijing Motor; and (iv) historical maximum daily balance deposited with BAG Finance as a percentage of sales revenue from Beijing Benz.

Caps for loans granted by BAG Finance to our Group: In estimating the above caps, we have made reference to: (i) historical deposits by our Group with BAG finance; (ii) historical maximum

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daily balance of loans granted by BAG Finance as a percentage of sales revenue from Beijing Motor; and (iii) the Group's current cash flow and expected capital needs. In particular, it is expected that Guangzhou Company and Beijing Benz will raise more capital from BAG Finance in the form of loans to support their further business expansion activities.

Caps for fees and charges paid by our Group to BAG Finance for other financial services: In determining the above annual caps for the service fees and charges in relation to discounted notes services and other financial services, we have mainly considered: (i) the increase in the historical aggregate fees and charges paid to independent commercial banks in the PRC for the discounted notes service and other financial services, which for the years ended December 31, 2011, 2012, 2013 and the six months ended June 30, 2014 (excluding those fees and charges incurred by BAIC Limited, Zhongdu Logistics and Beiqi Penlong, which were companies we disposed of in 2012), were RMB135,698.85, RMB398,146.06, RMB2,255,051.56 and RMB1,443,434.54, respectively; and (ii) the assumption that some of those financial services will be provided by BAG Finance due to favorable terms for the financial services to be provided by BAG Finance.

The estimated caps of the deposits placed by our Group with BAG Finance and loans granted by BAG Finance to our Group are determined based on a maximum limit at a specific time instead of an accumulated balance. In 2012 and 2013, the highest daily balance of deposits and loans of the year were recorded in the second half of the year. With reference to this trend as well as on the basis of the estimated increase of our use of the deposit and loan services provided by BAG Finance driven by the expected expansion of our business, we expect to record a higher maximum daily balance of both deposits and loans in the second half of the year 2014 than those recorded for the years 2012 and 2013 and for the six months ended June 30, 2014.

Internal control and corporate governance measures for transactions under the Financial Services Framework Agreement: Although there is no limit on the percentage of our total liquid and/or surplus funds to be deposited or loaned to BAG Finance, we consider that for the reasons explained above, the following measures are in the interests of our Shareholders as a whole. We have adopted the following measures with respect to the transactions under the Financial Services Framework Agreement in order to further safeguard the interests of our independent Shareholders:

(1) Independent financial system

We have established an independent financial department with a team composed of independent financial staff, and supervised by the vice president of our Company in charge of finance. We have adopted a sound and independent audit system and a comprehensive financial management system. We also maintain accounts with independent banks. BAIC Group does not share any bank account with us nor does it control the use of any of our bank accounts. We have independent tax registrations and have paid tax independently pursuant to applicable PRC laws and regulations. Please see "Relationship with BAIC Group—Independence from BAIC Group—Financial Independence" in this prospectus for details of the independence of our Group from BAIC Group.

(2) Risk management measures

- BAG Finance and BAIC Group will provide sufficient information including various financial indicators (as well as annual and interim financial statements) at the end of every quarter to enable us to monitor and review the financial condition of BAG Finance and BAIC Group. BAG Finance and BAIC Group shall notify us, subject to compliance with

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applicable laws and regulations, should any of them be subject to any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on the financial condition of any of them. If we consider that there is any material adverse change in the financial condition of any of the BAG Finance and BAIC Group, we will take appropriate measures (including early withdrawal of deposits and a moratorium on further deposits) to protect our financial position.

- In addition to our internal monitoring, BAG Finance is also required to monitor the maximum daily balance of the deposits and loans on a daily basis to ensure that the aggregate outstanding amounts do not exceed the applicable annual caps. BAG Finance will provide us with a periodic report on the status of our deposits and loans so as to enable us to monitor and ensure the relevant annual caps under the Financial Services Framework Agreement have not been exceeded. Should the balance at the end of any day exceed the maximum daily balance of deposits and interest income prevailing at that time, the excess funds will be transferred to our designated bank accounts with an independent commercial bank. We shall also be notified immediately once the daily balance exceeds the maximum daily balance limit.
- We will, from time to time, at our sole discretion, request that the deposits with BAG Finance be withdrawn or terminated early (either in full or in part) to assess and ensure the liquidity and safety of our deposits.

(3) Internal control measures

- We have adopted internal control policies which are implemented by our finance center. All cash inflow and outflow of our Group should be considered in light of a unified budget. In addition, the vice president of our Company in charge of finance and his team will be responsible for closely monitoring such ongoing and continuing connected transactions.
- Our management will prepare periodic risk assessment reports of the funds deposited with BAG Finance. The contents of such risk assessment reports will include the maximum daily balance of the deposits for the reporting period and the deposits with BAG Finance during the reporting period.
- In particular, our independent non-executive Directors will independently scrutinize the implementation and enforcement of the transactions under the Financial Services Framework Agreement on an annual basis. If the independent non-executive Directors consider that it would be in our interests to reduce the level of deposits with BAG Finance, we will take appropriate measures to implement the decision of our independent non-executive Directors. Any material findings in the risk assessment reports, the views of our independent non-executive Directors on the deposits under the Financial Services Framework Agreement (including their views on how the terms of the Financial Services Framework Agreement have been complied with), and their decisions on any matters in relation thereto, will be disclosed in our annual and interim reports.
- During our annual audit, we would engage our auditors to review connected transactions between us and BAIC Group to ensure that the transactions under the Financial Services Framework Agreement have been conducted in accordance with the Listing Rules and have fulfilled the relevant disclosure requirements.

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4. Products and Services Purchasing Framework Agreement (“Transaction 4”)

Parties: BAIC Group (as the provider); and
Our Company (as the buyer).

Background: During the Track Record Period, we had a supply relationship with BAIC Group for certain raw materials, automotive modules, automotive parts, and new energy vehicle components and related assembly services during the New Energy Transition Period (as defined in “Relationship with BAIC Group” in this prospectus) and general services including transportation services. We source such products and general services through BAIC Group in order to take advantage of economies of scale (given that many of our products and services and BAIC Group’s products and services are similar in design and often use identical components and materials, and we are thus able to obtain greater price reductions and bargaining leverage by aggregating our orders for such products and general services with those of BAIC Group) as well as to benefit from BAIC Group’s testing and quality assurance facilities to ensure that the relevant products and general services adhere to our safety and quality standards.

We believe that we have readily available access to identical or similar components and materials and general services from Independent Third Parties in the PRC and elsewhere, but that such direct procurement from Independent Third Parties would not be as efficient on either a cost basis or an operational basis as our current arrangement to procure through BAIC Group.

Reasons for the transaction: In the ordinary and usual course of our business, our Group purchases products and services from BAIC Group and/or its associates. We have been using the products and services provided by BAIC Group and/or its associates for several years. BAIC Group has been providing us with a long-term stable supply. As a result, BAIC Group and its associates understand our business and operational requirements well. Our Directors believe that it is crucial to maintain a stable and quality supply of products and general services for our existing and future production and operation. With reference to our previous purchasing experience with BAIC Group and its associates, we believe BAIC Group can efficiently fulfill our requirements with stable and quality supply of products and general services.

Automobile parts and components and raw materials

Our Group is capable of carrying on its business independently of BAIC Group as it can procure the parts and components and raw materials supplied by BAIC Group and its associates from Independent Third Parties.

Our Company believes that the purchases of automobile parts, components and raw materials from BAIC Group and its associates would benefit our Group for the following reasons:

- (i) the purchases from BAIC Group and its associates will be at competitive prices not less favorable than those that our Group can obtain from Independent Third Parties;
- (ii) BAIC Group and its associates are familiar with our Group’s specifications, standards and requirements on automobile parts and components and raw materials; and
- (iii) our Directors consider that it is crucial for our Group to maintain the stability in supply and quality of automobile parts and components and raw materials for our existing and future production needs. In view of our product purchasing experience with BAIC Group and its associates, our Directors are of the view that BAIC Group and its associates can effectively fulfill our requirements in supply stability as well as quality.

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Arrangement of purchasing new energy vehicle components and related assembly services during the New Energy Transition Period

During the production process within the New Energy Transition Period, we will supply semi-finished vehicles to New Energy, which will then assemble power units and components (including batteries, electronic control systems and seats) into such semi-finished vehicles and subsequently deliver the fully assembled electric passenger vehicles to us for selling to end customers. We will pay New Energy a total sum representing (a) the procurement costs of such power units and components and (b) a service fee for providing such assembly services to us. For details of the arrangement of the New Energy Transition Period, please see “Relationship with BAIC Group—III. Delineation of the Businesses between the Excluded Companies and Our Company—5. New Energy.”

As of the Latest Practicable Date, no research and development and production arrangements in relation to electric passenger vehicles after the New Energy Transition Period have been officially determined.

