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北京汽车
BAIC MOTOR

北京汽车股份有限公司
BAIC MOTOR CORPORATION LIMITED*

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

(stock code: 1958)

Continuous Connected Transactions
Financial Services Framework Agreement

Reference is made to the Prospectus. The Stock Exchange has granted the Company a waiver from the strict compliance with the requirements of announcement and independent shareholders' approval under Chapter 14A of the Listing Rules in respect of the continuous connected transactions and proposed annual cap under the Financial Services Framework Agreement. The waiver will be expired on 31 December 2014. Details of the waiver are set out in the Prospectus. Capitalized terms used herein shall have the same meanings with those defined in the Prospectus.

On 31 December 2014, the Board considered and approved the resolution in relation to the 2015 Annual Caps under the Financial Services Framework Agreement.

The Directors currently expect that each of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules in respect of the 2015 Annual Caps under the Financial Services Framework Agreement, on an annual basis, will be more than 0.1% but lower than 5%. Accordingly, the continuous connected transactions constitute non-exempt continuous connected transactions of the Company and are subject to the requirements of reporting, annual review and announcement under Chapter 14A of the Listing Rules.

As Xu Heyi, Zhang Xiyong, Li Zhili, Li Feng and Ma Chuanqi, the Directors, are also the directors of BAIC Group, they are deemed to have material of interests in the transactions contemplated under the Financial Services Framework Agreement. They have abstained from voting on the resolution of the proposed 2015 Annual Caps under the Financial Services Framework Agreement. Save for the above persons, other Directors have no interests in the transactions contemplated under the Financial Services Framework Agreement. Independent non-executive Directors of the Company, Fu Yuwu, Wong Lung Tak Patrick, Bao Robert Xiaochen, Zhao Fuquan and Liu Kaixiang, have considered and approved the resolution of the proposed 2015 Annual Caps under the Financial Services Framework Agreement. They considered that (i) the Financial Services Framework Agreement and the continuous connected transactions contemplated thereunder are in the ordinary and usual course of the Company's business and based on normal commercial terms; and (ii) such continuous connected transaction and the proposed 2015 Annual Caps under the Financial Services Framework Agreement are fair and reasonable to all Shareholders and in the interests of the Company and its Shareholders as a whole.

I. Introduction

Reference is made to the Prospectus. The Stock Exchange has granted the Company a waiver from the strict compliance with the requirements of announcement and independent shareholders' approval under Chapter 14A of the Listing Rules in respect of the continuous connected transactions and proposed annual cap under the Financial Services Framework Agreement. The waiver will be expired on 31 December 2014. Details of the waiver are set out in the Prospectus.

On 31 December 2014, the Board considered and approved the resolution in relation to the 2015 Annual Caps under the Financial Services Framework Agreement.

The Company entered into the Financial Services Framework Agreement with BAG Finance on 2 December 2014, pursuant to which BAG Finance will provide financial services to the Company, 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 shall commence on the Listing Date of the Company and end on 31 December 2016, subject to renewal through mutual consents by the parties.

II. Principal terms of the Financial Services Framework Agreement

Parties: BAG Finance; and the Company.

Principal terms: The Company entered into a financial services framework agreement (the "**Financial Services Framework Agreement**") with BAG Finance on 2 December 2014, pursuant to which BAG Finance will provide financial services to the Company, 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 31 December 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 the 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 the Group; or (iii) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to the Company and its subsidiaries.

- (b) Loans services. Interest rates on the loans to be advanced by BAG Finance to the 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 the Group; or (iii) the interest rate for loans of a similar type offered for the same period by independent commercial banks to the Company and its subsidiaries.
- (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 the 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 than, fees charged by BAG Finance to the subsidiaries of BAIC Group other than the 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 the Group. The staff in the finance center of the 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 the 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 the Group and will not be prejudicial to the interests of the Company and the Shareholders.

- Transaction rationale and benefits of the financial services:** The main reasons for the Company to enter into the Financial Services Framework Agreement with BAG Finance are as follows:
- (a) as all members of the BAIC Group and the 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 the Group, thus opening another channel for the Group to raise loans and providing the Group with an alternative to raising loans from other financial institutions, which would in turn promote funding liquidity among the Group, enhance the overall ability of the 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 the Group would facilitate a more efficient deployment of funds of the 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 the Group will be no less favorable than, on a case-by-case basis, those offered to the 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 the Company's capital structure, business operations, funding needs and cash flow patterns, which enables it to better anticipate the Company's business needs. BAG Finance is well-positioned in providing the Company with customized services;
 - (e) the arrangements under the Financial Services Framework Agreement would save financial costs, and accordingly increase the profitability of the Group;
 - (f) the arrangements under the Financial Services Framework Agreement would allow the Group to centralize the Company's 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 the Group, and would provide the 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 the Company's indirect equity interests in BAG Finance, the expansion of the business of BAG Finance will bring economic benefits to the 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. Considering that the interest rates and other commercial benefits of the Group are no less favorable than those of independent commercial banks, the Company believes that the continuous provision of financial services by BAG Finance is beneficial to the Group and its Shareholders as a whole.

