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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**  
**PROPOSED DISPOSAL OF ASSETS TO CHANGHE AUTOMOTIVE**

The Board hereby announces that on 29 December 2018, the Company, Zhuzhou Sales, a wholly-owned subsidiary of the Company, and Changhe Automotive, entered into the Asset Transfer Agreement, pursuant to which, the Company and Zhuzhou Sales agreed to dispose of, and Changhe Automotive agreed to purchase, the Target Asset of the Company and Zhuzhou Sales at a consideration of RMB531,650,985.32.

As at the date of this announcement, BAIC Group is the sole controlling shareholder of the Company and holds 42.63% of the total issued share capital of the Company, thus it is a connected person of the Company. BAIC Group holds 76.68% equity interests in Changhe Automotive, thus Changhe Automotive is an associate of BAIC Group. Therefore, Changhe Automotive is also a connected person of the Company. The transaction proposed to be conducted between the Company, Zhuzhou Sales and Changhe Automotive under the Asset Transfer Agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the Transaction is more than 0.1% but less than 5%, the Transaction is only subject to the reporting and announcement requirements, but exempted from dispatch of circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

**INTRODUCTION**

The Board hereby announces that on 29 December 2018, the Company, Zhuzhou Sales, a wholly-owned subsidiary of the Company, and Changhe Automotive, entered into the Asset Transfer Agreement, pursuant to which, the Company and Zhuzhou Sales agreed to dispose of, and Changhe Automotive agreed to purchase, the Target Asset of the Company and Zhuzhou Sales at a consideration of RMB531,650,985.32.

## Asset Transfer Agreement

Principal terms of the Asset Transfer Agreement are set out below:

- Parties:** The Company and Zhuzhou Sales, as the Sellers  
Changhe Automotive, as the Purchaser
- Date:** 29 December 2018
- Effective Date:** The date on which the Asset Transfer Agreement is chopped with official chops or special chops for contractual uses by the three parties and signed by the legal representatives or authorised representatives of the three parties after obtaining the approval of the Company, Zhuzhou Sales and Changhe Automotive in accordance with their respective internal approval procedures.
- Target Asset:** The scope of the Target Asset should be the assets within the scope of the asset valuation report, including fixed assets, production equipment, projects under construction, development expenses, intangible assets and other assets held by Huanghua Branch, Wevan Business Unit, Zhuzhou Branch and Zhuzhou Sales.
- Consideration:** The consideration for acquisition of the Target Asset by Changhe Automotive is RMB531,650,985.32 (inclusive of VAT), of which the asset consideration of the Company is RMB526,306,869.64 (inclusive of VAT), and the asset consideration of Zhuzhou Sales is RMB5,344,115.68 (inclusive of VAT). The Company, Zhuzhou Sales and Changhe Automotive agreed to transfer by way of non-public agreement at the aforesaid price.
- Such consideration was determined based on the appraised value of the Target Asset as at the valuation date (i.e. 31 December 2017), being RMB531,650,985.32, as set out in the asset valuation report (Tianxingpingbaozi (2018) No. 0981) issued by PCAA on 20 July 2018 based on the cost approach.
- Closing:** The closing shall be subject to the approval of valuation report of the Target Asset by Beijing SASAC and the Asset Transfer Agreement coming into force.
- The Company, Zhuzhou Sales and Changhe Automotive agreed that the closing date shall be the fifteenth business day after the completion of the aforesaid conditions precedent (the “**Closing Date**”), and the three parties may complete the closing on, before or after the Closing Date.
- Changhe Automotive shall become the legal owner of the Target Asset since the Closing Date. However, if any external approval procedures are required to be completed in respect of relevant Target Asset, Changhe Automotive shall enjoy the ownership of such Target Asset since the date of completion of the external approval procedures. The responsibility and risk of possessing and using such Target Asset shall be borne by Changhe Automotive since the actual transfer date of the Target Asset.
- Payment Arrangements:** Changhe Automotive shall pay the consideration of the Target Asset in accordance with the notice of the Company and Zhuzhou Sales.

## **INFORMATION ON THE TARGET ASSET**

The Target Asset includes assets in kind such as machinery and equipment, vehicles, electrical and office equipment, projects under construction, intangible assets and development expenses held by the Company and Zhuzhou Sales, as well as technical intangible assets, purchased software assets and intangible assets such as production technology of each vehicle model researched and developed for enterprise owned by Wevan Business Unit.

According to the valuation made by PCAA based on the cost approach, the book value of the Target Asset on the valuation date, being 31 December 2017, was approximately RMB507.2878 million, and the appraised value was RMB531,650,985.32.

## **FINANCIAL EFFECT OF THE PROPOSED DISPOSAL OF THE TARGET ASSET**

Based on the information available to the Company, the Directors estimated that the Company's loss incurred by the proposed disposal of the Target Asset to Changhe Automotive would be approximately RMB28.0538 million, which was determined by reference to the book value of the Target Asset as of 31 October 2018, being approximately RMB501.2938 million.

The proceeds of the Company from the proposed disposal of the Target Asset are intended to be used to replenish the working capital of the Company.

