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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 THE CAPITAL INCREASE TO MBLC

THE CAPITAL INCREASE

The Board announces that, on 10 November 2017, the Company and DGRC entered into the Capital Increase Agreement, pursuant to which, the Company and DGRC agreed to contribute an aggregate amount of RMB400,000,000 to MBLC in proportion to their respective shareholding in MBLC. Of which, DGRC will contribute RMB260,000,000, representing 65% of the amount under the Capital Increase, while the Company will contribute RMB140,000,000, representing 35% of the amount under the Capital Increase. Upon the completion of the Capital Increase, the registered capital of MBLC will be increased from RMB1,697,538,461.54 to RMB2,097,538,461.54.

Before completion of the Capital Increase, DGRC and the Company held 65% and 35% respectively of the equity interests in MBLC. Upon completion of the Capital Increase, DGRC and the Company will continue to hold 65% and 35% respectively of the equity interests in MBLC. Meanwhile, the board of directors and management of MBLC will remain unchanged.

The Directors (including independent non-executive Directors) are of the view that the terms and conditions of the Capital Increase Agreement are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Daimler AG holds 10.08% equity interests in the Company, and thus it is a Substantial Shareholder of the Company. Meanwhile, Daimler AG holds 100% equity interest in DGRC, and DGRC holds 65% equity interests in MBLC, and thus DGRC and MBLC are associates of Daimler AG. Accordingly, DGRC and MBLC are connected persons of the Company under Chapter 14A of the Listing Rules. The Capital Increase by the Company to MBLC constitutes a connected transaction of the Company. According to the announcement of the Company dated 23 June 2017, the Company and DGRC entered into the agreement on Capital Increase in Mercedes-Benz Leasing Co., Ltd. on 23 June 2017, pursuant to which, the Company contributed RMB175,000,000 to MBLC in proportion to its shareholding in MBLC. According to the requirements under Rule 14A.81 of the Listing Rules, the amount of the said capital increase shall be calculated in aggregate with the amount of this Capital Increase. As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the Capital Increase to MBLC by the Company is more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements and exempted from the independent Shareholders' approval requirement.

INTRODUCTION

The Board is pleased to announce that, on 10 November 2017, the Company and DGRC entered into the Capital Increase Agreement, pursuant to which, the Company and DGRC agreed to contribute an aggregate amount of RMB400,000,000 to MBLC in proportion to their respective shareholding in MBLC. Of which, DGRC will contribute RMB260,000,000, representing 65% of the amount under the Capital Increase, while the Company will contribute RMB140,000,000, representing 35% of the amount under the Capital Increase. Upon completion of the Capital Increase, the registered capital of MBLC will be increased from RMB1,697,538,461.54 to RMB2,097,538,461.54.

CAPITAL INCREASE AGREEMENT

The major terms of the Capital Increase Agreement are as follows:

Parties: The Company and DGRC

Date: 10 November 2017

The Capital Increase :

Pursuant to the Capital Increase Agreement, the Company and DGRC agreed to contribute an aggregate amount of RMB400,000,000 to MBLC in proportion to their respective shareholding in MBLC. Of which, DGRC will contribute RMB260,000,000, while the Company will contribute RMB140,000,000. Upon the completion of the Capital Increase, the registered capital of MBLC will be increased from RMB1,697,538,461.54 to RMB2,097,538,461.54.

IMPACT ON THE SHAREHOLDING STRUCTURE OF MBLC

Before the completion of the Capital Increase, the capital contribution by DGRC was RMB1,103,400,000, representing an equity interest of 65% held in MBLC. The capital contribution by the Company was RMB594,138,461.54, representing an equity interest of 35% held in MBLC.

Upon the completion of the Capital Increase, the capital contribution by DGRC will be RMB1,363,400,000, and the equity interests held in MBLC remain as 65%. The capital contribution by the Company will be RMB734,138,461.54, and the equity interests held in MBLC remain as 35%. Meanwhile, the board of directors and management of MBLC will remain unchanged.

The amount of capital contributed of, and the equity interests held by the shareholders of MBLC immediately before and after the Capital Increase are set out below:

	Capital contributed before the Capital Increase (RMB)	Equity interests in MBLC before the Capital Increase (%)	Capital Contribution to be made in the Capital Increase (RMB)	Respective capital contribution after the Capital Increase (RMB)	Equity interests in MBLC after the Capital Increase (%)
DGRC	1,103,400,000	65	260,000,000	1,363,400,000	65
The Company	594,138,461.54	35	140,000,000	734,138,461.54	35
Total	1,697,538,461.54	100	400,000,000	2,097,538,461.54	100

FINANCIAL INFORMATION OF MBLC

The table below sets out certain financial information of MBLC for the financial years ended 31 December 2015 and 2016, and for the nine months ended 30 September 2017, respectively, which was prepared in accordance with the China Accounting Standards for Business Enterprises:

	For the year ended 31 December (RMB'000)		2017 (January to September)
	2015 (Audited)	2016 (Audited)	(Unaudited)
Net profit/(loss) before taxation and non-recurring items	(104,607.76)	91,387.98	269,876.49
Net profit/(loss) after taxation and non-recurring items	(104,607.76)	113,763.39	211,773.62
Net assets	417,013.14	1,030,776.53	1,742,550.15

BASIS OF CONSIDERATION

The amount of the Capital Increase was determined after an arm's length negotiation by the parties to the Capital Increase Agreement with reference to, among others, the capital demand of MBLC.