Automotive modules

We source certain automotive modules, including modules for dashboards and chassis, from several subsidiaries of BAIC Group. Our Directors consider that our Group is capable of manufacturing automotive modules independently. In order to utilize our own resources more efficiently and focus on our core business, we have outsourced the production of automotive modules to BAIC Group and/or its associates. Our Group will continue this arrangement after Listing for the following reasons:

- (i) the production lines of these module systems are specifically designed for a number of our products, meeting the specific production requirements of such products of our Group;
- (ii) BAIC Group has been providing us with a long-term stable supply and it is familiar with our products and requirements;
- (iii) in addition, due to the geographical proximity between the subsidiaries of BAIC Group, which produce automotive modules for our Group, the transportation costs of products are low. The close cooperation with BAIC Group also facilitates our quality control and management; and
- (iv) subsidiaries of BAIC Group produce quality automotive modules for our Group and provide complete after-sales services for further improving the automotive module production lines based on our feedback.

Notwithstanding the above reasons, we believe that there are many adequate automobile module suppliers in the market and that we are able to identify suitable automobile parts suppliers in the market at any time.

Purchase of whole vehicles

In order to optimize our production strategy, our Group purchased whole vehicles (i.e. Beijing Motor proprietary branded passenger vehicles and Wevan 306) produced by BAIC Limited, a subsidiary of BAIC Group, and paid purchase costs of whole vehicles to BAIC Limited. Our Directors have confirmed that such arrangements are common in the automotive industry and are in the best interests of our Shareholders as a whole.

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Our Group believes that the provisional arrangement of purchasing whole vehicles from BAIC Limited would benefit our Group for the following reasons:

- (i) our Group can effectively deploy its production resources and further enhance the control of costs by utilizing the production capacity of BAIC Limited;
- (ii) our Group can better utilize the production facilities and products planning of BAIC Limited;
- (iii) our Group believes that BAIC Limited is familiar with our Group's production requirements and is able to supply quality whole vehicles to us; and
- (iv) the price charged to us by BAIC Limited is no less favorable than our internal manufacturing cost.

Based on the advice from our PRC legal advisers, our Directors are of the view that the production of Beijing Motor proprietary branded passenger vehicles and Wevan 306 by BAIC Limited does not violate any applicable laws and regulatory requirements in the PRC.

As of the date of this prospectus, we have reassessed our production capacity and found that our Zhuzhou Branch has sufficient capacity to manufacture Wevan 306, as a result of which, our Directors plan to discontinue the provisional arrangement with BAIC Limited after the Listing.

Transportation services

Zhongdu Logistics Co., Ltd. (中都物流有限公司) (“**Zhongdu Logistics**”), a subsidiary of BAIC Group, provides logistics services for our whole vehicles, parts and components, including transportation and storage services.

Our Company considers that the purchase of logistics services from BAIC Group and its associates would benefit our Group for the following reasons:

- (i) Zhongdu Logistics has been providing us with long-term stable supply and consistent quality services, being familiar with our special requirements on the transportation of complete vehicles and automobile parts and components;
- (ii) in addition, warehouse centers of Zhongdu Logistics are in geographical proximity to our production plant, which facilitates the transportation of complete vehicles and parts and components, thereby lowering our logistics and shortening transportation time; and
- (iii) the transportation service fees charged by Zhongdu Logistics are no less favorable than the fees charged to us by Independent Third Parties.

Back-office services

Our Company believes that the purchases of ancillary administrative and back-office services from BAIC Group and/or its associates would benefit our Group for the following reasons:

- (i) BAIC Group and/or its associates have been providing us with long-term stable ancillary administrative and back-office services for certain office premises of our Group in Beijing, the PRC, including meeting facilities and services, catering services and information technology services;

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- (ii) as the relevant services are of consistent quality, cost efficiency and localization convenience, it is in our best interests to continue to procure such services from BAIC Group and/or its associates; and
- (iii) the relevant back-office service fees charged by BAIC Group and/or its associates are no less favorable than the fees charged to us by Independent Third Parties.

Principal terms: We entered into a products and services purchasing framework agreement (the “**Products and Services Purchasing Framework Agreement**”) with BAIC Group on December 2, 2014, pursuant to which, BAIC Group and/or its associates will provide several types of products and services to our Company and/or our subsidiaries. These products will include automobile modules, raw materials, and components and parts, as well as labor services, logistics services, back-office services, advertising services and consultancy services (“**Purchase of Products and General Services**”).

The initial term of the Products and Services Purchasing Framework Agreement will commence on the Listing Date and end on December 31, 2016, and is subject to the renewal through mutual consent by the parties.

Pricing policy:

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

- (i) to have regular contact with the suppliers of our Group (including the BAIC Group) to keep abreast of market developments and the price trend of general services;
- (ii) before placing an individual purchase order, to invite certain number of suppliers (including BAIC Group) from the approved list of suppliers of our Group to submit quotations or proposals; and
- (iii) to have the suppliers and pricing of products and general services determined by the collective decision of our Company’s tender assessment board according to our Company’s administrative measures for market quotations. Members of the tender assessment board include representatives from the components and parts development department, supplies management department, research and development department, compliance and supervision department, finance center and audit department. Procurement engineers, product engineers and supplier quality management engineers will also participate in the assessment to review and compare the quotations or proposals received and assess the same based on various factors such as pricing, flexibility, quality and after-sales service.

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

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Raw materials, automotive modules, and automobile parts and components

Raw materials, automotive modules (including modules for dashboards and chassis), and automobile parts and components have historically been, and will continue to be, priced with reference to a combination of factors, including costs of materials, labor costs and employee benefit expenses, electricity and other utility costs, depreciation, machinery maintenance costs and selling and administrative expenses which are attributable to the procurement or production of such raw materials and components as well as automotive part products. Based on the above factors, each raw material, automotive module or finished automotive part product is ascribed a unit cost.

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

To monitor that the prices charged by BAIC Group are fair and reasonable, we have historically requested, prior to entering into individual supply agreements with BAIC Group, and will continue to request that BAIC Group provide a schedule of the costs being incurred by BAIC Group in respect of the raw materials, automotive modules and automotive parts and components being supplied by BAIC Group. Once such schedule is received, we have historically and will continue to (i) assess independently whether the costs incurred are fair and reasonable; (ii) request clarification and supporting documents from BAIC Group if we are of the view that the cost of items stated by BAIC Group are materially different from the costs that were quoted by BAIC Group historically; and (iii) verify that the profit margin on the total costs incurred by BAIC Group falls within the pre-agreed range of profit margins.

Logistics services

Logistics services provided to us by BAIC Group include transportation and storage services. The fees of logistics services are charged on the basis of the value of the complete vehicles, components and parts, custodial requirements, size and level of inventories, delivery and handling requirements and the number of vehicles. When determining the prices, the procurement department of our Group has made reference to the market prices charged for logistics services by other comparable automotive enterprises based on its extensive expertise and experience.

Other services fees

The services fees for other general services charged by BAIC Group and/or its associates are determined by arm's length negotiations between the relevant parties. Our Group will make reference to the historical fees of such general services and will also refer to the comparable market prices, to ensure that the terms of services provided by BAIC Group are fair and reasonable to our Group. We believe that we are able to obtain the same or similar general services from Independent Third Parties in the PRC and other regions at any time.

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Historical figures:

The amounts involved in respect of the Purchase of Products and General Services for the years ended December 31 2011, 2012 and 2013, and the six months ended June 30, 2014, are set out below:

	Historical Figures (RMB million)			For the six months ended June 30,	
	For the year ended December 31,				2014
	2011	2012	2013		
Purchase of products	904.3	2,270.9	3,188.3	2,783.2	
Purchase of services	171.3	363.2	1,258.2	1,565.3	
Total	<u>1,075.7</u>	<u>2,634.2</u>	<u>4,446.5</u>	<u>4,348.5</u>	

Annual caps: The maximum aggregate annual amounts in respect of the Purchase of Products and General Services for the years ending December 31 2014, 2015 and 2016 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31, (RMB million)		
	2014	2015	2016
Purchase of products	9,789.1	15,195.0	22,973.8
Purchase of services	3,651.0	5,571.8	7,687.0
Total	<u>13,440.1</u>	<u>20,766.8</u>	<u>30,660.8</u>

Basis of caps:

The above proposed annual caps are made with reference to the following factors:

- (i) unit purchase cost for each vehicle model of our Group in 2013 and the expected market condition and general cost inflation for the relevant period;
- (ii) the estimated sales volume of passenger vehicles with steady growth by taking into account, among others, macroeconomic conditions as well as the development strategies and business expansion plan of our Group; and
- (iii) the estimated annual caps for 2014, 2015 and 2016 include the respective expected annual value of the connected transactions between Beijing Benz and BAIC Group and its associates, while the historical figure including Beijing Benz for the year 2013 disclosed above only covered the period from November 18, 2013 to December 31, 2013 (both days inclusive), during which time Beijing Benz remained our subsidiary.

