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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)

**(1) CONTINUING CONNECTED TRANSACTION – ENTERING INTO
PROPERTY AND FACILITY LEASING SUPPLEMENTAL
AGREEMENT WITH BAIC GROUP**

**(2) MAJOR AND CONTINUING CONNECTED TRANSACTION –
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH
BAIC GROUP**

References are made to the prospectus of the Company dated 9 December 2014, the announcement of the Company dated 31 December 2014, 23 March 2015, 20 June 2016 and 22 March 2018, respectively, and the circulars of the Company dated 15 May 2015, 11 November 2016 and 15 May 2018, respectively, in relation to, among others, (a) the continuing connected transactions entered into between the Company and BAIC Group under (i) the Property and Facility Leasing Framework Agreement, (ii) the Products and Services Purchasing Framework Agreement; and (iii) the Provision of Products and Services Framework Agreement, (b) the continuing connected transactions entered into between the Company and BAIC Finance under the Financial Services Framework Agreement; and (c) the continuing connected transactions entered into between Beijing Benz, a non-wholly owned subsidiary of the Company, and BAIC Group under the Trademark Licensing Agreement.

**PROPERTY AND FACILITY LEASING SUPPLEMENTAL AGREEMENT AND
2019 ANNUAL CAP FOR THE CONTINUING CONNECTED TRANSACTIONS
THEREUNDER**

On 27 March 2019, the Company entered into the Property and Facility Leasing Supplemental Agreement with BAIC Group to supplement certain provisions in respect of transaction type under the Property and Facility Leasing Framework Agreement and set up annual cap for the rentals to be received by the Group from BAIC Group and/or its associates for properties and facility leasing in 2019.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

As the term of each of (i) the Property and Facility Leasing Framework Agreement, (ii) the Products and Services Purchasing Framework Agreement, (iii) the Provision of Products and Services Framework Agreement; and (iv) the Financial Services Framework Agreement, and the applicable annual caps for the continuing connected transactions thereunder are due to expire on 31 December 2019, on 27 March 2019, the Board resolved to renew each of the aforesaid framework agreements for a further term of three years from 1 January 2020 to 31 December 2022.

Further, as the relevant annual caps for the continuing connected transactions under the Trademark Licensing Agreement are due to expire on 31 December 2019, on 27 March 2019, the Board resolved to set the new annual caps for such continuing connected transactions for the next three years ending 31 December 2022.

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. The transactions contemplated between the Company and BAIC Group under the Property and Facility Leasing Supplemental Agreement, the renewed Property and Facility Leasing Framework Agreement, the renewed Products and Services Purchasing Framework Agreement and the renewed Provision of Products and Services Framework Agreement, and the transactions contemplated between Beijing Benz, a non-wholly owned subsidiary of the Company, and BAIC Group under the Trademark Licensing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As BAIC Group holds 56.00% of the equity interest of BAIC Finance, BAIC Finance is an associate of BAIC Group. Therefore, BAIC Finance is a connected person of the Company and the transactions contemplated between the Company and BAIC Finance under the renewed Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of each of (i) the proposed annual cap for the rentals to be received from BAIC Group and/or its associates for properties and facility leasing under the Property and Facility Leasing Supplemental Agreement; (ii) the proposed annual caps for the continuing connected transactions contemplated under the renewed Property and Facility Leasing Framework Agreement; (iii) the proposed annual caps for the provision of services transactions contemplated under the renewed Provision of Products and Services Framework Agreement; and (iv) the proposed annual caps for the continuing connected transactions contemplated under the Trademark Licensing Agreement is more than 0.1% but less than 5%, such continuing connected transactions are only subject to the reporting, announcement and annual review requirements, but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable percentage ratios in respect of each of (i) the proposed annual caps for the continuing connected transactions contemplated under the renewed Products and Services Purchasing Framework Agreement; and (ii) the proposed annual caps for the sale of products transactions contemplated under the renewed Provision of Products and Services Framework Agreement is more than 5%, such continuing connected transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable percentage ratios in respect of the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance under the renewed Financial Services Framework Agreement is more than 25%, such transactions constitute major transactions and continuing connected transactions of the Company and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

2018 ANNUAL GENERAL MEETING

The Company will convene the 2018 annual general meeting for the purpose of, among other things, obtaining the Independent Shareholders' approval for the (i) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder for the three financial years ending 31 December 2022; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder for the three financial years ending 31 December 2022; and (iii) renewal of Financial Services Framework Agreement and the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance thereunder for the three financial years ending 31 December 2022.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the (i) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder for the three financial years ending 31 December 2022; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder for the three financial years ending 31 December 2022; and (iii) renewal of Financial Services Framework Agreement and the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance thereunder for the three financial years ending 31 December 2022. Gram Capital will be appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same matter.

A circular containing, among other things, further details of the (i) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder for the three financial years ending 31 December 2022; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder for the three financial years ending 31 December 2022; and (iii) renewal of Financial Services Framework Agreement and the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance thereunder for the three financial years ending 31 December 2022, a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders and a letter from the Independent Board Committee to the Independent Shareholders on the same and its recommendation on voting, together with the notice of the 2018 annual general meeting of the Company, will be despatched to the Shareholders in due course.

I. PROPERTY AND FACILITY LEASING SUPPLEMENTAL AGREEMENT AND 2019 ANNUAL CAP FOR THE CONTINUING CONNECTED TRANSACTIONS THEREUNDER

References is made to the announcement of the Company dated 20 June 2016, in relation to, among others, the continuing connected transactions entered into between the Company and BAIC Group under the Property and Facility Leasing Framework Agreement. Pursuant to the Property and Facility Leasing Framework Agreement, the Company and/or its subsidiaries will lease properties and facilities from BAIC Group and/or its associates for manufacturing specific passenger vehicles.

A. Property and Facility Leasing Supplemental Agreement

On 27 March 2019, the Company entered into the Property and Facility Leasing Supplemental Agreement with BAIC Group to supplement certain provisions in respect of transaction type under the Property and Facility Leasing Framework Agreement and set up annual cap for the rentals to be received by the Group from BAIC Group and/or its associates for properties and facility leasing in 2019.

According to the Property and Facility Leasing Framework Agreement, the Company and/or its subsidiaries will lease properties and facilities from BAIC Group and/or its associates for manufacturing specific passenger vehicles. While pursuant to the Property and Facility Leasing Supplemental Agreement, BAIC Group and/or its associates will also lease properties and facilities from the Company and/or its subsidiaries for manufacturing specific passenger vehicles.

Save for the above amendments, all the terms and conditions of the Property and Facility Leasing Framework Agreement shall remain unchanged and shall continue in full force and effect and shall not be affected in any respect.

