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北京汽车
BAIC MOTOR

北京汽車股份有限公司

BAIC MOTOR CORPORATION LIMITED*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1958)

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

1. BACKGROUND

Reference is made to the Connected Transactions section of the Prospectus of BAIC Motor Corporation Limited (the “**Company**”) dated 9 December 2014 and the Announcement on the Continuous Connected Transactions dated 31 December 2014 in relation to, among other things, the continuing connected transactions between the Company and Connected Persons (as defined by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), i.e. the Property and Facility Leasing Framework Agreement, the Products and Services Purchasing Framework Agreement, the Provision of Products and Services Framework Agreement signed by the Company and Beijing Automotive Group Co., Ltd. (“**BAIC Group**”) on 2 December 2014, and the Financial Services Framework Agreement signed by the Company and BAIC Group Finance Co., Ltd. (“**BAG Finance**”) on 2 December 2014 (collectively, the “**Continuing Connected Transactions**”). Details of the major terms of the agreements of the Continuing Connected Transactions shall be referred to the Connected Transaction section of the Prospectus and the Announcement on the Continuous Connected Transactions. Unless the context otherwise requires, terms used in this announcement shall have the same meaning as those defined in the Prospectus.

According to the latest business development plans of the Company, the board of the Company (the “**Board**”) considers that the existing annual caps of the Continuing Connected Transactions are unable to satisfy the Company’s requirements for the year of 2015 and 2016. The Board therefore proposes that the existing annual caps in respect of the year of 2015 and 2016 be revised in order to cater for the Company’s demand for the year of 2015 and 2016. The Revised 2015 and 2016 Annual Caps (the “**Revised 2015 and 2016 Annual Caps**”) are subject to the reporting, annual review, announcement and the independent shareholder’s approval requirements under Chapter 14A of the Listing Rules.

2. CONNECTED TRANSACTIONS, EXISTING 2015 AND 2016 ANNUAL CAPS, REVISED 2015 AND 2016 ANNUAL CAPS AND RATIONALE OF THE INCREASE OF THE EXISTING ANNUAL CAPS

The Board has proposed that the following maximum transaction value for Continuing Connected Transactions be set as the Revised 2015 and 2016 Annual Caps of such transactions:

Unit: RMB million

Nature of the Transaction and Transaction Agreements	Change to the 2015 Annual Cap			Change to the 2016 Annual Cap			Benchmark used to determine the Revised 2015 and 2016 Annual Caps
	Originally approved 2015 Annual Cap	Newly applied 2015 Annual Cap	Additional cap applied for the 2015 Annual Cap	Originally approved 2016 Annual Cap	Newly applied 2016 Annual Cap	Additional cap applied for the 2016 Annual Cap	
Property and facility leasing under the Property and Facility Leasing Framework Agreement	147.1	333.5	186.4	147.1	336.7	189.6	(1)
Financial services under the Financial Services Framework Agreement – highest daily deposit amount	2,600.0	9,800.0	7,200.0	–	11,000.0	11,000.0	(2)
Financial services under the Financial Services Framework Agreement-highest daily interest balance	61.0	110.0	49.0	–	170.0	170.0	(2)
Product procurement under the Products and Services Purchasing Framework Agreement	15,195.0	17,020.1	1,825.1	22,973.8	26,458.6	3,484.8	(3)
Provision of products under the Provision of Products and Services Framework Agreement	2,796.8	15,377.7	12,580.9	4,173.9	22,925.4	18,751.5	(4)
Provision of services under the Provision of Products and Services Framework Agreement	98.4	662.0	563.6	128.8	725.1	596.3	(5)

- (1) According to the business expansion demands of the Company and the increase of staff of the Company, the current office space of the Company is unable to fulfil office and business requirements. The Company will have demands for increased leased office space in 2015 and 2016.
- (2) According to the matching financial services required for the rapid expansion of the business of the Company, the Company predicts its highest daily deposit amount and corresponding daily interest balance with BAG Finance will increase in 2015 and 2016.
- (3) The number of raw material parts and equipment related to the procurement of whole vehicles and specific whole vehicles of the Company will rise substantially in 2015 and 2016. In 2014, the number of whole vehicles procured was 2,186. The predicted number of whole vehicles procured in 2015 and 2016 will increase substantially.
- (4) The whole vehicle production volume of the Company in 2015 and 2016 will be far higher than the whole vehicle production volume in 2014. Therefore it is predicted that the sales volume of whole vehicles and the related raw material parts and equipment of the Company will rise moderately in 2015 and 2016.
- (5) Due to the business expansion demands of the Company, the R&D funding required to provide R&D services to BAIC Group and its Connected Persons in 2015 and 2016 will increase.