For the six months ended June 30, 2014, we experienced a significant increase in the total amount of products and services purchased from BAIC Group and its associates (RMB4,348.5 million) as compared with those of the full years of 2011 (RMB1,075.7 million) and 2012 (RMB2,634.2 million), and had reached the level of purchase close to that for the full year of 2013 (RMB4,446.5 million). The level of purchase of products in the first half of the year 2014 (RMB2,783.2 million) was comparatively higher than each of the full years of 2011 (RMB904.3 million) and 2012 (RMB2,270.9 million), and had reached the level of purchase close to that for the full year of 2013 (RMB3,188.3 million). Similarly, the level of purchase of services in the first half of the year 2014 (RMB1,565.3 million) exceeded the respective purchasing level in each of the full years of 2011 (RMB171.3 million), 2012 (RMB363.2 million) and 2013 (RMB1,258.2 million). The trends of both of these transactions are in line with the respective estimated annual caps for the year 2014,

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particularly considering, among others, that (i) our production plans were formulated by taking into account, among others, the seasonality of our business cycle that leads to higher production volumes in the second half of a year as compared with the first half, which would in turn result in our higher demand for purchases of products and general services from BAIC Group and its associates during the second half of the year 2014; and (ii) the phasing out of regular-wheelbase versions of C-Class sedans in the first half of the year 2014. The launch of the new C-Class (LWB version) sedans, with higher grade components and parts, in the second half of the year 2014 is expected to further increase our demand for purchases of products and general services from BAIC Group and its associates during the second half of the year 2014.

The increase in the estimated annual caps for the purchase of products and services from BAIC Group and its associates by our Group is primarily due to the expected increase of our total costs and expenses, which is ultimately driven by the business expansion plan of our Group. Our Group (including Beijing Benz) plans to launch and manufacture various new models in 2014 and 2015, which is expected to result in significant increases in our total costs and expenses for such years. In addition, the expected sales volume of existing models will continue to rise driven by the continued demand growth in their respective segments, which will also result in the increase of our total costs and expenses (cost of sales, selling and distribution expenses, and general and administrative expenses).

5. Provision of Products and Services Framework Agreement (“Transaction 5”)

Parties: BAIC Group (as the buyer); and
Our Company (as the provider)

Background: During the Track Record Period, we had a supply relationship with BAIC Group in relation to the completed vehicles, automobile parts and general services including sales services and consultancy services.

Reasons for the transaction: In the ordinary and usual course of our business, our Group provides various products and general services to BAIC Group and/or its associates. Our Directors consider that the provision of products and general services to BAIC Group would benefit our Group for the following reasons:

- (i) BAIC Group and/or its associates can benefit from our professional sales team which has a solid understanding of China’s automobile market and diversified sales channels thereby reducing their sales cost;
- (ii) subsidiaries of BAIC Group operating dealership outlets purchase vehicles manufactured and assembled by Beijing Benz and vehicles under our proprietary brand for resale in its dealership outlets. Our Company and those subsidiaries of BAIC Group have established a long-term relationship and understand the business plan, quality control and other special requirements of each other;
- (iii) BAIC Group and/or its associates purchase automobile components, such as automobile engines, from our subsidiary, Powertrain, for their daily production; and
- (iv) prices and terms for the products and general services provided by us to BAIC Group are not less favorable than those offered to Independent Third Parties.

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Principal terms: We entered into a Provision of Products and Services Framework Agreement (the “**Provision of Products and Services Framework Agreement**”) with BAIC Group on December 2, 2014, pursuant to which BAIC Group and/or its associates will purchase the following types of products and services from our Company and/or our subsidiaries: facilities, raw materials, components and parts and complete vehicles as well as sales agency services, transportation services and consultancy services (“**Provision of Products and General Services**”). We expect that our Group will mainly sell complete vehicles and provide relevant automotive parts and components to BAIC Group.

The initial term of the Provision of Products and Services Framework Agreement will commence on the Listing Date and end on December 31, 2016, and is subject to renewal through mutual consents by the parties.

Pricing policy:

To ensure that the terms of the transactions contemplated under the Provision of Products and Services Framework Agreement are on terms no less favorable than those entered into between our Group and Independent Third Parties, the Provision of Products and Services Framework Agreement specifically provides that terms of transactions contemplated thereunder are to be on terms no less favorable than those entered into between our Company and Independent Third Parties.

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

Complete vehicles and relevant automotive parts

In determining the prices of the raw materials, automobile parts, components and complete vehicles, we will refer to the average profit margin in the market or the principle of the cost plus a reasonable profit margin. The underlying costs include raw materials, accessories, depreciation, salary, energy, cutters/tools, technology consumption, equipment maintenance, management fees and financial fees. With the assistance of the relevant procurement experience of our procurement department, we gather information on market prices and profit margin levels of automobile products in the industry through industrial associations and independent automobile products suppliers in the PRC.

Historical figures: The amounts of transactions in respect of the Provision of Products and General Services for the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014 are set out below:

	Historical Figures (RMB million)			For the six months ended June 30,
	For the year ended December 31,			
	2011	2012	2013	
Provision of products	54.9	266.9	594.4	878.5
Provision of services	24.2	10.5	19.7	17.3
Total	<u>79.1</u>	<u>277.4</u>	<u>614.1</u>	<u>895.9</u>

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Annual caps: The maximum aggregate annual amounts in respect of the Provision of Products and General Services for the years ending December 31, 2014, 2015 and 2016 shall not exceed the caps set out below:

	Proposed annual cap for the year ending December 31, (RMB million)		
	2014	2015	2016
Provision of products	1,927.7	2,796.8	4,173.9
Provision of services	53.6	98.4	128.8
Total	1,981.3	2,895.2	4,302.7

Basis of caps:

The above proposed annual caps are estimated on the basis of:

- (i) the steady growth on future sales of complete vehicles to be manufactured and assembled by Beijing Benz and Beijing Motor by taking into account, among others, macroeconomic conditions as well as the development strategies and business expansion plan of our Group;
- (ii) the percentage of our sales to the dealership outlets operated by the associates of BAIC Group in the future, which is determined with reference to the historical percentage of our sales of complete vehicles manufactured and assembled by Beijing Benz and Beijing Motor to the dealership outlets operated by the associates of BAIC Group; and
- (iii) the estimated annual caps for 2014, 2015 and 2016 include the respective expected annual value of the connected transactions, while the historical figure including Beijing Benz for the year 2013 disclosed above only covered the period from November 18, 2013 to December 31, 2013 (both days inclusive), during which time Beijing Benz remained our subsidiary and Beijing Benz provided whole vehicles to dealerships that were connected persons of the Company by virtue of them being associates of BAIC Group.

The increase in the estimated annual caps for the provision of products and services to BAIC Group and its associates by the Group is primarily linked to the expected increase of our revenues, which is ultimately driven by our business expansion plan. Our revenue increased significantly from RMB2,293.8 million for the six months ended June 30, 2013 to RMB25,126.9 million for the same period in 2014, which was due to the contribution of revenue from Beijing Benz of RMB19,156.7 million and a 160.3% increase in Beijing Motor's revenue. Correspondingly, for the six months ended June 30, 2014, we experienced a significant increase in the provision of products and services to BAIC Group and its associates as compared with those of previous years, which amounted approximately RMB878.5 million and RMB17.3 million, respectively. The trends of both transactions are in line with the respective estimated annual caps for the year 2014.

Internal control procedures adopted by our Company for the implementation of Non-exempt Continuing Connected Transactions

Our Company has adopted the following internal control procedures to ensure that the Non-exempt Continuing Connected Transactions are fair and reasonable and on normal commercial terms:

- our Company has adopted and implemented a management system on connected transactions. Under this system, our finance center is responsible for conducting reviews

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on compliance with relevant laws, regulations, company policies and Listing Rules in respect of Non-exempt Continuing Connected Transactions. In addition, the finance center, procurement center, legal affairs department and other relevant operation departments of our Company are jointly responsible for evaluating the transaction terms under the agreements for Non-exempt Continuing Connected Transactions, in particular, the fairness of the pricing terms under each agreement; and

- the independent non-executive Directors have also reviewed and will continue to review the agreements for Non-exempt Continuing Connected Transactions to ensure such agreements 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 our Company will also conduct an annual review on the pricing and annual caps of such agreements.