REASONS FOR AND BENEFITS OF THE TRANSACTION

In the coming years, the MBLC will enter into the stage of rapid development, and thus both new and outstanding loans will accordingly grow. In order to further support the performance of "Enjoy First, Select After" leaseback business of MBLC and its increasing need of new amount loan for finance lease, and to ensure that MBLC's performance will transcend the 2017 profit target, as well as to comply with the requirement that risk assets shall not exceed ten times of the total net assets in the Measures on the Administration of Foreign-funded Lease Industry issued by the Ministry of Commerce of PRC, the Company and DGRC agreed to collectively inject RMB400,000,000 into MBLC to safeguard the business development of MBLC and meet the regulatory requirements

of the Ministry of Commerce of PRC. Meanwhile, this capital injection will also facilitate the sales of new cars of Beijing BENZ, further promote the development of the Company in China's automobile finance lease market and increase the contribution of the finance lease business to the Company's overall yield. All will in turn bring more investment return to the Company and its shareholders.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Daimler AG holds 10.08% equity interests in the Company, and thus it is a Substantial Shareholder of the Company. Meanwhile, Daimler AG holds 100% equity interests in DGRC, and DGRC holds 65% equity interests in MBLC, and thus DGRC and MBLC are associates of Daimler AG. Accordingly, DGRC and MBLC are connected persons of the Company under Chapter 14A of the Listing Rules. The Capital Increase by the Company to MBLC constitutes a connected transaction of the Company. According to the announcement of the Company dated 23 June 2017, the Company and DGRC entered into the agreement on Capital Increase in Mercedes-Benz Leasing Co., Ltd. on 23 June 2017, pursuant to which, the Company contributed RMB175,000,000 to MBLC in proportion to its shareholding in MBLC. According to the requirements under Rule 14A.81 of the Listing Rules, the amount of the said capital increase shall be calculated in aggregate with the amount of this Capital Increase. As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the Capital Increase to MBLC by the Company is more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements but exempted from the independent Shareholders' approval requirement.

Opinion of the Directors

As Mr. Hubertus Troska and Mr. Bodo Uebber, both are Directors of the Company, currently hold positions in Daimler AG as members of the management committee, 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) considered that (i) the Transaction is on normal commercial terms and in the ordinary and usual course of business of the Group; (ii) the terms and conditions of the Transaction are fair and reasonable; and (iii) the Transaction is in the interests of the Company and its Shareholders as a whole.

GENERAL INFORMATION

Information on the Company

The Company is a company limited by shares incorporated in China. It 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 on MBLC

MBLC is a company with limited liability duly incorporated in the PRC. MBLC is principally engaged in the provision of finance leasing and relevant leasing services in respect of automobiles under the brand of Mercedes-Benz to individuals and enterprises.

Information on DGRC

DGRC is a company duly incorporated in the PRC. DGRC is previously known as Daimler Northeast Asia Ltd, established in January 2001 in Beijing, a wholly-owned subsidiary of Daimler AG and hence a connected person of the Company. Daimler AG is a company established in Germany in 1886. It is mainly engaged in the manufacturing of luxury vehicles, trucks, light commercial vehicles and passenger cars, as well as provide tailored services for those products.

DEFINITION

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Benz”	Beijing Benz Automotive Co., Ltd. (北京奔馳汽車有限公司) (previously known as Beijing Jeep Motor Co., Ltd. and Beijing Benz-Daimler Chrysler Automotive Co., Ltd.), a company incorporated in the PRC on 1 July 1983, a subsidiary of the Company with 51.0% equity interest owned by our Company, 38.665% owned by Daimler AG and 10.335% owned by Daimler Greater China Ltd.
“Board”	the board of directors of the Company
“Capital Increase”	the Company and DGRC agreed to contribute an aggregate of RMB400,000,000 to MBLC in proportion to their respective shareholding in MBLC. Of which, DGRC and the Company will contribute RMB260,000,000 and RMB140,000,000 respectively
“Capital Increase Agreement”	the Agreement on Capital Increase in Mercedes-Benz Leasing Co., Ltd. dated 10 November 2017 entered into by the Company and DGRC
“Company”	BAIC Motor Corporation Ltd., a company limited by shares duly incorporated and validly existing under the laws of the PRC
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“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

“DGRC”	Daimler Greater China Ltd., a company incorporated and existing under the laws of the PRC
“Directors”	the directors 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
“MBLC”	Mercedes-Benz Leasing Co., Ltd. (梅賽德斯－奔馳租賃有限公司), a company with limited liability duly incorporated and validly existing under the laws of the PRC
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Transaction”	the subscription by the Company of the increased capital of MBLC at a price of RMB140,000,000
“%”	percent

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

Beijing, the PRC, 10 November 2017

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 and 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*