3. LISTING RULES IMPLICATIONS

BAIC Group is the sole controlling shareholder of the Company. According to the Listing Rules, BAIC Group is a Connected Person of the Company. The transactions between the Company and BAIC Group constitute connected transactions of the Company under the Listing Rules.

BAG Finance is an associate of BAIC Group, and BAIC Group is the sole controlling shareholder of the Company. As stated above, according to the Listing Rules, BAG Finance is a Connected Person of the Company. The transaction between the Company and BAG Finance constitute connected transaction of the Company under the Listing Rules.

As the highest applicable ratios of the contemplated provision of property and facility leasing services to the Company according to the Property and Facility Leasing Framework Agreement signed by the Company and BAIC Group and the contemplated provision of services by the Company according to the Provision of Products and Services Framework Agreement signed by the Company and BAIC Group exceeds 0.1% but is lower than 5% as defined by the Listing Rules, the connected transaction contemplated under the aforesaid agreements and relevant annual caps shall be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but exempted from the independent shareholders' approval requirement.

As the highest applicable ratios of the contemplated provision of financial services to the Company according to the Financial Services Framework Agreement signed by the Company and BAG Finance and the contemplated provision of products to the Company according to the Products and Services Purchasing Framework Agreement and the contemplated provision of products by the Company according to the Provision of Products and Services Framework Agreement, which were signed respectively by the Company and BAIC Group, exceeds 5% as defined by the Listing Rules, the transactions shall be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has formed an Independent Board Committee to provide advice to the independent shareholders regarding the fairness and reasonableness of the terms of the Revised 2015 and 2016 Annual Caps. Qilu International Holdings Limited has been appointed as the independent financial advisor of the Company to provide advice on such matters to the Independent Board Committee and independent shareholders.

4. CONFIRMATION BY THE BOARD AND APPROVAL OF INDEPENDENT SHAREHOLDERS

The Audit Committee and the Independent Board Committee under the Board have given their opinion to the Board regarding the Revised 2015 and 2016 Annual Caps of the Continuing Connected Transactions. The Board (including independent non-executive directors) have reviewed such opinion, and is of the view that such transactions are in the ordinary course of business of the Company, and have been entered into on normal commercial terms or terms no less favourable to the Company than those with independent third parties.

The Continuing Connected Transactions are and will be conducted in the ordinary and usual course of business of the Company. The Continuing Connected Transactions will continue to be agreed on an arm's length basis with terms that are fair and reasonable to the Company. Due to the long-term relationship between the Company and BAIC Group, and between the Company and BAG Finance, the Directors (including the independent non-executive Directors) consider that: (a) it is beneficial to the Company to continue to enter into the Continuing Connected Transactions as these transactions have facilitated and will continue to facilitate the operation and growth of the Company's business; (b) the Continuing Connected Transactions have been conducted on normal commercial terms or on terms no less favourable than those available to the Company from independent third parties, under prevailing local market conditions, and were entered into in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the Revised 2015 and 2016 Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

On 22 March 2015, the Board considered and approved the resolution in relation to the Revised 2015 and 2016 Annual Caps of the Continuing Connected Transactions. 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. They have abstained from voting on the resolution of the Revised 2015 and 2016 Annual Caps.

5. GENERAL INFORMATION

5.1 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.

5.2 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.

5.3 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 Co., Ltd., 14% owned by Beijing Foton Motor Co., Ltd. and 10% owned by Beijing Hainachuan Automotive Arts Co., Ltd.. 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 China Banking Regulatory Commission ("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.

6. DISPATCH OF CIRCULAR

The Company expects to convene its Annual General Meeting on June 2015. According to the Articles of the Association of the Company, the Company shall dispatch a Circular to the Shareholders 45 days before the date of the Annual General Meeting. Therefore, the Company expects to dispatch a Circular on or before 30 April 2015 containing (i) details of the Revised 2015 and 2016 Annual Caps of the Continuing Connected Transactions; (ii) a letter of advice from the independent financial advisor to the Independent Board Committee and independent shareholders regarding the Revised 2015 and 2016 Annual Caps of the Continuing Connected Transactions; and (iii) a letter of recommendation from the Independent Board Committee regarding the Revised 2015 and 2016 Annual Caps of the Continuing Connected Transactions, and the Notice of the Annual General Meeting to the Shareholders of the Company.

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

Beijing, the PRC, 22 March 2015

As at the date of this announcement, the Board comprises Mr. Xu Heyi, as Chairman of the Board and non-executive Director; Mr. Li Feng, as executive Director; 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, as non-executive Directors; and Mr. Fu Yuwu, Mr. Wong Lung Tak Patrick, Mr. Bao Robert Xiaochen, Mr. Zhao Fuquan and Mr. Liu Kaixiang, as independent non-executive Director.

* *For identification purpose only*