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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)**

**CONNECTED TRANSACTION  
IN RELATION TO SUBSCRIPTION FOR  
ADDITIONAL REGISTERED CAPITAL OF BJEV**

**SUMMARY**

The Board is pleased to announce that on 24 March 2016, the Company entered into the Capital Increase Agreement with BJEV, pursuant to which, the Company subscribed for 208 million shares issued additionally by BJEV for a Consideration of RMB532.48 million in cash. Upon completion of the Capital Increase, the Company will hold 6.5% of BJEV's total equity interests, subject to the consideration and approval by shareholders at the general meeting of BJEV, for which the shareholding percentage registered for the change in industrial and administrative registration shall prevail.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, BAIC Group is the sole controlling shareholder of the Company and holds 44.98% of the total issued share capital of the Company, thus it is a connected person of the Company. BAIC Group holds 60% equity interests in BJEV, thus BJEV is an associate of BAIC Group. Accordingly, BJEV is a connected person of the Company, and the subscription by the Company for the additional registered capital of BJEV constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the Transaction is more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements and exempted from the dispatch of circular and independent Shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

## **CONFIRMATION OF THE DIRECTORS**

As Mr. Xu Heyi, Mr. Zhang Xiyong, Mr. Li Zhili, Mr. Li Feng and Mr. Ma Chuanqi, all being the Directors of the Company, also hold office in BAIC Group, while Ms. Wang Jing, a Director of the Company, also holds office in BJEV, they are deemed to have material interests in the Transaction and have abstained from voting on the resolution of the transaction accordingly. Save for the above persons, other Directors have no interests in the Transaction.

The Directors of the Company (including the independent non-executive Directors), have considered and approved the resolution of the Transaction. They considered that the Transaction is (i) on normal or better commercial terms and in the ordinary and usual course of business of the Group; (ii) on fair and reasonable terms and conditions; and (iii) in the interests of the Company and its Shareholders as a whole.

### **I. INTRODUCTION**

The Board is pleased to announce that on 24 March 2016, the Company entered into the Capital Increase Agreement with BJEV, pursuant to which, the Company subscribed for 208 million shares issued by BJEV for a Consideration of RMB532.48 million in cash. Upon completion of the Capital Increase, the Company will hold 6.5% of BJEV's total equity interests, subject to the consideration and approval by shareholders at the general meeting of BJEV, for which the shareholding percentage registered for the change in industrial and administrative registration shall prevail.

### **II. CAPITAL INCREASE AGREEMENT**

Principal terms of the Capital Increase Agreement are set out below:

Parties:	BJEV as new capital contributor The Company as subscriber
Date of agreement:	24 March 2016
Target:	208 million shares issued by BJEV and to be subscribed for by the Company for the Consideration of RMB532.48 million in cash.
Consideration:	RMB532.48 million, which is determined on the basis of the appraised value of BJEV's assets.
Terms of payment:	The Company has fully paid the Consideration to BJEV in cash on 25 March 2016.  Within 30 days of the closing date, BJEV shall complete the formalities for change in industrial and administrative registration with the relevant registration authorities in relation to the Capital Increase, obtain the updated business license, and provide copies of the updated business license, register of shareholder and capital verification report to the Company for record.

### III. BASIS OF CONSIDERATION

The Consideration of RMB532.48 million is determined by both parties by reference to the Valuation Report issued by PCAA on 19 February 2016. The subscription price is determined to be RMB2.56 per share after taking into account the BJEV's appraised value and mutual agreement by both parties. BJEV's final appraised value is subject to the approval by Beijing SASAC and relevant authorities. For this valuation, the result produced by PCAA using the income method with reference to the net asset value of BJEV as at 31 May 2015 has been taken as the final conclusion.

### IV. SHAREHOLDING STRUCTURE OF BJEV BEFORE AND AFTER THE CAPITAL INCREASE

Prior to the Capital Increase, shareholders of BJEV are BAIC Group, which holds 1,200 million shares or 60%, IDIM, which holds 500 million shares or approximately 25%, SCOM, which holds 200 million shares or approximately 10% and BEHC, which holds 100 million shares or approximately 5%, of the share capital of BJEV.

The shareholding structure after the Capital Increase is subject to the approval by relevant government authorities, negotiations by the parties, and the consideration and approval by shareholders at the general meeting of BJEV. For this purpose, the final shareholding percentage of each party registered for the change in industrial and commercial registration shall prevail. Based on the current plan of the Capital Increase, the Company expects to hold 208 million shares or approximately 6.5% of the share capital of BJEV, subject to the consideration and approval by shareholders at the general meeting of BJEV, for which the shareholding percentage registered for the change in industrial and administrative registration shall prevail. The number of shares to be subscribed for by and the final shareholding percentage of each of BAIC Group, IDIM, SCOM, BEHC and other new shareholders depend on their respective approval and negotiation.