B. Determination and Payment of Rentals and Other Charges

According to the Property and Facility Leasing Framework Agreement and the Property and Facility Leasing Supplemental Agreement, separate agreements stipulating the specific terms and conditions (including property rentals, payment methods and other usage fees) in respect of relevant leased properties and facilities shall be entered into.

The rentals shall be paid in accordance with the individual agreements to be signed by members of the Group and BAIC Group and its associates under the Property and Facility Leasing Framework Agreement and the Property and Facility Leasing Supplemental Agreement.

During the leasing term of each of the individual leasing agreements, the charges of property management, water, electricity, cleaning, maintenance, air conditioning, heating and other expenses incurred in using the leased property and facility shall be specified and determined by individual leasing agreements.

The monthly rentals payable during the leasing term are determined after arm's length negotiations between the relevant parties: (i) the rentals for office space will be calculated on a per month per square meter basis at rates with reference to the prevailing market price of properties of comparable size and quality situated in the same locality; and (ii) the rentals for the properties and facilities used for production will be calculated by taking into account the estimated cost incurred as a result of utilisation of the properties and facilities and the estimated unit depreciation value of such properties and facilities.

Please also refer to the section headed “Internal Control Procedures for the Implementation of Continuing Connected Transactions” of this announcement for details of the internal control procedures adopted by the Company.

C. Proposed Annual Cap for the Year Ending 31 December 2019

The Company estimates the annual cap for the rentals to be received from BAIC Group and/or its associates for properties and facility leasing under the Property and Facility Leasing Framework Agreement, as amended by the Property and Facility Leasing Supplemental Agreement, for the year ending 31 December 2019 as follows:

	Proposed annual cap for the year ending 31 December 2019 (RMB million)
Rentals to be received from BAIC Group and/or its associates for properties and facility leasing	<u><u>199.3</u></u>

D. Basis of Determination of the Proposed Annual Cap

The above proposed annual cap was estimated on the basis of: (i) the scope of properties and facilities expected to be utilised by BAIC Group and/or its associates for the nine months ending 31 December 2019; and (ii) the estimated cost to be incurred as a result of utilisation of the properties and facilities and the estimated unit depreciation value of such properties and facilities for the nine months ending 31 December 2019.

E. Reasons for and Benefit of Entering into the Property and Facility Leasing Supplemental Agreement

The Company expects that it will lease certain properties and facilities, from time to time, to other parties, including BAIC Group and/or its associates, in the future. It is necessary for the Company and BAIC Group to enter into a supplemental agreement so as to better regulate the continuing connected transactions in respect of leasing of property and facility between the parties. In addition, compared with independent third parties, the Company can better understand the requirements of BAIC Group and/or its associates on office space and properties and facilities used for production.

F. Opinion of the Directors

The Directors (including the independent non-executive Directors) are of the view that the transactions under the Property and Facility Leasing Supplemental Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as the proposed annual cap for the rentals to be received from BAIC Group and/or its associates for properties and facility leasing in 2019 are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

II. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

References are made to the prospectus of the Company dated 9 December 2014, the announcement of the Company dated 31 December 2014, 23 March 2015, 20 June 2016 and 22 March 2018, respectively, and the circulars of the Company dated 15 May 2015, 11 November 2016 and 15 May 2018, respectively, in relation to, among others, (a) the continuing connected transactions entered into between the Company and BAIC Group under (i) the Property and Facility Leasing Framework Agreement, (ii) the Products and Services Purchasing Framework Agreement; and (iii) the Provision of Products and Services Framework Agreement, (b) the continuing connected transactions entered into between the Company and BAIC Finance under the Financial Services Framework Agreement; and (c) the continuing connected transactions entered into between Beijing Benz, a non-wholly owned subsidiary of the Company, and BAIC Group under the Trademark Licensing Agreement.

As the terms of each of (i) the Property and Facility Leasing Framework Agreement, (ii) the Products and Services Purchasing Framework Agreement, (iii) the Provision of Products and Services Framework Agreement; and (iv) the Financial Services Framework Agreement, and the applicable annual caps for the continuing connected transactions thereunder are due to expire on 31 December 2019, on 27 March 2019, the Board resolved to renew each of the aforesaid framework agreements for a further term of three years from 1 January 2020 to 31 December 2022.

Further, as the relevant annual caps for the continuing connected transactions under the Trademark Licensing Agreement are due to expire on 31 December 2019, on 27 March 2019, the Board resolved to set the new annual caps for such continuing connected transactions for the next three years ending 31 December 2022.

A. Renewal of the Property and Facility Leasing Framework Agreement

As the term of the existing Property and Facility Leasing Framework Agreement will expire on 31 December 2019, the Company and BAIC Group renewed such agreement on 27 March 2019 for a further term of three years from 1 January 2020 to 31 December 2022 and set the new annual caps for such continuing connected transactions for the next three years ending 31 December 2022.

1. *Renewed Property and Facility Leasing Framework Agreement*

Details of the renewed Property and Facility Leasing Framework Agreement are summarized as follows:

Parties: (i) BAIC Group
(ii) the Company

Date: 27 March 2019

Term: The term of the renewed Property and Facility Leasing Framework Agreement will commence on 1 January 2020 and end on 31 December 2022, subject to renewal through mutual consents by the parties.

Principal Terms: According to the renewed Property and Facility Leasing Framework Agreement, the Company and/or its subsidiaries will lease properties and facilities from and to BAIC Group and/or its associates for manufacturing specific passenger vehicles.

The rent payables under the renewed Property and Facility Leasing Framework Agreement shall be agreed based on negotiations between the relevant parties with reference to market rates at relevant location and subject to relevant laws and regulations of the PRC.

Separate agreements stipulating the specific terms and conditions (including property rentals, payment methods and other usage fees) in respect of relevant leased properties and facilities shall be entered into.

The rentals shall be paid in accordance with the individual agreements to be signed by members of the Group and BAIC Group and its associates under the renewed Property and Facility Leasing Framework Agreement.

Pricing Policy: The monthly rentals payable during the leasing term are determined after arm's length negotiations between the relevant parties: (i) the rentals for office space will be calculated on a per month per square meter basis at rates with reference to the prevailing market price of properties of comparable size and quality situated in the same locality; and (ii) the rentals for the properties and facilities used for production will be calculated by taking into account the estimated cost incurred as a result of utilisation of the properties and facilities and the estimated unit depreciation value of such properties and facilities.

Based on current market conditions, the Company is of the view that the rentals under the renewed Property and Facility Leasing Framework Agreement are fair and reasonable and represent the prevailing market rates for similar properties situated in their locality that are used for similar purposes in Beijing, the PRC and duly reflect the expected costs and unit depreciation value of the properties and facilities.