When determining the actual prices of products and services to be supplied to our Company, the corresponding vendor will provide our Company with a proposed price. As mentioned above, in order to ensure that the pricing terms under the agreements for Non-exempt Continuing Connected Transactions are fair and reasonable, our Company's finance center and other relevant operation departments will review the proposed price provided by the vendor in the following manner:

- 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 product with similar specifications, technology and quality requirements provided by any other manufacturers in the market;
- our Company has established a stringent market price inquiry system. The selection of suppliers shall be determined by the collective decision of a tender assessment board with members from the components and parts development department, suppliers management department, research and development department, compliance and supervision department, finance center and audit department as well as procurement engineers, product engineers and suppliers' quality management engineers. Tenders will be sought from various suppliers and assessed internally over several rounds before a decision is made on the basis of pricing, quality, technology, product risks and after-sales services;
- if no comparable market price is available, the fairness and reasonableness of the proposed price will be determined with reference to the total cost of the part or product, which is estimated with reference to (i) the market price of the raw materials or semi-finished products forming the part or product; and (ii) the cost estimated to be required for manufacturing such part or product with reference to requirements in relation to its nature, functionality, technology and quality standards etc., plus a profit margin of not more than the maximum profit margin level as stipulated under the relevant agreement, depending on the complexity of technologies and quality control procedures involved; and
- 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 our Company are no less favorable than those offered by the supplier to independent third parties.

Our Directors' Confirmation

Our Directors (including our independent non-executive Directors) are of the view that the Non-exempt Continuing Connected Transactions set out above have been and will be entered into in our ordinary and usual course of business on normal commercial terms and are fair and reasonable and

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in the interests of our Company and our Shareholders as a whole; and the proposed annual caps for the Non-exempt Continuing Connected Transactions set out above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

The Joint Sponsors' Confirmation

The Joint Sponsors are of the view that the Non-exempt Continuing Connected Transactions set out above have been and will be entered into in the ordinary and usual course of business of our Group, on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and the proposed annual caps for the Non-exempt Continuing Connected Transactions set out above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Waivers from the Exchange

In relation to the continuing connected transactions under Transaction 1B for each of the three financial years ending December 31, 2014, 2015 and 2016, the highest applicable percentage ratio is expected to be more than 0.1% but less than 5%. Accordingly, the continuous connected transactions of Transaction 1B are subject to the announcement requirements under Rule 14A.35 of the Listing Rules and the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules.

In relation to the continuing connected transactions under Transaction 2, Transaction 4 and Transaction 5 for each of the three financial years ending December 31, 2014, 2015 and 2016 and under Transaction 3 for the year ending December 31, 2014, the highest applicable percentage ratio is expected to be more than 5%. Accordingly, the transactions under Transaction 2 to Transaction 5 are subject to the announcement requirements under Rule 14A.35 of the Listing Rules, the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules and the independent Shareholders' approval requirements under Rule 14A.36 of the Listing Rules.

We have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirements of the Listing Rules in respect of the transactions under Transaction 1B; as well as from strict compliance with the announcement and independent Shareholders' approval requirements pursuant to Rule 14A.105 of the Listing Rules in respect of Transaction 2 to Transaction 5, provided that the total value of transactions under the Non-exempt Continuing Connected Transactions for each of the three financial years ending December 31, 2014, 2015 and 2016 will not exceed the relevant annual caps set forth above. Our independent non-executive Directors and auditors of our Company will review whether the Non-exempt Continuing Connected Transactions have been entered into based on the principal terms and pricing policies under the relevant agreements as disclosed in this section. The confirmations of our independent non-executive Directors and our auditors will be disclosed annually, as required by the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

The waiver granted by the Stock Exchange for the non-exempt continuing connected transactions in respect of Transaction 3 under the Financial Services Framework Agreement will be for one year up to the next annual general meeting. If independent Shareholders' approval cannot be

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obtained before or at the next annual general meeting, we will not continue such financial services under the Financial Services Framework Agreement to the extent that they constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS RELATING TO DAIMLER AG AND ITS ASSOCIATES

Background of Daimler AG, Beijing Benz and the continuing connected transactions

Our Company is principally engaged in the manufacturing, marketing and distribution of passenger vehicles under Beijing Motor proprietary brand and the Mercedes-Benz branded passenger vehicles through Beijing Benz.

Daimler AG is one of the world's most well-known automotive companies and has formed a long-standing partnership with our Group over the past two decades, which was further deepened by the completion of a series of transactions between Daimler AG (and its associates) and our Company in November 2013. For details of the transactions and strategic relationship between the two parties, please see the "History, Reorganization and Corporate Structure" and "Business" sections of the prospectus.

As part of such strategic cooperation alliance, immediately following the completion of the Global Offering, Daimler AG is expected to, directly and indirectly, own 10% or more of the share capital of our Company and thus will be a Substantial Shareholder of our Company. Furthermore, Daimler AG will, and through Daimler Greater China, continue to be a Substantial Shareholder of Beijing Benz (a non-wholly owned subsidiary of our Company), holding 49% of the equity interest in Beijing Benz. As a result, Daimler AG will continue to be a Substantial Shareholder of our Company as well as a Substantial Shareholder at the subsidiary level of our Company, hence Daimler AG and its associates will become our Company's Connected Persons upon the Listing. Therefore, the transactions between our Group and Daimler AG and its associates constitute connected transactions of our Company.

In addition, as Daimler AG (a Connected Person at our Company level) will continue to be a Substantial Shareholder (excluding any indirect interest in Beijing Benz which is held by Daimler AG through our Company) of Beijing Benz, a non-wholly owned subsidiary of our Company upon the Listing, Beijing Benz constitutes a Connected Person of our Company after the Listing under Rule 14A.16 of the Listing Rules. Therefore, the transactions between our Group (excluding Beijing Benz) and Beijing Benz constitute connected transactions of our Company.

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Our Group has entered, and will enter into, agreements with Daimler AG and its associates in relation to various types of transactions, including, among other matters, the purchase of components and accessories from Daimler AG and its associates (Daimler AG Transaction 1A referred to below), sales of vehicles to Daimler AG and its associates (Daimler AG Transaction 1B referred to below), provision of the use of intellectual property rights (including trademarks and technologies) by Daimler AG and its associates (Daimler AG Transaction 2 referred to below), provision of services by Daimler AG and its associates to Beijing Benz (Daimler AG Transaction 3A referred to below) and provision of services, parts and accessories by Beijing Benz to Daimler AG and its associates (Daimler AG Transaction 3B referred to below). All of the above transactions constitute continuing connected transactions of our Company. Please refer to continuing connected transactions set out below for further details:

<u>Nature of transaction</u>	<u>Applicable Listing Rules</u>	<u>Waiver sought</u>	<u>Historical amounts (RMB million)</u>	<u>Proposed annual cap (RMB million)</u>
<i>Transactions with Daimler AG and/or its associates</i>				
1A. Purchase of components and accessories from Daimler AG and its associates by Beijing Benz	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 and 14A.71	Written agreement, annual cap, annual reporting, announcement, and independent Shareholders' approval requirements	N/A	N/A
			For the year ended December 31	
1B. Sales of vehicles by Beijing Benz to Daimler AG and its associates	14A.34 and 14A.52	Written agreement requirement	2011: 59.4 2012: 30.3 2013: 5.7	2014: 65.0 2015: 65.0 2016: 65.0
			For the six months ended June 30	
			2014: 0	
2. Provision of the use of intellectual property rights (including trademarks and technologies) by Daimler AG and its associates to Beijing Benz	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 and 14A.71	Written agreement, annual cap, annual reporting, announcement, and independent Shareholders' approval requirements	N/A	N/A
3A. Provision of services by Daimler AG and its associates to Beijing Benz	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 and 14A.71	Written agreement, annual cap, annual reporting, announcement, and independent Shareholders' approval requirements	N/A	N/A
3B. Provision of services, parts and accessories by Beijing Benz to Daimler AG and its associates	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 and 14A.71	Written agreement, annual cap, annual reporting, announcement, and independent Shareholders' approval requirements	N/A	N/A

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1A. Purchase of components and accessories from Daimler AG and its associates by Beijing Benz (“Daimler AG Transaction 1A”)

Description of the transaction: During the Track Record Period, our Company’s non-wholly owned subsidiary, Beijing Benz, entered into a series of purchase agreements with Daimler AG and its associates, pursuant to which Beijing Benz purchased components (including chassis), spare parts and accessories from Daimler AG and its associates for production purposes.