Historical figures and existing annual caps:

	Historical Figures (RMB million)			Existing
	For the year ended		For the	Annual Caps
	31 December	31 December	six months	For the
	2012	2013	ended 30 June	year ended
			2014	31 December
				2014
Maximum daily balance of deposits placed by the Group with BAG Finance (including interest income)	4,031.3	7,295.7	8,855.0	14,733.1
Interest income from deposits placed by the Group with BAG Finance	13.0	20.64	48.7	—
Fees and charges paid by the Group to BAG Finance for other financial services	0	0	0	39.2

Proposed annual caps:

	Proposed annual caps for the year ending 31 December (RMB million) 2015 (proposed)
Maximum daily balance of deposits placed by the Group with BAG Finance (including interest income)	2,600.0
Interest income from deposits placed by the Group with BAG Finance	61.1
Fees and charges paid by the Group to BAG Finance for other financial services	20.0

Basis of caps:

Caps for deposits placed by the Group with BAG Finance (maximum daily balance and interest income): 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 fees and charges paid by the 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, the Company has 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 31 December 2012, 2013 and the six months ended 30 June 2014 (excluding those fees and charges incurred by BAIC Limited, Zhongdu Logistics and Beiqi Penglong, which were companies the Company 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 cap of the deposits placed by the Group with BAG Finance is 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 of the year was recorded in the second half of the year. With reference to this trend as well as on the basis of the estimated increase of the Company's use of the deposit services provided by BAG Finance driven by the expected expansion of the Company's business, the Company expects to record a higher maximum daily balance of deposits in the year 2015 than those recorded for the years 2012 and 2013 and for the six months ended 30 June 2014.

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

(1) Independent financial system

The Company has established an independent financial department with a team composed of independent financial staff, and supervised by the vice president of the Company in charge of finance. The Company has adopted a sound and independent audit system and a comprehensive financial management system. The Company also maintains accounts with independent banks. BAIC Group does not share any bank account with the Company nor does it control the use of any of the Company's bank accounts. The Company has independent tax registrations and have paid tax independently pursuant to applicable PRC laws and regulations.

(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 the Company to monitor and review the financial condition of BAG Finance and BAIC Group. BAG Finance and BAIC Group shall notify the Company, subject to compliance with 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 the Company considers that there is any material adverse change in the financial condition of any of the BAG Finance and BAIC Group, the Company will take appropriate measures (including early withdrawal of deposits and a moratorium on further deposits) to protect its financial position.
- In addition to the Company's 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 the Company with a periodic report on the status of the Company's deposits and loans so as to enable the Company 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 the Company's designated bank accounts with an independent commercial bank. The Company shall also be notified immediately once the daily balance exceeds the maximum daily balance limit.
- The Company will, from time to time, at its sole discretion, request that the deposits with BAG Finance be withdrawn or terminated early (either in full or in part) to assess and ensure the liquidity and safety of its deposits.

(3) Internal control measures

- The Company has adopted internal control policies which are implemented by its finance center. All cash inflow and outflow of the Group should be considered in light of a unified budget. In addition, the vice president of the Company in charge of finance and his team will be responsible for closely monitoring such ongoing and continuing connected transactions.
- The Company's 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, independent non-executive Directors of the Company 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 the interests of the Company to reduce the level of deposits with BAG Finance, the Company will take appropriate measures to implement the decision of the independent non-executive Directors. Any material findings in the risk assessment reports, the views of the independent non-executive Directors on the deposits under the 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 the Company's annual and interim reports.

- During the annual audit of the Company, it would engage its auditors to review connected transactions between the Group 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.

Listing Rules Implication

Upon completion of the Global Offering, BAIC Group owns approximately 45.61% of the total issued share capital of the Company (assuming the Over-allotment Option is not exercised) or approximately 44.41% of the total issued share capital of the Company (assuming the Over-allotment Option is exercised in full), and is the Controlling Shareholder. Meanwhile, as of the date of this announcement, BAIC Group owns 56% of the equity interests of BAG Finance. According to Chapter 14A of the Listing Rules, BAG Finance is a connected person of the Company. Therefore, the transactions contemplated under the Financial Services Framework Agreement constitute continuous connected transactions of the Company.

The Directors confirm that the terms of transaction under the Financial Services Framework Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

As the loan services provided by BAG Finance to the Group under the Financial Services Framework Agreement are based on normal commercial terms, which are no less favorable than the terms of similar services provided by independent third parties to the Company in China, and the Group will not provide any asset guarantee for the loan services, the loan services will be waived from the strict compliance with the requirements of reporting, announcement and independent shareholders' approval under Rule 14A.90 of the Listing Rules.

