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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)

**CONTINUING CONNECTED TRANSACTIONS
ENTERING INTO GENERAL PRODUCT SUPPLY SERIES AGREEMENTS
WITH DAIMLER AG**

SUMMARY

The Board of directors (the “**Board**”) is pleased to announce that on July 12, 2017, the Company and Daimler AG entered into the general product supply series agreements. According to the general product supply series agreements, the Company will purchase from Daimler AG the parts, components, materials and services used for manufacturing and production of Vehicles.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Daimler AG holds 10.08% equity interests in the Company and is therefore a Substantial Shareholder of the Company. Accordingly, Daimler AG constitutes a Connected Person of the Company under Chapter 14A of the Listing Rules and the transactions between the Company and Daimler AG constitute continuing connected transactions of the Company. From 2017 to 2019, based on the percentage ratios test as calculated under the Listing Rules, the applicable percentage ratios of the highest annual cap for the transactions to purchase parts, components and materials are more than 0.1% but less than 5% under Listing Rules and is subject to the reporting, annual review and announcement requirements but exempted from the requirements of independent Shareholders’ approval pursuant to Chapter 14A of the Listing Rules. The applicable percentage ratios of the highest annual cap for the transactions to purchase services are less than 0.1% under Listing Rules and is fully exempted from the reporting, annual review and announcement requirements as well as the requirements of independent Shareholders’ approval pursuant to Chapter 14A of the Listing Rules.

OPINION OF THE DIRECTORS

As Mr. Hubertus Troska and Mr. Bodo Uebber, the Directors of the Company, hold positions in Daimler AG as members of the management committee, they are deemed to have material interests in the transactions under the general product supply series agreements and have abstained from voting on the resolution regarding the general product supply series agreements accordingly. Save for the above persons, other Directors have no interests in the transactions.

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

The Board announces that on July 12, 2017, the Company and Daimler AG entered into the general product supply series agreements. According to the general product supply series agreements, the Company will purchase from Daimler AG the parts, components, materials and services used for manufacturing and production of Vehicles. Summaries of the principal terms are set out below.

1. THE DETAILS OF THE GENERAL PRODUCT SUPPLY SERIES AGREEMENTS

Parties

Purchaser: the Company
Vendor: Daimler AG

Date

July 12, 2017

Principal Terms

I. Effectiveness and Duration of the General Product Supply Series Agreements

The general product supply series agreements became effective when it was entered into (provided that any necessary approval (if any) was obtained from the PRC authorities) and the duration shall last until 31 December 2019.

II. Payment Method

Any amount under the general product supply series agreements shall be paid in euro minus any tariffs, taxes and charges and shall be paid by telegraphic transfer.

III. Transaction Type

According to the general product supply series agreements, the Company will purchase from Daimler AG the parts, components, materials and services used for manufacturing and production of Vehicles.

2. REASONS FOR THE TRANSACTION

The Company wishes to strengthen the construction of its own brands and to further enhance the Company's research and development capabilities of high-end vehicles through deepening the cooperation with Daimler AG and leveraging on the accumulation of research and development and manufacturing technology regarding high-end vehicles by Daimler AG.

3. ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS

The annual caps for the transactions to purchase parts, components and materials between 2017 and 2019 are set out below:

Unit: RMB million

| Project | 2017 | 2018 | 2019 |
|-----------------------------|-------------|-------------|-------------|
| Total amount of annual caps | 434.10 | 1,499.60 | 263.09 |

4. DETERMINATION BASIS OF ANNUAL CAPS

With respect to the parts, components and materials produced by Daimler AG, the respective purchase prices of the parts, components and materials ordered by the Company are determined on the global standard prices of the parts, components and materials produced by Daimler AG effective at the time when Daimler AG delivers goods for the purchase order accordingly multiplied by the Company's expected amount of needs and usage of parts, components and materials.

5. IMPLICATIONS UNDER THE LISTING RULES

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

7. INTERNAL CONTROL AND CORPORATE GOVERNANCE MEASURES

The Company has adopted the following internal management procedures to ensure that the aforementioned continuing connected transactions are fair and reasonable and are entered into on normal commercial terms:

- The Company has adopted and implemented a management system on connected transactions. Under this system, our finance center is responsible for conducting reviews on compliance with relevant laws, regulations, company policies and Listing Rules in respect of the above-mentioned general product supply series agreements. In addition, the finance center, procurement center, legal affairs department and other relevant operation departments of the Company are jointly responsible for evaluating the transaction terms under the general product supply series agreements for the above general product supply series agreements, in particular, the fairness of the pricing terms under each of the general product supply series agreements; and
- Independent non-executive Directors have also reviewed and will continue to review the general product supply series agreements 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 auditors of the Company will also conduct an annual review on the pricing and annual caps of such agreements.