Reasons for the transaction: Our Company manufactures and sells Mercedes-Benz branded passenger vehicles through Beijing Benz with Daimler AG. As the world’s leading manufacturer and supplier of Mercedes-Benz branded vehicles and accessories and components for Mercedes-Benz branded vehicles, Daimler AG possesses extensive experience, advanced technologies and an unparalleled, consistent quality control system which are valuable to our Group. Through supplying components (including chassis), spare parts and accessories for the production of Mercedes-Benz branded vehicles as well as the experience and technologies in automobile manufacturing, Daimler AG helps to enhance our Group’s competitiveness. With the stable supply of high-quality components and parts from Daimler AG and its associates that are tailored to Beijing Benz’s specific automobile models which can meet the strict quality standard and technical specifications of Beijing Benz. Beijing Benz takes advantage of the economies of scale and Daimler AG’s advanced technology and experience through purchasing from the global supplier chain of Daimler AG. Together with the capacity expansion of Beijing Benz, the forecast of future purchase volumes from Daimler AG and its associates is expected to increase.

Pricing Policy: In determining prices for the products, Beijing Benz will consider the market price of comparable products that are available in the market in order to make sure that the price offered by Daimler AG and/or its associates will remain reasonable and competitive in the market. To obtain the market price, experienced staff from the procurement department of Beijing Benz will go through a price selection process in which Daimler AG and its associates are treated no differently from any other third party suppliers. Beijing Benz will seek quotations for the products from certain suppliers and conduct market research to obtain prevailing market prices and conditions for the supply of similar products. Based on the information gathered through the above approach, Beijing Benz will select the most favorable price (the “**Price Selection Process**”). Consequently, the purchase of certain automobile parts by Beijing Benz would not be automatically be made with Daimler AG or its associates if Beijing Benz could obtain better terms from other suppliers.

However, unlike normal consumer products, some of the vehicles manufactured by Beijing Benz are dependent on certain parts and components provided by Daimler AG and/or its associates as there are no alternatives available in the market. In such circumstances, Beijing Benz has to source parts and components from Daimler AG and/or its associates to Beijing Benz to fulfill in production and market prices for these components and parts are not readily available. The price for these components and parts is subject to strict internal control procedures (“**Internal Control Procedures**”) of Beijing Benz as mentioned below:

- (i) In relation to the continuing connected transactions with Daimler AG and its associates, negotiations are and will be conducted by our Group (as Beijing Benz’s shareholder) on an arm’s length basis. Daimler AG and its associates are not in a position to influence our Group to agree to terms which may not be in our interest;
- (ii) Pursuant to the joint venture agreement and the articles of association of Beijing Benz, Daimler AG and our Company are entitled to respectively nominate Beijing Benz’s chief

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executive officer and senior executive vice president. The chief executive officer and the senior executive vice president of Beijing Benz have the same decision-making power. The entering into of any contracts of material importance or related material transactions with Daimler AG and/or its associates shall be mutually agreed on and approved by both the chief executive officer and the senior executive vice president of Beijing Benz;

- (iii) Each of Daimler AG and our Company shall have the right to appoint either the head of the procurement department or the head of the financial department. The head of the procurement department and the head of the financial department of Beijing Benz have the same decision-making power. Each of the head of the procurement department and financial department will jointly review and approve the terms of each transaction between Daimler AG and its associates and our Group as well as assessing whether the terms are fair and reasonable;
- (iv) Our Group (including Beijing Benz) has adopted and implemented a set of operational procedures in the management of connected transactions. According to such procedures, the product engineers, procurement engineers and suppliers' quality assessment engineers will conduct three rounds of quotation assessment by taking into consideration prices, after-sales services, quality, timetable and technologies when conducting the assessment;
- (v) Our Group (including Beijing Benz) will regularly obtain quotations from local suppliers for equivalent or similar products and services that may be available from other local PRC suppliers in order to determine whether viable alternatives of comparable quality can be obtained in a timely manner and at the most competitive price. If alternatives are available, our Group (including Beijing Benz) would go through a price selection process before selecting suppliers for such alternatives. In such a tender process, Daimler AG and its associates are treated no differently from any other third party suppliers. Consequently, the purchase of automobile parts and related services by our Group (including Beijing Benz) would not be automatically allocated to Daimler AG or its associates if our Group (including Beijing Benz) could obtain better terms from other suppliers. In addition, as a business reality, additional transportation and tax costs would be incurred in purchasing vehicle products, parts and components from a foreign supplier. Overtime, our Group expects that fewer vehicle products, parts and components, as well as associated technical support services, specialists services and IT support services, may be sourced from Daimler AG and its associates where cheaper alternatives might be available in the PRC. This process of "localization" is widely regarded as a key means of cost reduction in the PRC automotive industry and is also one of the priorities of Beijing Benz; and
- (vi) The independent non-executive Directors will also conduct an annual review on the agreements for non-exempt continuing connected transactions to ensure such agreements 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 our Company will also conduct an annual review of the pricing and annual caps (if applicable) of such agreements.

In order to ensure that the price is fair and reasonable, our Company and its subsidiaries will continue to obtain quotations for, and conduct market search upon, similar products used in other high-end brand vehicles for reference purposes. Taking into consideration these reference prices, the representatives of our Group rely on their knowledge of the industry standards and prior experience gained from similar negotiations in determining purchase prices to assess the prices offered by Daimler AG and/or its associates.

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Our Group will also determine the price by taking into account international and domestic benchmark raw materials costs and the profit margin that could be achieved by our Group to ensure that component costs are set at a level that allows our Group to generate a profit margin that is equivalent to industry standards or even better.

Applicable requirements and waivers sought: Daimler AG Transaction 1A is subject to the written agreement requirements set out in Rules 14A.34 and 14A.52, the announcement requirements set out in Rule 14A.35, the annual cap requirements set out in Rule 14A.53, the independent Shareholders' approval requirements set out in Rule 14A.36, and the annual reporting requirements set out in Rules 14A.49 and 14A.71.

Our Company has applied for, and the Stock Exchange has granted a waiver from strict compliance with the written agreement, annual cap, annual reporting, announcement and the independent Shareholders' approval requirements in respect of Daimler AG Transaction 1A.

1B. Sales of vehicles by Beijing Benz to Daimler AG and its associates ("Daimler AG Transaction 1B")

Description of the transaction: Daimler AG and its associates purchased vehicles from Beijing Benz during the Track Record Period for research and development, testing, marketing, promotion and their own use.

Reasons for the transaction: To maintain the high quality of Mercedes-Benz branded passenger vehicles globally, Daimler AG closely monitors the quality of vehicles manufactured by its joint ventures, including Beijing Benz, and therefore it purchases Mercedes-Benz branded passenger vehicles manufactured by Beijing Benz for research, development and testing purposes. In addition, Daimler AG and its associates purchase vehicles produced by Beijing Benz for marketing, promotion and their own use.

Pricing policy: In relation to the transactions described above, our Company and its subsidiaries will take into account the market prices of the vehicles to make sure that the prices offered to Daimler AG and its associates are fair and reasonable and on normal commercial terms. As Beijing Benz has been selling vehicles to various 4S dealers (both connected and non-connected with our Company) in the market, the market prices of the vehicles are readily available.

Historical amounts: The amounts paid to Beijing Benz by Daimler AG and its associates in respect of the purchase of vehicles for the three years ended December 31, 2011, 2012 and 2013, and for the six months ended June 30, 2014, were approximately RMB59.4 million, RMB30.3 million, RMB5.7 million and nil, respectively.

Annual caps: The maximum aggregate annual amount paid to Beijing Benz by Daimler AG and its associates in respect of the purchase of vehicles for each of the years ending December 31, 2014, 2015 and 2016 shall not exceed RMB65 million.

Basis of Caps: The above proposed annual caps were estimated on the basis of: (i) the anticipated demand and consumption of vehicles by Daimler AG and/or its associates; and (ii) the historical purchase volume by Daimler AG from Beijing Benz.

The number of sales of vehicles by Beijing Benz to Daimler AG and its associates is based on the actual demand of vehicles on a case-by-case basis, which is driven by various factors, such as

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(i) new vehicle models' testing and marketing activities; (ii) vehicle models' research, development and upgrade; and (iii) other internal usages for daily operation. This varies from year to year, and it is impracticable to provide a definitive estimate. As such, the proposed annual caps for 2014, 2015 and 2016 are determined with reference to one of the highest total number of sales of vehicles during the Track Record Period.

Applicable requirements and waivers sought: Daimler AG Transaction 1B is subject to the written agreement requirements set out in Rules 14A.34 and 14A.52, and the annual reporting requirements set out in Rules 14A.49 and 14A.71. Our Company had applied for, and the Stock Exchange has granted a waiver from strict compliance with the written agreement requirement in respect of Daimler AG Transaction 1B.

Our Company will comply with other requirements under Chapter 14A of the Listing Rules in respect of Daimler AG Transaction 1B upon the Listing.