The Directors currently expect that each of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules in respect of the 2015 Annual Caps under the Financial Services Framework Agreement, on an annual basis, will be more than 0.1% but lower than 5%. Accordingly, the continuous connected transactions constitute non-exempt continuous connected transactions of the Company and are subject to the requirements of reporting, annual review and announcement under Chapter 14A of the Listing Rules.

Approval of the Board

On 31 December 2014, the Board considered and approved the resolution in relation to the 2015 Annual Caps under the Financial Services Framework Agreement. As Xu Heyi, Zhang Xiyong, Li Zhili, Li Feng and Ma Chuanqi, Directors of the Company, are also the directors of BAIC Group, they are deemed to have material interests in the transactions contemplated under the Financial Services Framework Agreement. They have abstained from voting on the resolution of the proposed 2015 Annual Caps under the Financial Services Framework Agreement. Save for the above persons, other Directors have no interests in the transactions contemplated under the Financial Services Framework Agreement. Independent non-executive Directors of the Company, Fu Yuwu, Wong Lung Tak Patrick, Bao Robert Xiaochen, Zhao Fuquan and Liu Kaixiang, have considered and approved the resolution of the proposed 2015 Annual Caps under the Financial Services Framework Agreement. They considered that (i) the Financial Services Framework Agreement and the continuous connected transactions contemplated thereunder are in the ordinary and usual course of the Company's business and based on normal commercial terms; and (ii) such continuous connected transaction and the proposed 2015 Annual Caps under the Financial Services Framework Agreement are fair and reasonable to all Shareholders and in the interests of the Company and its Shareholders as a whole.

General Information

The Company

The Company is a leading manufacturer of passenger vehicles in China. It is engaged in the design, research and development, manufacture and sale of an extensive and diversified portfolio of passenger vehicle models, and the provision of related services in China. It offers a variety of passenger vehicle models, including mid- to large-size sedan, mid-size sedan, compact sedan, small-size sedan, SUV, MPV and CUV products to satisfy customer demands for different types of vehicles.

BAIC Group

BAIC Group is a state-owned enterprise established on 30 June 1994 with a registered capital of approximately RMB4.55 billion. Its principal businesses include manufacturing, sale, import and export of vehicles and spare parts, operation and management of state-owned assets, investment and investment management, technology development, service and consultancy, and real property development and sales.

BAG Finance

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 the 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 the 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 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 31 December 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 date of this announcement, 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; (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.

Definition

In this announcement, unless the content otherwise requires, the following terms and expressions have the meanings set forth below.

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BAG Finance”	BAIC Group Finance Co., Ltd. (北京汽車集團財務有限公司), a non-banking financial institution incorporated in the PRC, and a connected person of the Company
“BAIC Group”	Beijing Automotive Group Co., Ltd. (北京汽車集團有限公司), a state-owned enterprise incorporated in the PRC on 30 June 1994 and known then as Beijing Automotive Industry Holding Co., Ltd. (北京汽車工業控股有限責任公司), which changed its name to Beijing Automotive Group Co., Ltd. on 28 September 2010, the sole Controlling Shareholder of the Company
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Board” or “Board of Directors”	the board of Directors of the Company
“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Company”	BAIC Motor Corporation Limited (北京汽車股份有限公司), a joint stock company incorporated in the PRC with limited liabilities whose shares are listed on the Stock Exchange under stock code of 1958
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company

“Financial Services Framework Agreement”	the financial services framework agreement entered into by the Company with BAG Finance on 2 December 2014, pursuant to which BAG Finance will provide financial services to the Company, 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 shall commence on the Listing Date of the Company and end on 31 December 2016, subject to renewal through mutual consents by the parties
“Group,” “our,” “we” or “us”	the Company and its subsidiaries
“2015 Annual Caps under the Financial Services Framework Agreement”	the maximum daily balance of deposits placed by the Group with BAG Finance, interest income from the deposits placed by the Group with BAG Finance and fees and charges paid by the Group to BAG Finance for other financial services for 2015
“H Shares”	overseas listed foreign shares in the Company’s ordinary share capital with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Date”	19 December 2014, the date on which the Company’s H Shares are listed and from which dealings commence to take place on the Stock Exchange
“PBOC”	the People’s Bank of China (中國人民銀行)
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 9 December 2014

“RMB” or “Renminbi” the lawful currency of the PRC

“subsidiary(ies)” has the meaning ascribed to it in section 2 of the Companies Ordinance

By Order of the Board
BAIC Motor Corporation Limited
Xu Heyi
Chairman

Beijing, the PRC, 31 December 2014

As of the date of this announcement, the Board comprises executive Director, Mr. Li Feng, non-executive Directors, Mr. Xu Heyi, Mr. Zhang Xiyong, Mr. Li Zhili, Mr. Ma Chuanqi, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Bodo Uebber, Ms. Wang Jing and Mr. Yang Shi; and independent non-executive Directors, Mr. Fu Yuwu, Mr. Wong Lung Tak Patrick, Mr. Bao Robert Xiaochen, Mr. Zhao Fuquan and Mr. Liu Kaixiang.

* *For identification only*