When determining the actual prices of the products to be supplied to the Company, Daimler AG will provide the Company with a proposed price. In order to ensure that the pricing terms under the general product supply series agreements are fair and reasonable, the Company's finance center and other relevant operation departments will review the proposed price provided by the supplier in the following manner:

- (1) compare the proposed price with the market price if a comparable market price is available to ensure such proposed price does not exceed the price of similar historical transactions or the price offered by other suppliers in the market;
 - The Company has established stringent market price inquiry system. Based on the market price inquiry regulations of the Company, the pricing of the supplied products shall be determined by the collective decision of a tender assessment board with members from the procurement department, the research and development department, the discipline inspection and supervision department, the finance and audit department as well as procurement engineers, product engineers and suppliers' quality management engineers. Tenders will be sought from several suppliers and assessed internally for several rounds before a decision is made after reviewing and comparing the quoted prices or proposals on the basis of pricing, flexibility, quality, after-sales services and other factors.
 - The Company and its subsidiaries will request a price quote from other independent suppliers for the same product supply, so as to determine whether an alternative service of the same quality could be obtained with the most competitive price in a timely manner. Accordingly, the Company and its subsidiaries will not entrust the Company's Connected Person and its associates for the product if more favorable terms can be provided by other suppliers.

- (2) As the research and development technology regarding vehicles is relatively unique and advanced, if there is no comparable market price or it is difficult to access to such a price, the Company will consider and approve the procurement based on the Measures for Procurement Management so as to ensure that the transaction price is fair and reasonable.
- The price for the product supply is jointly determined after arm's length negotiation by the comprehensive procurement department of the procurement center, the project management department of the product center and Daimler AG in accordance with the Measures for Procurement Management of the Company. The comprehensive assessment group is composed of the representatives from the comprehensive procurement department, the research and development department, the project management department, the finance center, the discipline inspection and supervision department and the audit department, and is collectively evaluated by the procurement engineers, product engineers and the suppliers' quality management engineers.
 - In determining whether the proposed price is fair and reasonable, the Company will follow the conditions for single source procurement stipulated in the Measures for Procurement Management and conduct relevant bidding and approval procedures. The main process is as follows:
 - (a) The business department shall submit the procurement application (including the budget request) and the "BAIC MOTOR Application Form for Selecting a Single Supplier" based on the production and work needs, clearly illustrate the categories of products or services to be procured from a single source, the supplier to be selected and the reasons for single source procurement, and provide the professional qualifications and supporting documents of the proposed single supplier for consideration and approval procedures;
 - (b) According to the Company's overall budget management system and other relevant regulations, the application for selecting a single supplier is subject to approval by the following authorities: (i) the application for selecting a single supplier with a single budget amounting to less than RMB3 million shall be subject to consideration and approval by the head of the business department, the head of the specialized management department, the responsible head of business department (if any), the head of the comprehensive procurement department, the responsible vice-president of the business department and the responsible vice-president of the procurement department; (ii) the application for selecting a single supplier with a single budget amounting to more than RMB3 million (inclusive) shall be subject to final approval by the president after completion of the abovementioned consideration and approval procedures.
 - (c) Upon obtaining the "BAIC MOTOR Application Form for Selecting a Single Supplier" and other information required, the comprehensive procurement department shall review the completeness and reasonableness thereof.
 - (d) Upon obtaining the approved "BAIC MOTOR Application Form for Selecting a Single Supplier", in accordance with the approved budget and procurement application submitted to the comprehensive procurement working group for consideration, the comprehensive procurement department shall make resolution in the form of Meeting Minutes of the Comprehensive Procurement Working Group.

- (e) Where the comprehensive procurement working group holds opposite opinions about the application for selecting a single supplier in its meeting, it shall make records of the decisions and submit to relevant department for further corresponding complementary work. The application will be subject to subsequent consideration and approval once relevant requirements are met. Where compliance documents or explanations failed to be submitted, approval shall not be granted by the meeting of comprehensive procurement working group.
 - (f) Follow-up work of the procurement projects shall be proceeded upon examination and approval on the meeting held by the comprehensive procurement working group in accordance with the Measures for Procurement Management.
- (3) The finance center and other departments of the Company shall also review the proposed price to ensure the price is determined in accordance with the terms of the general product supply series agreements and the terms the suppliers provide for the Company are not less favorable than those they provide for independent third parties.

8. GENERAL

Information of 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.

Information of 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 for these products.

9. DEFINITION

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

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| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of directors of the Company |
| “Company” or “BAIC Motor” or “We” | BAIC Motor Corporation Limited |
| “Connected Person(s)” | has the meaning ascribed to it under the Listing Rules |

| | |
|---------------------------------------|---|
| “continuing connected transaction(s)” | has the meaning ascribed to it under the Listing Rules |
| “Daimler AG” | Daimler AG (戴姆勒股份公司), a company established in Germany in 1886 which is a Substantial Shareholder and a Connected Person of the Company |
| “Director(s)” | director(s) 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 |
| “Measures for Procurement Management” | the Administrative Measures for Single Supplier in Comprehensive Procurement of BAIC Motor Corporation Limited” formulated by the Company |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholder(s)” | shareholder(s) of the Company |
| “Substantial Shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “%” | percentage |

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

Beijing, the PRC, July 12, 2017

As at the date of this announcement, the board of directors comprises Mr. Xu Heyi, as Chairman of the board of directors and non-executive director; Mr. Zhang Xiyong, as non-executive director; Mr. Zhang Jianyong, as non-executive director; Mr. Chen Hongliang, as executive director; Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Bodo Uebber, Mr. Guo Xianpeng, Ms. Wang Jing and Mr. Zhu Baocheng, as non-executive directors; and Mr. Ge Songlin, 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