2. Provision of the use of intellectual property rights (including trademarks and technologies) by Daimler AG and its associates to Beijing Benz (“Daimler AG Transaction 2”)

Description of the transaction: Our Company's non-wholly owned subsidiary, Beijing Benz, entered into trademark licensing agreements and technology licensing agreements with Daimler AG and its associates in respect of the company name of Beijing Benz and the existing vehicle models produced by Beijing Benz. Pursuant to such agreements, Beijing Benz is granted by Daimler AG a non-exclusive license for the use of trademarks including the “Benz” trademark in its company name, and technologies in the manufacture and assembly of Mercedes-Benz branded passenger vehicles. Beijing Benz shall make periodic payments of royalties to Daimler AG and its associates.

Reasons for the transaction: It is standard practice in the PRC automobile industry for PRC and/or Sino-foreign owned automobile manufacturing joint ventures to pay royalties to the joint venture partner which owns and provides the relevant trademark and technology licenses. The provision of the intellectual property rights in the form of trademark and technology licenses by Daimler AG and its associates to Beijing Benz is key to the long-term profitability and competitiveness of Beijing Benz and its products. Trademark license agreements and technology license agreements ensure that the party providing the technology and trademark licenses receives recognition of its research and development as well as its brand in respect of particular vehicle models, and that the brand reputation of Mercedes-Benz can be leveraged such that the products of Beijing Benz remain competitive. Our Group believes that it has benefited and will continue to benefit from the technological expertise and product portfolio of Daimler AG and its associates.

The arrangements with regard to the intellectual property rights are part of the joint venture framework agreement regarding Beijing Benz between our Company and Daimler AG. Daimler AG, as the joint venture partner, is primarily responsible for the research and development of new vehicle models, and it is therefore essential for Beijing Benz to maintain the technology licenses granted by Daimler AG and its associates. The car models produced by Beijing Benz are dependent on the intellectual property rights licensed by Daimler AG and its associates, thus such intellectual property rights are fundamental to the production of Beijing Benz. Without them, the businesses of Beijing Benz could not have been established and could not operate. Our Group, therefore, has no alternative but to source intellectual property rights from Daimler AG and its associates for the duration of Beijing Benz.

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In addition, to comply with German tax legislation and general rules for licensing Mercedes-Benz branded products, Beijing Benz, as the licensee of the relevant intellectual property rights, has to pay for technology and trademark license fees to Daimler AG and its associates.

Pricing policy: The technologies and trademarks licensed to Beijing Benz are owned by Daimler AG and/or its associates and there is no alternative available in the market. As such, Beijing Benz has to obtain licenses from Daimler AG, and market prices are not readily available. The prices for the provision of the use of technologies and trademarks have been agreed by Daimler AG and our Group or arm's length negotiations subject to the Internal Control Procedures. The royalties payable for such licenses of technologies and trademarks shall be calculated as a percentage of the net revenue from vehicles and automobile parts and components which use the licensed technologies and trademarks. This net revenue is calculated based on the manufacturer's suggested retail price less the value-added tax, gross margin of dealers, sales rebates to dealers, consumption tax and sales discounts.

Applicable requirements and waivers sought: Daimler AG Transaction 2 is subject to the written agreement requirements set out in Rules 14A.34 and 14A.52, the announcement requirements set out in Rule 14A.35, the annual cap requirements set out in Rule 14A.53, the independent Shareholders' approval requirements set out in Rule 14A.36, and the annual reporting requirements set out in Rules 14A.49 and 14A.71.

Our Company has applied for, and the Stock Exchange has granted a waiver from strict compliance with the written agreement, annual cap, annual reporting, announcement, and the independent Shareholders' approval requirements in respect of Daimler AG Transaction 2.

3A. Provision of services by Daimler AG and its associates to Beijing Benz ("Daimler AG Transaction 3A")

Description of the transaction: Beijing Benz has entered into service procurement agreements with Daimler AG and its associates, pursuant to which Daimler AG and its associates provide services, including technical support, training, specialist assistance, IT support, sales consulting, marketing and operational management services, during the Track Record Period.

Reasons for the transaction: The technical support services that Beijing Benz purchases from Daimler AG and its associates are necessary ancillary services for the licensed products to Beijing Benz under the technology license agreement as mentioned in Daimler AG Transaction 2 above. Beijing Benz also engages specialists from Daimler AG and its associates to assist with a series of product production, engine plant, research and development, localization development and product material control matters. One of Daimler AG's associates also provides sales and marketing services which are related to Beijing Benz's products, including sales planning, marketing, after-sales, dealer network, and development management. Such services ensure that the advanced technology, precision equipment and components provided by Daimler AG and its associates to our Group are properly applied in the process of production and the sound management and marketing of the joint venture between our Company and Daimler AG, namely Beijing Benz. In addition, since Daimler AG and its associates have extensive experience in the automobile industry, our Directors consider that such services would help Beijing Benz to develop its manufacturing equipment automatization, and improve the sales and marketing, as well as operational management.

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Pricing policy: As Daimler AG and its associates own underlying technologies related to the services provided to Beijing Benz, the technical support services, IT services and other auxiliary services can only be sourced from Daimler AG as there is no alternative service provider in the market. The service fees charged by Daimler AG and its associates to our Group are determined based on arm's length negotiations subject to the Internal Control Procedures. For details of the Internal Control Procedures, please see "Internal Control Procedures" set forth in Transaction 1A of this section.

In relation to technical support services and specialist assistance services, Daimler AG and our Company agreed that the service fees to be paid will be determined on a fixed fee rate on a daily basis with reference to the historical rates paid by Beijing Benz for the provision of similar services. In relation to the fees for the marketing-related services and IT support services, Daimler AG and our Company agreed that the fees shall be for a pre-agreed price determined based on the pro rata (or otherwise agreed) allocation of costs incurred by Beijing Benz in IT and marketing-related activities.

Our Company and its subsidiaries will take into account the market prices and comparable prices of similar services. Our Group seeks quotations for, and conducts market research upon, similar services used by other high-end brand vehicle manufactures, and may gather pricing information on other joint ventures of Daimler AG in the PRC. However, where there is no other comparable service available in the market, the representatives of our Group will rely on their knowledge of industry standards and their prior experience gained from similar negotiations in determining the price.

Applicable requirements and waivers sought: Daimler AG Transaction 3A is subject to the written agreement requirements set out in Rules 14A.34 and 14A.52, announcement requirements set out in Rule 14A.35, the annual cap requirements set out in Rule 14A.53, the independent Shareholders' approval requirements set out in Rule 14A.36, and the annual reporting requirements set out in Rules 14A.49 and 14A.71.

Our Company has applied for, and the Stock Exchange has granted a waiver from strict compliance with the written agreement, annual cap, annual reporting, announcement and independent Shareholders' approval requirements in respect of Daimler AG Transaction 3A.

3B. Provision of services, parts and accessories by Beijing Benz to Daimler AG and its associates ("Daimler AG Transaction 3B")

Description of the transaction: During the Track Record Period, Daimler AG and its associates entered into a series of agreements with Beijing Benz in relation to the purchase of services and products from Beijing Benz, pursuant to which, Beijing Benz sells components and spare parts and provides after-sales referral services to Daimler AG and its associates.

Reasons for the transaction: Beijing Benz has gradually become capable of manufacturing and supplying specific localized goods and components, such as new genuine parts for installation on or attachment to Mercedes-Benz branded passenger vehicles, aggregates and assemblies for Mercedes-Benz branded passenger vehicles and genuine remanufactured parts. The products manufactured by Beijing Benz are of high quality and are in accordance with applicable laws and regulations (i.e. China Compulsory-Certification). Therefore, Daimler AG and its associates have purchased components and spare parts from Beijing Benz for production purposes. Daimler AG and its associates also purchased accessories including tires, tools, workshop equipment and non-automotive accessories relating to parts or vehicles supplied by Beijing Benz. Given that the products manufactured and supplied by Beijing

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Benz are under extremely strict quality and cost control, Daimler AG and its associates believe the purchase of products from Beijing Benz is cost-saving and beneficial for their global supply chain.

In terms of the provision of after-sales referral service, Beijing Benz authorizes one of Daimler AG's associates to provide after-sales service to Beijing Benz's dealers on an exclusive basis. The associate of Daimler AG uses the spare parts purchased from Beijing Benz to provide after-sales services. The associate of Daimler AG generates profit in providing after-sales services and thus it pays a fixed fee on a per unit vehicle basis to Beijing Benz, and the fixed fee rate is arrived at arm's length discussion between the parties.

Pricing policy: In relation to the transactions described above, our Company and its subsidiaries will take into account the market prices of the relevant parts, components and services offered by other suppliers to Daimler AG and its associates in the market to make sure that the prices offered by Beijing Benz to Daimler AG and its associates are fair and reasonable and on normal commercial terms.