Please also refer to the section headed "Internal Control Procedures for the Implementation of Continuing Connected Transactions" of this announcement for details of the internal control procedures adopted by the Company.

Reasons and Benefits:

The Company has leased certain properties from the BAIC Group and/or its associates for a long period of time. The leased properties are mainly located in Beijing, the PRC, and are generally used for office, staff dormitory, storage and production. Compared with independent third parties, BAIC Group has a better understanding of the property requirements of the Group in relation to office premises, warehousing and production usage. In addition, relocating the Group's offices, warehouses and plants to other premises will cause unnecessary disruptions to the Group's operation and unnecessary costs.

The Company expects that it will lease certain properties and facilities, from time to time, to other parties, including BAIC Group and/or its associates, in the future. It is necessary for the Company and BAIC Group to enter into a supplemental agreement so as to better regulate the continuing connected transactions in respect of leasing of property and facility between the parties. Compared with independent third parties, the Company can better understand the requirements of BAIC Group and/or its associates on office space and properties and facilities used for production.

2. Historical Transaction Amounts

Set out below is a breakdown of the historical transaction amounts in respect of the rentals paid by the Group to BAIC Group and/or its associates for properties and facility leasing for the preceding three financial years ended 31 December 2018:

	Approximate historical transaction amounts for the year ended 31 December		
	2016	2017	2018
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Rentals paid to BAIC Group and/or its associates for properties and facility leasing	180.0	162.8	277.0

3. *Proposed Annual Caps for the Three Financial Years Ending 31 December 2022*

The Company estimates the annual caps for the continuing connected transactions between the Group and BAIC Group and/or its associates under the renewed Property and Facility Leasing Framework Agreement for the next three financial years ending 31 December 2022 as follows:

	Proposed annual caps for the year ending 31 December		
	2020 (RMB million)	2021 (RMB million)	2022 (RMB million)
Rentals to be paid to BAIC Group and/or its associates for properties and facility leasing	351.9	387.1	425.8
Rentals to be received from BAIC Group and/or its associates for properties and facility leasing	<u>255.9</u>	<u>255.9</u>	<u>255.9</u>

4. *Basis of Determination of the Proposed Annual Caps*

The above proposed annual caps for rentals to be paid to BAIC Group and/or its associates for properties and facility leasing were estimated on the basis of: (i) the total gross floor area of the properties leased by the Group from BAIC Group and its subsidiaries; (ii) the unit rent agreed under the property leasing contracts entered into between BAIC Group and its subsidiaries and the Group; and (iii) the demands for increased leased office space and facility leasing in the next three years based on the business expansion plans of the Group.

The above proposed annual caps for rentals to be received from BAIC Group and/or its associates for properties and facility leasing were estimated on the basis of: (i) the scope of properties and facilities expected to be utilised by BAIC Group and/or its associates in the next three years; (ii) the estimated cost to be incurred by the Group as a result of utilisation by BAIC Group and/or its associates and the estimated unit depreciation value of such properties and facilities; and (iii) the demands for increased leased property space and facility leasing in the next three years based on the business expansion plans of BAIC Group.

5. *Opinion of the Directors*

The Directors (including the independent non-executive Directors) are of the view that transactions under the renewed Property and Facility Leasing Framework Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

B. Renewal of the Products and Services Purchasing Framework Agreement

As the term of the existing Products and Services Purchasing Framework Agreement will expire on 31 December 2019, the Company and BAIC Group renewed such agreement on 27 March 2019 for a further term of three years from 1 January 2020 to 31 December 2022 and set the new annual caps for such continuing connected transactions for the next three years ending 31 December 2022.

1. Renewed Products and Services Purchasing Framework Agreement

Details of the renewed Products and Services Purchasing Framework Agreement are summarized as follows:

Parties: (i) BAIC Group

(ii) the Company

Date: 27 March 2019

Term: The term of the renewed Products and Services Purchasing Framework Agreement will commence on 1 January 2020 and end on 31 December 2022, subject to the renewal through mutual consent by the parties.

Principal Terms: According to the renewed Products and Services Purchasing Framework Agreement, BAIC Group and/or its associates will provide several types of products and services to the Company and/or its subsidiaries. These products will include automobile equipments, raw materials, components and parts and complete vehicles, and these services will include labor services, logistics services, transportation services and consultancy services.

Members of the Group and BAIC Group and its associates will enter into individual agreement for each of the specific transactions contemplated under the renewed Products and Services Purchasing Framework Agreement, provided that any such individual agreement shall be within the ambit of the renewed Products and Services Purchasing Framework Agreement.

The product prices and service fees shall be paid in accordance with the individual agreements to be signed by members of the Group and BAIC Group and its associates under the renewed Products and Services Purchasing Framework Agreement.

Pricing Policy: *General policy*

In order to ensure that the terms of individual transaction in respect of the purchase of products and general services by the Group from BAIC Group are fair and reasonable and in line with market practices, the Group has adopted the following measures:

- (i) to have regular contact with the suppliers of the Group (including BAIC Group) to keep abreast of market developments and the price trend of general services ;
- (ii) before placing an individual purchase order, to invite certain number of suppliers (including BAIC Group) from the approved list of suppliers of the Group to submit quotations or proposals; and
- (iii) to have the suppliers and pricing of products and general services determined by the collective decision of the Company's tender assessment board according to the Company's administrative measures for market quotations. Members of the tender assessment board include representatives from the components and parts development department, supplies management department, research and development department, compliance and supervision department, finance center and audit department. Procurement engineers, product engineers and supplier quality management engineers will also participate in the assessment to review and compare the quotations or proposals received and assess the same based on various factors such as pricing, flexibility, quality and after-sales service.

Where there are other independent suppliers, the Company and its subsidiaries will obtain quotations for comparable products or services that may be available from other independent suppliers in order to determine whether viable alternatives of comparable quality can be obtained in a timely manner and at the most competitive price. If alternatives are available, the Company and its subsidiaries will conduct a tender process before selecting suppliers for such alternatives. In such a tender process, the connected persons and their associates are treated no differently from any other independent suppliers. Consequently, the purchase of products and general services by the Company and its subsidiaries from the connected persons of the Company and their associates would not be made if the Company and its subsidiaries could obtain better terms from any other suppliers.

Raw materials and automobile parts and components

Raw materials (including steel and rubber) and automobile parts and components have historically been, and will continue to be, priced with reference to a combination of factors, including costs of materials, labor costs and employee benefit expenses, electricity and other utility costs, depreciation, machinery maintenance costs and selling and administrative expenses which are attributable to the procurement or production of such raw materials and components as well as automotive part products. Based on the above factors, each raw material, or finished automotive part product is ascribed a unit cost.