### V. FINANCIAL INFORMATION OF BJEV

The table below sets forth the financial information of BJEV for the years ended 31 December 2014 and 2015 prepared under the China Accounting Standards for Business Enterprises:

	For the year ended 31 December 2014 (RMB in millions) (Audited)	For the year ended 31 December 2015 (RMB in millions) (Unaudited)
Net loss before tax	(244.38)	(195.42)
Net loss after tax	<u>(294.45)</u>	<u>(251.18)</u>
Net assets	<u><u>1,747.03</u></u>	<u><u>1,765.95</u></u>

## **VI. REASONS FOR AND BENEFITS OF THE TRANSACTION**

Through its development over the last few years, BJEV has become one of the few new energy automobile companies in the PRC with three core technologies in batteries, motors and electronic control for battery electronic vehicles, as well as whole vehicle assembly and matching technology. It is currently one of the new energy automobile enterprises with the strongest technical capability, the widest range of product offering, the largest application scale for demonstration, the biggest market share, and the most complete industry chain in terms of new energy automobile in the PRC. To date, BJEV has shaped a preliminary industrial pattern that covers Beijing and caters to the rest of the country. Subscribing for the additional registered capital of BJEV allows the Company to deepen the business operation and synergies between both parties, further expand its strategic development and industrial deployment in the business area of BJEV, share the result of BJEV's development and maximise the interests of shareholders.

## **VII. LISTING RULES IMPLICATIONS**

As at the date of this announcement, BAIC Group is the sole controlling Shareholder of the Company and holds 44.98% of the total issued share capital of the Company, thus it is a connected person of the Company. BAIC Group holds 60% equity interests in BJEV, thus BJEV is an associate of BAIC Group. Accordingly, BJEV is a connected person of the Company, and the subscription by the Company for the additional registered capital of BJEV constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the Transaction is more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements and exempted from the dispatch of circular and independent Shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

## **VIII. CONFIRMATION OF THE DIRECTORS**

As Mr. Xu Heyi, Mr. Zhang Xiyong, Mr. Li Zhili, Mr. Li Feng and Mr. Ma Chuanqi, all being the Directors of the Company, also hold office in BAIC Group, while Ms. Wang Jing, a Director of the Company, also holds office in BJEV, they are deemed to have material interests in the Transaction and have abstained from voting on the resolution of the Transaction accordingly. Save for the above persons, other Directors have no interests in the Transaction.

The Directors of the Company (including the independent non-executive Directors), have considered and approved the resolution of the Transaction. They considered that the Transaction is (i) on normal or better commercial terms; (ii) on fair and reasonable terms and conditions; and (iii) in the interests of the Company and its Shareholders as a whole.

## **IX. 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's 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.

### **BJEV**

BJEV is mainly engaged in the R&D, production, sale and services of power modules and systems for new energy automobiles.

## **X. DEFINITION**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate”	has the meaning ascribed to it under the Listing Rules
“BAIC Group”	Beijing Automotive Group Co., Ltd., a state-owned enterprise incorporated in the PRC, the sole controlling shareholder of the Company
“BEHC”	Beijing Electronics Holding Co., Ltd., a state-owned enterprise incorporated in the PRC, and a wholly-owned subsidiary of SCOM
“BJEV”	Beijing Electric Vehicle Co., Ltd., a company incorporated in the PRC with limited liability, a subsidiary of BAIC Group
“Board”	the board of directors of the Company
“Capital Increase Agreement”	the agreement entered into between the Company and BJEV on 24 March 2016 in relation to the subscription by the Company for approximately 6.5% of the enlarged registered capital of BJEV following the Capital Increase (the final shareholding percentage is subject to the consideration and approval by shareholders at the general meeting of BJEV, for which the shareholding percentage registered for change in industrial and commercial registration shall prevail)

“Capital Increase”	the subscription by the Company for 208 million shares issued by BJEV at the price of RMB2.56 per share (the final appraised value is subject to the approval by Beijing SASAC and relevant authorities) for a consideration of RMB532.48 million, representing approximately 6.5% of the enlarged registered capital of BJEV following the Capital Increase (the final shareholding percentage is subject to the consideration and approval by shareholders at the general meeting of BJEV, for which the shareholding percentage registered for the change in industrial and commercial registration shall prevail)
“Company”	BAIC Motor Corporation Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB532.48 million, being the amount payable to subscribe for 208 million shares of BJEV
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“IDIM”	Beijing Industrial Developing Investment Management Co., Ltd., a company incorporated in the PRC, a Shareholder of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time
“PCAA”	Beijing Pan-China Assets Appraisal Co., Ltd., an independent asset valuation company
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Beijing SASAC”	the State-owned Assets Supervision and Administration Commission of the People’s Government of Beijing Municipality
“SCOM”	Beijing State-owned Capital Operation And Management Center, a state-owned enterprise incorporated in the PRC, a Shareholder of the Company
“Shareholder”	the shareholder(s) of the Company

“Transaction”	the transaction entered into by the Company and BJEV under the Capital Increase Agreement
“Valuation Report”	the Asset Valuation Report on the Proposed Capital Increase and Share Issue by Beijing Electric Vehicle Co., Ltd. (Tian Xing Ping Bao Zi (2015) No. 0808) issued by PCAA on 19 February 2016
“%”	percentage

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

Beijing, the PRC, 28 March 2016

*As at the date of this announcement, the Board comprises Mr. Xu Heyi, as Chairman of the Board and non-executive Director; Mr. Zhang Xiyong, Mr. Li Zhili as non-executive Directors, Mr. Li Feng, as executive Director; 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 Directors.*

\* *For identification purpose only*