Our Group will determine the prices of the components, parts and assemblies by reference to the average profit margin in the market or based on the principle of the cost plus a reasonable margin. The underlying costs include raw materials, accessories, depreciation, salary, energy, cutters/tools, technology consumption, equipment maintenance, management fees, and financial fees. With the assistance of the relevant procurement experience of our procurement department, we gather information on market prices and profit margin levels of automobile products in the industry through industrial associations and independent automobile products suppliers in the PRC.

Applicable requirements and waivers sought: Daimler AG Transaction 3B is subject to the written agreement requirements set out in Rules 14A.34 and 14A.52, the announcement requirements set out in Rule 14A.35, the annual cap requirements set out in Rule 14A.53, the independent Shareholders' approval requirements set out in Rule 14A.36, and the annual reporting requirements set out in Rules 14A.49 and 14A.71.

Our Company has applied for, and the Stock Exchange has granted a waiver from strict compliance with the written agreement, annual cap, annual reporting, announcement and the independent Shareholders' approval requirements in respect of Daimler AG Transaction 3B.

WAIVERS FROM THE STOCK EXCHANGE

Despite the requirements under Chapter 14A of the Listing Rules, our Company considers that it would be unduly burdensome, detrimental to the business and operation of our Group, and not in the best interests of the Shareholders, for our Company to comply with certain of the following requirements in respect of the above continuing connected transactions with Daimler AG and its associates for the reasons set out below.

(a) Written Agreement Requirement

Compliance with the written agreement requirement to enter into agreement with the Connected Person for a term of not exceeding three years under Rules 14A.34 and 14A.52 of the Listing Rules would be impractical and commercially detrimental to our Company, as a long-term contract beyond three years is normal business practice in the PRC automotive industry and necessary to sustain the operation of the joint venture company

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between our Company and Daimler AG and its associates. For example, the technology expertise and assistance, and IT service agreements, currently entered into between our Company and Daimler AG (and its associates) have a term in line with the term of the joint venture contract between Daimler AG and our Company, which is 50 years and which commenced in 1983 (with a remaining term of 19 years after the Listing).

It is normal industry practice that the term of the transactions relating to purchase of components and accessories, sales of finished vehicles, provision of the use of intellectual property rights and mutual provisions of services to be fixed with reference to the expected life-cycle of vehicle models and the term of the joint venture contracts which will be of longer than three years duration. Any early termination, variation or risk in successful renewal may have a detrimental effect on the business continuity and successful operation of our Company.

Based on the reasons set out above, the Directors (including the independent non-executive Directors) and the Joint Sponsors are of the view that the relevant contracts with terms longer than three years set out above are in line with normal business practice in the PRC automotive industry and are in the interests of our Company and our Shareholders as a whole.

Therefore, in relation to certain continuing connected transactions between our Company and Daimler AG (and its associates) (Daimler AG Transactions 1A, 1B, 2, 3A and 3B), we have applied for, and the Stock Exchange has granted a waiver from strict compliance with written agreement requirements under Rules 14A.34 and 14A.52.

(b) Annual Cap Requirements

(i) Nature of transactions renders the imposition of annual caps impractical

Firstly, the growth of transaction volumes is expected to be rapid due to reasons beyond our Group's control.

The PRC automotive industry has experienced rapid growth over the past few years driven by the significant growth of the macro economy. In 2009, China became the largest automobile market in the world in terms of automobile production and sales, and has maintained a leading position since then. In recent years, the PRC passenger vehicle industry has experienced rapid growth driven by significant expansion of the macro economy. According to ACMR, China is now the largest passenger vehicle market in the world. The sales volume of passenger vehicles in China grew from 10.3 million units in 2009 to 17.9 million units in 2013, representing a CAGR of 14.8%. With the rapid growth of the PRC automobile industry, it is expected that transaction volumes between our Group and Daimler AG (and its associates) will continue to increase in the foreseeable future. However, the factors driving the increase in transaction volumes are dependent on economic growth in the PRC, regional customer demand, government policies as well as the performance of competitors, all of which are beyond the control of our Company, Daimler AG or Beijing Benz. As such, imposing any arbitrary cap on transactions between Daimler AG (and its associates) and us neither represents an accurate and thoughtful forecast of the actual transaction amounts and/or volumes for the relevant financial years, nor provides any meaningful information to the investors for making any informed decisions or forming any

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reasonable expectation with regard to the performance and management of our Company for the relevant financial years.

Secondly, annual caps will be easily exceeded and the compliance procedure thereby triggered will significantly affect the normal business of our Group.

The transactions between Daimler AG (and its associates) and us play a strategic and critical role in our Company's overall business, future success and development. The values of these transactions account for, and will continue to account for, a substantial portion of the total sales and procurement amounts of our Company. It would be relatively simple to exceed the annual caps, as any growth in demand for vehicles manufactured by Beijing Benz will consequently result in increased transaction volumes for the products, technology and services provided to Beijing Benz by Daimler AG (and its associates). Unless unrealistically large amounts are set as the annual caps, the imposition of annual caps would unnecessarily restrain our Group and Daimler AG (and its associates) from smoothly conducting or expanding our businesses in the ordinary course and as part of our normal businesses, weaken the flexibility of future development and adjustments, and lessen the competitive edge of businesses operated by our Group and Daimler AG (and its associates). The annual caps will also be easily exceeded as a result of increases in raw material prices, continual appreciation of the Renminbi, and fluctuating foreign exchange rates which will affect the cost of vehicle products, parts and services. Such volatile movement in costs is not within the control of, or predictable by, our Company.

Given the critical position of the strategic alliance with Daimler AG and its associates, our Company would be in no position to cease or even partially cease any transactions with Daimler AG and its associates. However, in the event that the annual caps are likely to be exceeded, the parties may have to suspend any further transactions for several months in order to convene a Shareholders' meeting to revise the caps. The Articles of Association of our Company requires that no less than 45-days' notice be given to Shareholders to convene a Shareholders' meeting. Such a delay or suspension in operations would have a direct and adverse impact on the profitability of our Company which in turn would be materially detrimental to the interests of our Company and our Shareholders as a whole.

(ii) Disclosure of commercially sensitive information would not be in the interests of our Company and our Shareholders

The disclosure of the annual caps, historical figures and their calculation basis for consideration of the transactions between our Group (including Beijing Benz) and Daimler AG and/or its associates will inevitably make public certain commercially sensitive information, such as the consideration for technology and trademark licenses, costs and prices of raw materials, vehicle products and related services, price calculation formulae, and pricing strategies. Such commercially sensitive information is fundamental to the success of both the business and cooperation between our Group and Daimler AG (and its associates). In the highly competitive automobile industry, such information is always protected and preserved in a strictly confidential manner. Any leakage of such information may offer potential opportunities or advantages which may be taken by competitors and seriously jeopardize the businesses of both our Group and Daimler AG (and its associates).

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Unlike normal consumer products, the vehicle products, parts and components sourced from Daimler AG (and its associates) may not have a standard market price, which makes the historical figures and future annual caps not reliable references for investors. The prices of vehicle products, parts and components provided by Daimler AG (and its associates) to Beijing Benz may vary from time to time as these are subject to a series of complex calculation formulae which are adjusted from time to time by the experts from both parties taking into account market demands, car specifications and price quotations offered by other players from this increasingly competitive market. Certain prices, such as technology royalties and components/vehicles are calculated based on a pre-determined formula where production and sales volume are the variables. Therefore, full disclosure of details of the pricing policies under these continuing connected transactions would lead to the reluctant disclosure of commercially sensitive information which may potentially jeopardize the business of our Group and Daimler AG. Conversely, the disclosure of historical figures and future annual caps will not provide investors with any meaningful information or reasonable expectations relating to transaction volumes.

In addition, it has been the practice of automobile industry players seeking a listing in Hong Kong to protect their historical figures and annual caps of certain types of transactions from public disclosure due to their sensitivity and strategic significance. Our Company believes that the protection of such information significantly outweighs the disclosure of annual caps, their bases and the historical figures in the prospectus. Notwithstanding the non-disclosure of commercially sensitive information, our Company will disclose sufficient information to the investors to enable them to make a properly informed assessment of our Company and its securities.

(iii) Internal control on transactions between Daimler AG and our Group is of an extremely high standard

Although Daimler AG and its associates are technically Connected Persons of our Company and the transactions between Daimler AG (and its associates) and us constitute connected transactions which fall into a special category of transaction under the Listing Rules subject to additional safeguard requirements on corporate governance, Daimler AG and its associates operate independently of us and the Controlling Shareholders. However, Daimler AG is a company listed on the Frankfurt Stock Exchange and is also subject to various corporate governance requirements and internal control requirements under the requirements of the Frankfurt Stock Exchange, and its directors are required to act in the best interests of Daimler AG and its shareholders as a whole. Notwithstanding its business alliance with our Company, Daimler AG and our Company are players in the same industry and may from time to time have different business interests to protect against each other. Thus both parties have consistently adopted strict standards in assessing the commercial reasonableness of cooperation with each other. As such, the transactions between Daimler AG (and its associates) and our Company (and our subsidiaries) in the past were entered into after rounds of arm's length negotiations.