BAIC Group would then charge the Company a profit margin within the pre-agreed arm's length range over such unit cost. The prices of raw materials and automobile parts and components provided by BAIC Group and/or its associates are determined with reference to actual costs or reasonable costs (whichever is lower) incurred plus a profit margin within the pre-agreed arm's length range determined in the following order: (i) at prices not higher than the market prices; and (ii) if no comparable market price, at prices with reference to actual costs or reasonable costs (whichever is lower) incurred plus a profit margin within the pre-agreed arm's length range.

To monitor that the prices charged by BAIC Group are fair and reasonable, the Company has historically requested, prior to entering into individual supply agreements with BAIC Group, and will continue to request that BAIC Group provides a schedule of the costs being incurred by BAIC Group in respect of the raw materials and automotive parts and components being supplied by BAIC Group. Once such schedule is received, the Company has historically and will continue to (i) assess independently whether the costs incurred are fair and reasonable; (ii) request clarification and supporting documents from BAIC Group if the Company is of the view that the cost of items stated by BAIC Group are materially different from the costs that were quoted by BAIC Group historically; and (iii) verify that the profit margin on the total costs incurred by BAIC Group falls within the pre-agreed range of profit margins. To ensure that the price offered by BAIC Group and its subsidiaries will not be less favourable than those offered by independent service suppliers, the Company will seek for and refer to not less than two independent third-party suppliers after the arms-length negotiation. In addition, the purchasing department will also monitor automotive part and component prices and global commodity prices regularly to ensure that the price of automotive parts and components and raw materials purchased are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Automotive modules

Automotive modules such as modules for dashboards and chassis are customized products. Similar price determination process to raw materials and automobile parts and components as disclosed above is used for automotive modules. However, to ensure that the prices quoted by BAIC Group is fair and reasonable, similar to the case for raw materials and automobile parts and components, the Company have historically been and will continue to request for a schedule of costs for assessment of its reasonableness. In addition, the Company will also compare the prices against those prices charged by independent suppliers of customized automobile modules to ensure that the prices quoted by BAIC Group are no less favourable.

Logistics services

Logistics services provided by BAIC Group include transportation and storage services. The fees of logistics services are charged on the basis of the value of the complete vehicles, components and parts, custodial requirements, size and level of inventories, delivery and handling requirements and the number of vehicles. When determining the prices, the procurement department of the Group has made reference to the market prices charged for logistics services by other comparable automotive enterprises based on its extensive expertise and experience. The Company periodically ask for quotations from at least two independent third party logistic companies which provide the same services in the same area as Zhongdu Logistics Co., Ltd. (中都物流有限公司) (“**Zhongdu Logistics**”), a subsidiary of BAIC Group, to ensure prices quoted by Zhongdu Logistics are fair and reasonable. In the event that the quoted prices are lower than the existing prices for logistic services provided by Zhongdu Logistics, the Group will request Zhongdu Logistics to adjust the prices to a market reasonable level.

Other services fees

Other services offered by BAIC Group and its associates mainly include advertisement and marketing, back-office support and training. The services fees for these services charged by BAIC Group and/or its associates are determined by arm's length negotiations between the relevant parties. The Group will make reference to the historical fees of such general services and will also refer to the comparable market prices, to ensure that the terms of services provided by BAIC Group are fair and reasonable to the Group. Comparable market prices are generally obtained through quotations provided by independent suppliers offering similar services. In the event that the service prices charged by BAIC Group are higher than the prices quoted by independent third parties, the Group will request BAIC Group to adjust the prices of connect transactions to a reasonable level.

Please also refer to the section headed "Internal Control Procedures for the Implementation of Continuing Connected Transactions" of this announcement for details of the internal control procedures adopted by the Company.

Reasons and Benefits:

In the ordinary and usual course of business, the Group purchases products and services from BAIC Group and/or its associates. The Company has been using the products and services provided by BAIC Group and/or its associates for several years. BAIC Group has been providing us with a long-term stable supply. As a result, BAIC Group and its associates understand the Group's business and operational requirements well. It is crucial to maintain a stable and quality supply of products and general services for the Company's existing and future production and operation. With reference to the previous purchasing experience with BAIC Group and its associates, BAIC Group can efficiently fulfil the Company's requirements with stable and quality supply of products and general services.

Automobile parts and components and raw materials

The Group is capable of carrying on its business independently of BAIC Group as it can procure the parts and components and raw materials supplied by BAIC Group and its associates from independent third parties. The purchases of automobile parts, components and raw materials from BAIC Group and its associates would benefit the Group for the following reasons:

- (i) the purchases from BAIC Group and its associates will be at competitive prices not less favourable than those that the Group can obtain from independent third parties;
- (ii) BAIC Group and its associates are familiar with the Group's specifications, standards and requirements on automobile parts and components and raw materials; and
- (iii) it is crucial for the Group to maintain the stability in supply and quality of automobile parts and components and raw materials for the existing and future production needs. In view of the product purchasing experience with BAIC Group and its associates, the Company is of the view that BAIC Group and its associates can effectively fulfil the Company's requirements in supply stability as well as quality.

Automotive modules

The Group sources certain automotive module systems, including systems for dashboards and chassis, from several subsidiaries of BAIC Group. The Group is capable of manufacturing automotive modules independently. In order to utilize its own resources more efficiently and focus on the core business, the Company has outsourced the production of automotive modules to BAIC Group and/or its associates. The Group will continue this arrangement for the following reasons:

- (i) the production lines of these automotive module systems are specifically designed for a number of the Group's products, meeting the specific production requirements of such products of the Group;
- (ii) BAIC Group has been providing the Group with a long-term stable supply and it is familiar with the Group's products and requirements;
- (iii) meanwhile, due to the geographical proximity between the subsidiaries of BAIC Group, which produce automotive modules for the Group, the transportation costs of products are low. The close cooperation with BAIC Group also facilitates the Group's quality control and management; and
- (iv) subsidiaries of BAIC Group produce high quality automotive modules for the Group and provide complete after-sales services for further improving the automotive module production lines based on the feedback of the Group.

Transportation services

Zhongdu Logistics provides logistics services for the whole vehicles, parts and components of the Group, including transportation and storage services. The purchase of logistics services from BAIC Group and its associates would benefit the Group for the following reasons:

- (i) Zhongdu Logistics has been providing the Group with long-term stable supply and consistent quality services, being familiar with the Group's special requirements on the transportation of complete vehicles and automobile parts and components;
- (ii) meanwhile, warehouse centers of Zhongdu Logistics are in geographical proximity to the Company's production plant, which facilitates the transportation of complete vehicles and parts and components, thereby lowering the logistics costs and shortening transportation time; and
- (iii) the transportation service fees charged by Zhongdu Logistics are no less favourable than the fees charged to the Group by independent third parties.