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

Currently, under the situation of increasing fierce competition in the automotive industry, the development of proprietary brand is experiencing a severe test. With gradual adjustment and exit of Wevan business, the Company sets out a clear strategic positioning of focusing the limited resources on the mid- to high-end passenger vehicle business, which will improve the financial condition and profitability of the Company and will be beneficial to a sustainable development of the Company.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, BAIC Group is the sole controlling shareholder of the Company and holds 42.63% of the total issued share capital of the Company, thus it is a connected person of the Company. BAIC Group holds 76.68% equity interests in Changhe Automotive, thus Changhe Automotive is an associate of BAIC Group. Therefore, Changhe Automotive is also a connected person of the Company. The transaction proposed to be conducted between the Company, Zhuzhou Sales and Changhe Automotive under the Asset Transfer Agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the Transaction is more than 0.1% but less than 5%, the Transaction is only subject to the reporting and announcement requirements, but exempted from dispatch of circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

## **OPINION OF THE DIRECTORS**

The Directors (including the independent non-executive Directors) considered that (i) the terms and conditions of the Asset Transfer Agreement are fair and reasonable; (ii) the Transaction is on normal commercial terms; and (iii) the Transaction is in the interests of the Company and its Shareholders as a whole.

Since Mr. Xu Heyi, Ms. Shang Yuanxian and Mr. Yan Xiaolei, the Directors of the Company, also hold office in BAIC Group, they were deemed to have material interests in the Transaction and have abstained from voting on the resolution in relation to the Transaction at the meeting of the Board where the Transaction was considered. Save for the above persons, none of the other Directors has any interest in the Transaction.

## **GENERAL INFORMATION**

### **Information on the Company**

The Company is a company limited by shares incorporated in the PRC. It is a leading manufacturer of passenger vehicles in the PRC. The Company is engaged in the design, research and development, manufacture and sales of an extensive and diversified portfolio of passenger vehicle models, and the provision of related services in the PRC. The Company 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's demands for different types of vehicles.

### **Information on Changhe Automotive**

Changhe Automotive, incorporated in the PRC on 17 September 2008, is a non-wholly owned subsidiary of BAIC Group in which BAIC Group holds 76.68% equity interests. It is engaged in the design, manufacture, sales and post-sale services of sedan, mini-car products and auto parts, and the development, consultation and services related to automobile-related projects; warehousing services (excluding hazardous chemicals), loading, unloading and transportation services and related consultation; house leasing and car leasing; consultation on logistics information; business services; operation of import and export business, etc.

### **Information on Zhuzhou Sales**

Zhuzhou Sales, incorporated in the PRC in August 2013, is a wholly-owned subsidiary of the Company. It is engaged in the sales of mini-size passenger cars of Beijing Brand, development of auto parts, technological development, consultation on technology, general economic information (excluding investment consultation), etc.

## DEFINITIONS

“Asset Transfer Agreement”	the asset transfer agreement entered into between the Company, Changhe Automotive and Zhuzhou Sales on 29 December 2018, pursuant to which the Company and Zhuzhou Sales agreed to dispose of, and Changhe Automotive agreed to purchase, the Target Asset of the Company and Zhuzhou Sales
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“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, and the sole controlling shareholder of the Company
“Beijing SASAC”	means the State-Owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality
“Board”	the board of directors of the Company
“Company”	BAIC Motor Corporation Limited (北京汽車股份有限公司), a company limited by shares duly incorporated and validly existing under the laws of the PRC, whose H shares are listed on the Hong Kong Stock Exchange
“Changhe Automotive”	Jiangxi Changhe Automotive Co., Ltd. (江西昌河汽車有限責任公司), a company incorporated in the PRC on 17 September 2008 and a non-wholly owned subsidiary of BAIC Group in which BAIC Group holds 76.68% equity interests
“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
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Huanghua Branch”	the Huanghua Branch of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PCAA”	Beijing Pan-China Assets Appraisal Co., Ltd. (北京天健興業資產評估有限公司)
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Target Asset”	the target asset under the Asset Transfer Agreement, which is within the scope of the asset valuation report, including the fixed assets, manufacturing equipment, projects under construction, development expenses, intangible assets, etc. held by Huanghua Branch, Wevan Business Unit, Zhuzhou Sales and Zhuzhou Branch
“Transaction”	the transaction contemplated under the Asset Transfer Agreement which constitutes a connected transaction of the Company
“VAT”	value added tax
“Wevan Business Unit”	the Wevan Business Unit of the Company
“Zhuzhou Branch”	the Zhuzhou Branch of the Company
“Zhuzhou Sales”	Zhuzhou (BAIC) Motor Sales Limited Company (株洲北汽汽車銷售有限公司), a wholly-owned subsidiary of the Company
“%”	percentage

By order of the Board  
**BAIC Motor Corporation Limited**  
**Gu Xin**  
*Secretary to the Board and Company Secretary*

Beijing, the PRC, 29 December 2018

*As at the date of this announcement, the Board comprises Mr. Xu Heyi, as Chairman of the Board and non-executive Director; Ms. Shang Yuanxian and Mr. Yan Xiaolei, as non-executive Directors; Mr. Chen Hongliang, as executive Director; Mr. Xie Wei, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Bodo Uebber, Ms. Jiao Ruifang and Mr. Lei Hai, 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*