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In addition, substantially all of the continuing connected transactions are conducted between Daimler AG and its associates on the one hand, and Beijing Benz on the other. Beijing Benz has implemented strict internal control and reporting mechanisms which enable business developments and transactions that may be subject to applicable continuing obligations under Chapter 14A of the Listing Rules to be reported to its board and/or designated persons.

- There are established internal control procedures under the joint venture agreement and the articles of association of Beijing Benz to ensure that the continuing connected transactions between Daimler AG (and its associates) and us are fair and reasonable and on normal commercial terms in order to safeguard the interests of our Company and our Shareholders as a whole. Pursuant to the joint venture agreement and the articles of association of Beijing Benz, Daimler AG and our Company are entitled to nominate Beijing Benz's chief executive officer and senior executive vice president respectively. The chief executive officer and the senior executive vice president of Beijing Benz have the same decision-making power. The entering into of any contracts of material importance or related material transactions with Daimler AG and/or its associates shall be mutually agreed on and approved by both the chief executive officer and the senior executive vice president of Beijing Benz;
- Each of Daimler AG and our Company shall have the right to appoint either the head of the procurement department or the head of financial department. The head of the procurement department and the head of the financial department of Beijing Benz have the same decision-making power. Each of the head of the procurement department and financial department will jointly review and approve the terms of each transaction between Daimler AG and its associates and our Group as well as assessing whether the terms are fair and reasonable;
- Our Group (including Beijing Benz) has adopted and implemented a set of operational procedures in the management of connected transactions. According to such procedures, the product engineers, procurement engineers and suppliers' quality assessment engineers will conduct three rounds of quotation assessment by taking into consideration prices, after-sales services, quality, timetable and technology when conducting the assessment;
- Our Group (including Beijing Benz) will regularly obtain quotations from local suppliers for equivalent or similar products and services that may be available from other local PRC suppliers in order to determine whether viable alternatives of comparable quality can be obtained in a timely manner and at the most competitive price. If alternatives are available, our Group (including Beijing Benz) would undertake a price selection process before selecting suppliers for such alternatives. In such a tender process, Daimler AG and its associates are treated no differently from other third party suppliers. Consequently, the purchase of automobile parts and related services by our Group (including Beijing Benz) would not be automatically be allocated to Daimler AG or its associates if our Group (including Beijing Benz) could obtain better terms from other suppliers. In addition, as a business reality, additional transportation and tax costs would be incurred in purchasing vehicle products, parts and components from a foreign supplier. Over time, our Group expects that fewer

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vehicle products, parts and components, as well as associated technical support services, specialist services and IT support services, may be sourced from Daimler AG and its associates where cheaper alternatives might be sourced in the PRC. This process of “localization” is widely regarded as a key means of cost reduction in the PRC automotive industry and is also one of the priorities of Beijing Benz;

- The independent non-executive Directors will also conduct an annual review of the agreements for non-exempt continuing connected transactions to ensure that such agreements 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 our Company will also conduct an annual review of the pricing and annual caps (if applicable) of such agreements;
- In order to ensure that the price is fair and reasonable, our Company and its subsidiaries will continue to obtain quotations for, and conduct market search upon, similar products used in other high-end brand vehicles for reference purposes. Taking into consideration these reference prices, the representatives of our Group rely on their knowledge of industry standards and prior experience gained from similar negotiations in determining purchase prices to assess the prices offered by Daimler AG and/or its associates;
- Our Group will also determine the price by taking into account international and domestic benchmark raw materials costs and the profit margin that could be achieved by our Group to ensure that component costs are set at a level that allows our Group to generate a profit margin that is within the industry standards or even better; and
- Our Group (including Beijing Benz) will regularly monitor the level of transaction volumes of the continuing connected transactions against the expected levels for Transactions 1A, 2, 3A and 3B and estimated annual caps for transaction 1B. Should the level of transaction volume be expected to exceed the estimated annual caps for transaction 1B, the Company’s securities department or other equivalent departments will promptly report it to the Company’s management for compliance procedures, such as an announcement, a circular and/or shareholders’ meeting under Chapter 14A of the Listing Rules, to be carried out. No further continuing connected transactions will be conducted unless all applicable compliance procedures have been fulfilled.

In light of the above reasons, in relation to certain continuing connected transactions between our Group and Daimler AG (and its associates) set out above as Daimler AG Transaction 1A, 2, 3A and 3B, we have applied for, and the Stock Exchange has granted a waiver from strict compliance with the annual cap requirements under Rule 14A.53 of the Listing Rules.

(c) Annual Reporting and Announcements Requirements

As stated above, the disclosure of the annual amounts of the transactions between our Group and Daimler AG and/or its associates will inevitably make public some commercial sensitive information which is fundamental to the success of our business and cooperation between our Group and Daimler AG (and its associates).

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For the same reasons as stated in paragraph (b)(ii), we have applied for, and the Stock Exchange has granted a waiver that the actual amounts of the transactions between our Group and Daimler AG and/or its associates shall not be required to be disclosed in our Company's annual reports upon the Listing. However, our Company will disclose the counterparties, nature, terms, pricing policies, reasons and benefits of the above-mentioned transactions made each year in its annual report. In relation to the continuing connected transactions between our Company (and its subsidiaries) and Daimler AG (and its associates) set out above as Daimler AG Transaction 1A, 2, 3A and 3B, we have applied for, and the Stock Exchange has granted a waiver from strict compliance with the announcement requirements under Rule 14A.35 of the Listing Rules and the annual reporting requirements under Rules 14A.49 and 14A.71 of the Listing Rules.

(d) Independent Shareholders' Approval Requirements

The continuing connected transactions between our Group and Daimler AG with regard to vehicle products, parts and components and the agreements relating to technical assistance are fundamental to the operation of Beijing Benz. It is not open to Beijing Benz to discontinue or terminate these transactions, otherwise it would have a crippling effect on the business of Beijing Benz resulting in adverse effects to the business and operation of our Company. Additionally, there are existing established procedures and sufficient control mechanisms as set out in paragraph (b)(iii) of this section to ensure that the transactions (including the pricing schemes) will be negotiated on an arm's length basis and that the terms of the transactions will be fair and reasonable and in the interests of our Company and our Shareholders as a whole.

In light of the above reasons, in relation to the continuing connected transactions between our Company (and its subsidiaries) and Daimler AG (and its associates) set out above as Daimler AG Transaction 1A, 2, 3A and 3B, we have applied for, and the Stock Exchange has granted a waiver from strict compliance with the independent Shareholders' approval requirements under Rule 14A.36.

Our Directors' Confirmation

Our Directors (including our independent non-executive Directors) are of the opinion that (1) each of the non-exempt continuing connected transactions relating to Daimler AG and its associates disclosed above has been entered into, and will be carried out, in the ordinary and usual course of business and on normal commercial terms; (2) each of the continuing connected transactions relating to Daimler AG and its associates disclosed above is fair and reasonable and is in the interests of our Shareholders as a whole; and (3) the annual caps for Daimler AG Transaction 1B are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

The Joint Sponsors' Confirmation

The Joint Sponsors are of the view that the non-exempt continuing connected transactions relating to Daimler AG and its associates disclosed above have been and will be entered into in the ordinary and usual course of business of our Group on normal commercial terms, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and the proposed annual caps for Daimler AG Transaction 1B set out above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

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Waivers from the Stock Exchange

Upon Listing, our Company and/or our subsidiaries and Daimler AG and/or its associates will continue to proceed with the above transactions. Apart from Daimler AG Transaction 1B, our Directors are of the view that compliance with the written agreement requirements, annual cap requirements, annual reporting requirement, announcement requirements and/or independent Shareholders' approval requirements in respect of the above continuing connected transactions with Daimler AG and its associates would cause unnecessary burden and losses to the businesses and operations of our Group and would not be in the best interests of our Shareholders. We have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver from strict compliance with the written agreement, annual cap, announcement, annual reporting, and/or independent Shareholders' approval requirements of the Listing Rules in respect of the transactions under the Daimler AG Transaction 1A, 2, 3A and 3B.

Compliance with the written agreement requirements in respect of Daimler AG Transaction 1B would cause unnecessary burden and losses to the businesses and operations of our Group and would not be in the best interests of our Shareholders. We have applied to the Stock Exchange, and the Stock Exchange has granted us a waiver from strict compliance with the written agreement requirement of the Listing Rules in respect of the transactions under the Daimler AG Transaction 1B.