Back-office services

The purchases of ancillary administrative and back-office services from BAIC Group and/or its associates would benefit the Group for the following reasons:

- (i) BAIC Group and/or its associates have been providing the Group with long-term stable ancillary administrative and back-office services for certain office premises of the Group in Beijing, the PRC, including meeting facilities and services, catering services and information technology services;
- (ii) as the relevant services are of consistent quality, cost efficiency and localization convenience, it is in the best interests of the Group to continue to procure such services from BAIC Group and/or its associates; and
- (iii) the relevant back-office service fees charged by BAIC Group and/or its associates are no less favorable than the fees charged to the Group by independent third parties.

2. *Historical Transaction Amounts*

Set out below is a breakdown of the historical transaction amount in respect of the continuing connected transactions between the Group and BAIC Group and/or its associates under the renewed Products and Services Purchasing Framework Agreement for the preceding three financial years ended 31 December 2018:

	Approximate historical transaction amounts for the year ended 31 December		
	2016	2017	2018
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Purchase of products	26,103.4	25,910.5	27,185.9
Purchase of services	2,967.9	2,698.1	3,215.5
	<u>26,103.4</u>	<u>25,910.5</u>	<u>27,185.9</u>

3. *Proposed Annual Caps for the Three Financial Years Ending 31 December 2022*

The Company estimates the annual caps for the continuing connected transactions between the Group and BAIC Group and/or its associates under the renewed Products and Services Purchasing Framework Agreement for the next three financial years ending 31 December 2022 as follows:

	Proposed annual caps for the year ending 31 December		
	2020	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Purchase of products	50,346.0	52,920.8	55,603.1
Purchase of services	5,036.4	4,990.2	5,194.6
	<u>50,346.0</u>	<u>52,920.8</u>	<u>55,603.1</u>

4. *Basis of Determination of the Proposed Annual Caps*

The above proposed annual caps were estimated on the basis of:

- (i) the estimated sales volume of passenger vehicles by taking into account, among others, macroeconomic conditions as well as the development strategies and business expansion plan of the Group;
- (ii) the unit purchase cost for each vehicle model of the Group in 2018 and the expected market condition and general cost inflation for the relevant period;
- (iii) the expected annual value of the connected transactions between Beijing Benz and BAIC Group and its associates;
- (iv) the expected increase in the total costs and expenses, which is ultimately driven by the business expansion plan of the Group. The Group plans to launch and manufacture various new models in the next three years, which is expected to result in increases as appropriate in the total costs and expenses for such years. In addition, the expected sales volume of existing models will continue to rise driven by the continued demand growth in their respective segments, which will also result in the increase in the total costs and expenses (cost of sales, selling and distribution expenses, and general and administrative expenses); and
- (v) the expected demand for higher quality premium new products will require the purchase of better and more sophisticated new raw materials, automotive modules, automotive parts and components from BAIC Group and/or its associates which will be comparatively more expensive than the costs of existing raw materials, automotive modules, automotive parts and components purchased from BAIC and/or its associates for existing products. As a result, it is expected that the total procurement costs for these raw materials, automotive modules, automotive parts and components for the production of new premium products will be increased.

5. *Opinion of the Directors*

The Directors (excluding the independent non-executive Directors, whose view on the renewed Products and Services Purchasing Framework Agreement and the proposed annual caps will be set out in the letter from the Independent Board Committee contained in the circular to be despatched after considering the advice from the independent financial adviser) are of the view that transactions under the renewed Products and Services Purchasing Framework Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

C. **Renewal of the Provision of Products and Services Framework Agreement**

As the term of the existing Provision of Products and Services Framework Agreement will expire on 31 December 2019, the Company and BAIC Group renewed such agreement on 27 March 2019 for a further term of three years from 1 January 2020 to 31 December 2022 and set the new annual caps for such continuing connected transactions for the next three years ending 31 December 2022.

1. ***Renewed Provision of Products and Services Framework Agreement***

Details of the renewed Provision of Products and Services Framework Agreement are summarized as follows:

Parties: (i) BAIC Group
(ii) the Company

Date: 27 March 2019

Term: The term of the renewed Provision of Products and Services Framework Agreement will commence on 1 January 2020 and end on 31 December 2022, subject to the renewal through mutual consent by the parties.

Principal Terms: According to the renewed Provision of Products and Services Framework Agreement, BAIC Group and/or its associates will purchase the following types of products (including products such as facilities, raw materials, components and part and complete vehicles etc., relevant technologies, and derivatives derived from such products including but not limited to average fuel consumption quota of new energy vehicles etc.) and services (including sales agency, processing agency, labour, logistic, transportation and consultancy etc.) from the Company and/or its subsidiaries. It is expected that the Group will mainly sell complete vehicles and provide relevant automotive parts and components to BAIC Group.

Members of the Group and BAIC Group and its associates will enter into individual agreement for each of the specific transactions contemplated under the renewed Provision of Products and Services Framework Agreement, provided that any such individual agreement shall be within the ambit of the renewed Provision of Products and Services Framework Agreement.

The product prices and service fees shall be paid in accordance with the individual agreements to be signed by members of the Group and BAIC Group and its associates under the renewed Provision of Products and Services Framework Agreement.

Pricing Policy: *General policy*

To ensure that the terms of the transactions contemplated under the renewed Provision of Products and Services Framework Agreement are on terms no less favourable than those entered into between the Group and independent third parties, the renewed Provision of Products and Services Framework Agreement specifically provides that terms of transactions contemplated thereunder are to be on terms no less favourable than those entered into between the Company and independent third parties.

The service fees charged to BAIC Group by the Group are to be determined on the basis of arm's length negotiations between the relevant parties. The Company will make reference to the applicable historical prices of products and services and will base such on the principle of cost plus a reasonable margin, to ensure that the terms of supplying products and services to BAIC Group are fair and reasonable.

Complete vehicles

The Group formulates various selling prices based on factors such as depreciation of raw materials and equipment for producing different vehicle models, technology amortization, employee compensation as well as water and electricity costs, and also formulates various promotions level based on the popularization of various vehicle models, and updates the promotion levels in accordance with the latest market situation in a timely manner. The complete vehicle price is determined by the selling price and promotion level together. For both connected person customers and independent third-party customers, the Group apply the above pricing policies when selling completing vehicles. In such case, both connected person customers and independent third-party customers enjoy the same price when purchasing completing vehicles; connected person customers will not be offered any price that is more favourable than the price of other customers.

Automobile parts and components and raw materials

The Group formulates selling prices on a profit margin within the pre-agreed arm's length range over the unit cost of automobile parts and components and raw materials. The unit cost mainly refers to the factors including depreciation of consumed materials and equipment for production and staff wages. For both connected person customers and independent third-party customers, same pricing rule shall apply. In such case, both connected person customers and independent third-party customers enjoy the same price when purchasing automobile parts and components and raw materials; connected person customers will not be offered any price that is more favourable than the price of other customers.

Services

The services provided by the Group to BAIC Group and its associates are mainly customized services or individualized services which mainly include complete vehicles technology consulting service and research and development service which are sensitive in nature. Market prices of such are not readily available. In determining the prices of these services, the Group adopts a cost-plus profit method. Costs taken into account include depreciation, salary, costs of raw materials and management fees. On this basis, the Group obtains a profit in the range of approximately 10% to 15%. To ensure that the prices charged by the Group are fair and reasonable, the Group will also make reference to the profit margin of transactions where the Group offered similar services to independent third parties.

Please also refer to the section headed "Internal Control Procedures for the Implementation of Continuing Connected Transactions" of this announcement for details of the internal control procedures adopted by the Company.

Reasons and Benefits:

In the ordinary and usual course of business, the Group provides various products and general services to BAIC Group and/or its associates. The Company considers that the Provision of Products and General Services to BAIC Group would benefit the Group for the following reasons:

- (i) BAIC Group and/or its associates can benefit from the professional sales team of the Group which has a solid understanding of China's automobile market and diversified sales channels thereby reducing their sales cost;
- (ii) subsidiaries of BAIC Group operating dealership outlets purchase vehicles manufactured and assembled by Beijing Benz and vehicles under the proprietary brand of the Company for resale in its dealership outlets. The Company and those subsidiaries of BAIC Group have established a long-term relationship and understand the business plan, quality control and other special requirements of each other;
- (iii) BAIC Group and/or its associates purchase automobile components, such as automobile engines, from a subsidiary of the Company, BAIC Motor Powertrain Co., Ltd. (北京汽車動力總成有限公司), for their daily production; and
- (iv) prices and terms for the products and general services provided by the Group to BAIC Group are not less favourable than those offered to independent third parties.

2. Historical Transaction Amounts

Set out below is a breakdown of the historical transaction amount in respect of the continuing connected transactions between the Group and BAIC Group and/or its associates under the renewed Provision of Products and Services Framework Agreement for the preceding three financial years ended 31 December 2018:

	Approximate historical transaction amounts for the year ended 31 December		
	2016	2017	2018
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Sale of products	11,170.5	13,909.2	16,877.9
Provision of services	23.0	3.9	13.1
	<u>11,193.5</u>	<u>13,913.1</u>	<u>16,891.0</u>

3. *Proposed Annual Caps for the Three Financial Years Ending 31 December 2022*

The Company estimates the annual caps for the continuing connected transactions between the Group and BAIC Group and/or its associates under the renewed Provision of Products and Services Framework Agreement for the next three financial years ending 31 December 2022 as follows:

	Proposed annual caps for the year ending		
	31 December		
	2020	2021	2022
	(RMB million)	(RMB million)	(RMB million)
Sale of products	29,726.4	31,250.5	32,836.9
Provision of services	392.7	413.3	434.7

4. *Basis of Determination of the Proposed Annual Caps*

The above proposed annual caps were estimated on the basis of:

- (i) the growth on future sales of complete vehicles to be manufactured and assembled by Beijing Benz and Beijing Motor by taking into account, among others, macroeconomic conditions as well as the development strategies and business expansion plan of the Group;
- (ii) the percentage of the sales to the dealership outlets operated by the associates of BAIC Group in the future, which is determined with reference to the historical percentage of the sales of complete vehicles manufactured and assembled by Beijing Benz and Beijing Motor to the dealership outlets operated by the associates of BAIC Group;
- (iii) the expected annual value of the connected transactions between Beijing Benz and BAIC Group and its associates;
- (iv) expected increase of the revenues, which is ultimately driven by the business expansion plan of the Company; and
- (v) the expected demand for higher quality premium new products will require the purchase of better and more sophisticated new raw materials, automotive modules, automotive parts and components from BAIC Group and/or its associates which will be comparatively more expensive than the costs of existing raw materials, automotive modules, automotive parts and components purchased from BAIC and/or its associates for existing products. As a result, it is expected that the total procurement costs for these raw materials, automotive modules, automotive parts and components for the production of new premium products will be increased.

5. *Opinion of the Directors*

The Directors (excluding the independent non-executive Directors, whose view on the sale of products transactions under the renewed Provision of Products and Services Framework Agreement and the proposed annual caps will be set out in the letter from the Independent Board Committee contained in the circular to be despatched after considering the advice from the independent financial adviser) are of the view that the sale of products transactions under the renewed Provision of Products and Services Framework Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the sale of products transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

The Directors (including the independent non-executive Directors) are of the view that provision of services transactions under the renewed Provision of Products and Services Framework Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the provision of services transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

D. Renewal of the Financial Services Framework Agreement

As the term of the existing Financial Services Framework Agreement will expire on 31 December 2019, the Company and BAIC Group renewed such agreement on 27 March 2019 for a further term of three years from 1 January 2020 to 31 December 2022 and set the new maximum daily balance and annual caps for such continuing connected transactions for the next three years ending 31 December 2022.

1. *Renewed Financial Services Framework Agreement*

Details of the renewed Financial Services Framework Agreement are summarized as follows:

Parties: (i) the Company

(ii) BAIC Finance

Date: 27 March 2019

Term: The term of the renewed Financial Services Framework Agreement will commence on 1 January 2020 and end on 31 December 2022, subject to renewal through mutual consent by the parties.

Principal Terms: According to the renewed Financial Services Framework Agreement, BAIC Finance will provide financial services to the Company, and such financial services primarily include (i) deposits; (ii) loans and entrusted loan; (iii) other financial services including discounted notes and acceptance service, finance lease, settlement and entrusted loan agency; and (iv) other services subject to obtaining relevant approvals from CBRC.

Members of the Group and BAIC Group and its associates will enter into individual agreement for each of the specific transactions contemplated under the renewed Financial Services Framework Agreement, provided that any such individual agreement shall be within the ambit of the renewed Financial Services Framework Agreement.

Pricing Policy: The renewed Financial Services Framework Agreement provides for the following pricing principles:

- (i) *Deposit services.* Interest rates for the deposits placed by the Group with BAIC Finance will not be lower than: (a) the minimum interest rate published by the PBOC for deposits of a similar type for the same period; (b) the interest rate for deposits of a similar type for the same period placed by the subsidiaries of BAIC Group other than the Group; or (c) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to the Company and its subsidiaries.
- (ii) *Loans services.* Interest rates on the loans to be advanced by BAIC Finance to the Group will not be higher than: (a) the maximum loan interest rate, if any, published by the PBOC for loans of a similar type for the same period; (b) the interest rate for comparable loans offered by BAIC Finance to other subsidiaries of BAIC Group other than the Group; or (c) the interest rate for loans of a similar type offered for the same period by independent commercial banks to the Company and its subsidiaries.
- (iii) *Other Financial Services.* The interest rates or services fees will be: (a) subject to the benchmark fee (if applicable) for similar types of financial services published by PBOC or CBRC from time to time; (b) comparable to, or no less favourable to the Group than, the interest rates or fees charged by independent commercial banks or financial institutions for similar types of financial services; and (c) comparable to, or no less favourable to the Group than, fees charged by BAIC Finance to the subsidiaries of BAIC Group other than the Group for similar financial services.

Reasons and Benefits:

The main reasons for the Company to renew the Financial Services Framework Agreement with BAIC Finance are as follows:

- (i) as all members of the BAIC Group and the Group are entitled to utilize deposit services, loan services and other financial services, the Financial Services Framework Agreement would allow for the provision of intra-group loans amongst members of the Group, thus opening another channel for the Group to raise loans and providing the Group with an alternative to raising loans from other financial institutions, which would in turn promote funding liquidity among the Group, enhance the overall ability of the Group to repay debts, and assist with monitoring and controlling financial risks;
- (ii) the use of BAIC Finance as a platform to manage the funds of the Group would facilitate a more efficient deployment of funds of the Group;
- (iii) the interest rates on the deposit services and loan services offered, and the service fees in connection with the other financial services charged by BAIC Finance to the Group will be no less favourable than, on a case-by-case basis, those offered to the Group by any independent third party;
- (iv) as BAIC Finance only provides financial services to members of the BAIC Group, it has acquired extensive knowledge of the Company's industry for several years. At the same time, BAIC Finance is familiar with the Company's capital structure, business operations, funding needs and cash flow patterns, which enables it to better anticipate the business needs of the Company. BAIC Finance is well-positioned in providing the Group with customized services;
- (v) the arrangements under the renewed Financial Services Framework Agreement would save financial costs, and accordingly increase the profitability of the Group accordingly;

- (vi) the arrangements under the renewed Financial Services Framework Agreement would allow the Group to centralize the Group's deposited funds to a certain degree (limited by the proposed deposit annual caps), which would expedite the monitoring of the use and application of funds within the Group, and would provide the Group with higher bargaining power (than when the deposited sum was split between financial institutions) with regard to the terms and interest rates of the deposit services;
- (vii) by virtue of the Company's indirect equity interests in BAIC Finance, the expansion of the business of BAIC Finance will bring economic benefits to the Company; and
- (viii) BAIC Finance is regulated by PBOC and CBRC, and as such its services provided must be in accordance with and in compliance with the rules and operational requirements of such regulatory authorities.

2. *Historical Transaction Amounts*

Set out below is a breakdown of the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance for the preceding three financial years ended 31 December 2018:

	Approximate historical transaction amounts for the year ended 31 December		
	2016 <i>(RMB million)</i>	2017 <i>(RMB million)</i>	2018 <i>(RMB million)</i>
Maximum daily balance of deposits placed by the Group with BAIC Finance	10,873.1	12,389.6	12,478.0
Interest income from deposits placed by the Group with BAIC Finance	<u>97.3</u>	<u>134.8</u>	<u>210.5</u>

3. *Proposed Annual Caps for the Three Financial Years Ending 31 December 2022*

The Company estimates the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance under the renewed Financial Services Framework Agreement for the next three financial years ending 31 December 2022 as follows:

	Proposed annual caps for the year ending 31 December		
	2020 (RMB million)	2021 (RMB million)	2022 (RMB million)
Maximum daily balance of deposits placed by the Group with BAIC Finance	16,000.0	16,000.0	16,000.0
Interest income from deposits placed by the Group with BAIC Finance	<u>292.8</u>	<u>292.8</u>	<u>292.8</u>

4. *Basis of Determination of the Proposed Annual Caps*

In determining the maximum daily balance of deposits placed by the Group with BAIC Finance under the renewed Financial Services Framework Agreement mentioned above, the Company mainly considers the following factors:

- (i) Historical and expected sales income of the Group: part of the sales income received by the Group is usually represented by the Company's deposits in banks and BAIC Finance. The increase in sales income will directly affect the Group's deposit balances in banks and BAIC Finance. In 2018, the Group recorded an increase of 13.3% in sales income as compared with that in 2017, of which Beijing Benz continued to grow rapidly with total sales of 0.485 million vehicles, representing a year-on-year increase of 14.8%. The revenue related to Beijing Benz increased from RMB116,772.9 million in 2017 to RMB135,415.2 million in 2018, representing a year-on-year increase of 16.0%. It is expected that the sales income of the Group will continue to increase in the next three years; and
- (ii) Although the Group expects a growth in future sales revenues, the Group pays attention to the control of deposit size placed with BAIC Finance to avoid potential risks in connection with over-concentration of capital.

In determining the annual caps for interest income from deposits placed by the Group with BAIC Finance under the renewed Financial Services Framework Agreement mentioned above, the Company mainly considers the following factors:

- (i) the maximum daily balance of deposits placed by the Group with BAIC Finance under the renewed Financial Services Framework Agreement for the three years ending 31 December 2022; and
- (ii) main type of deposits placed by the Group with BAIC Finance in the past and corresponding interest rates: the interest rates of main type of deposits placed by the Group with BAIC Finance in 2018 ranged from approximately 1.5% to 2.0%.

5. *Exempted Transactions under the Renewed Financial Services Framework Agreement*

Since the loans service provided by BAIC Finance to the Group are on normal commercial terms and on terms that are no less favourable to the Group than those offered by independent third parties for comparable services in the PRC, and that no security over the assets of the Group would be granted in respect of the loans service, loans service transactions under the renewed Financial Services Framework Agreement are exempt from reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

As all applicable ratios for the annual caps in respect of the other financial services provided by BAIC Finance to the Group under the renewed Financial Services Framework Agreement are expected to be less than 0.1%, according to the relevant requirements under the Listing Rules, the other financial services transactions are exempted from the reporting, announcement and Independent Shareholders' approval requirements.

6. *Internal Control and Corporate Governance Measures Targeted for Transactions under the Renewed Financial Services Framework Agreement*

The Company has put in place targeted internal control and corporate governance measures for transactions under the Financial Services Framework Agreement in order to further safeguard the interests of the Independent Shareholders:

(i) Independent financial system

The Group has established a comprehensive financial management system for the management of financial services which targets (a) capital financing management; (b) specialized budget management; and (c) specialized capital management

- (a) the Group has set up relevant system for capital financing management, including the management of bank accounts, cash and bank deposits and debt financing, to ensure independent capital operation and maximize capital efficiency, and is in the interests of the Shareholders as a whole.
- (b) the Group has set up a specialized budget management department, with enterprise development strategies as the start, with reaching target profit as the aim, with future sales as the preparation basis, to prepare annual budgets for operation and investment, determine annual financing plan and formulate financing proposals based on such annual budgets.
- (c) the Group has established a specialized capital management team for exercising daily capital and loan management, setting up specialized positions for daily deposit supervision and conducting comparison of the deposit rates among various financial institutions, to ensure that the total deposits of the Group would not exceed the annual cap and the deposit rates are in line with the requirement under the renewed Financial Services Framework Agreement.

The Group has also set up a stringent and efficient audit system. The independent internal audit team established by the Company is composed of members with years of experience in auditing and finance. The internal audit team conducts internal audit work on the Company's capital position on a regular basis every year as well as independent and objective supervision and evaluation on the Company's capital management.

The audit team consists of 18 members, of whom 1 is audit department chief, 1 is deputy department chief and 2 are section chiefs. Most of the members have over 5 years of experience in auditing, including experience of auditing in accounting firms and enterprises. 2 of the members performed audit work in big four CPA. In addition to seniority, the selection of members for the audit team also considers their industry background. Most of the members have relevant experience in automotive industry, which facilitate better understanding of various business of the Group and thus providing high-quality audit results. In order to ensure diversification of industry background of the team, some of the members also have industry background in finance/sales/information system/manufacturing etc., which facilitate multi-angle and omni-directional examination on the potential risks of the Group.

In the meantime, the Company's Audit Committee is mainly responsible for handling external auditing matters, supervising the Company's internal audit system and implementation, conducting audit on the Company's financial information, reviewing and supervising the Company's financial reports, risk management and effectiveness of the internal control system. It is also responsible for evaluating the effectiveness of the Company's internal control and the reliability of financial reports in an independent, fair and effective way and report to the Board and Shareholders' general meeting.

The Company also maintain accounts with independent banks. BAIC Group does not share any bank account with the Company nor does it control the use of any of bank accounts of the Company. The Company have independent tax registrations and have paid tax independently pursuant to applicable PRC laws and regulations.

(ii) *Risk management measures*

BAIC Finance and BAIC Group will provide sufficient information including various financial indicators (as well as annual and interim financial statements) at the end of every quarter to enable the Company to monitor and review the financial condition of BAIC Finance and BAIC Group. BAIC Finance and BAIC Group shall notify the Company, subject to compliance with applicable laws and regulations, should any of them be subject to any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on the financial condition of any of them. If the Company considers that there is any material adverse change in the financial condition of any of the BAIC Finance and BAIC Group, the Company will take appropriate measures (including early withdrawal of deposits and a moratorium on further deposits) to protect the financial position.

In addition to the internal monitoring, BAIC Finance is also required to monitor the maximum daily balance of the deposits and loans on a daily basis to ensure that the aggregate outstanding amounts do not exceed the applicable annual caps. BAIC Finance will provide the Company with a periodic report on the status of deposits and loans so as to enable the Company to monitor and ensure the relevant annual caps under the renewed Financial Services Framework Agreement have not been exceeded. Should the balance at the end of any day exceed the maximum daily balance of deposits and annual caps for interest income prevailing at that time, the excess funds will be transferred to the Company's designated bank accounts with an independent commercial bank. The Company shall also be notified immediately once the daily balance exceeds the maximum daily balance limit.

The Company will, from time to time, at its sole discretion, request that the deposits with BAIC Finance be withdrawn or terminated early (either in full or in part) to assess and ensure the liquidity and safety of deposits of the Group.

(iii) Internal control measures

The Company has formulated internal control policies and the finance center of the Company is responsible for implementation of such policies. All cash inflow and outflow of the Group should be considered under a unified budget system. In addition, the Company's vice president who is in charge of finance affairs and his/her team will be responsible for closely monitoring such continuing connected transactions.

To ensure that the pricing terms of transactions under the renewed Financial Services Framework Agreement are normal commercial terms, the Company has applied and fully implemented the internal control policies for each transaction. In accordance with the policies of the People's Bank of China, various banks and BAIC Finance, the Group's capital management team will update the statement of deposit rates of various financial institutions on a monthly basis and prioritize the institutions with the most favourable rate for deposit. In addition, according to relevant internal control requirements, capital management team, the financial department, audit department, legal department and other relevant departments will conduct review based on the transaction type and corresponding approved amount of each transaction to ensure that the pricing terms of transactions under Financial Services Framework Agreement are on normal commercial terms.

The Group's capital management team compile statistics of the daily balance deposited with BAIC Finance to ensure compliance with regulatory requirements. In addition, the capital management team conducts analysis and produce monthly supervision and control reports on the deposits placed with various financial institutions.

The management of the Company will prepare periodic risk assessment reports of the funds deposited with BAIC Finance. The contents of such risk assessment reports will include the maximum daily balance of the deposits during the reporting period and the deposits with BAIC Finance during the reporting period.

The independent non-executive Directors will, on an annual basis, specially review implementation and execution of transactions under the renewed Financial Services Framework Agreement independently. If the independent non-executive Directors are of the opinion that the decrease in deposits with BAIC Finance is in the interest of the Company, the Company will take appropriate measures to implement the decisions of the independent non-executive Directors. Any material findings in the risk assessment reports, the views of the independent non-executive Directors on the deposits under the renewed Financial Services Framework Agreement (including their views on how to comply with the terms of the renewed Financial Services Framework Agreement), and their decisions on any matters in relation thereto, will be disclosed in the Company's annual and interim reports.

During the annual audit of the Company, the Company would engage its auditors to audit connected transactions between the Company and BAIC Group to ensure that the transactions under the renewed Financial Services Framework Agreement have been conducted in accordance with the Listing Rules and the relevant disclosure requirements have been complied with.

7. *Opinion of the Directors*

The Directors (excluding the independent non-executive Directors, whose view on the renewed Financial Services Framework Agreement and the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance will be set out in the letter from the Independent Board Committee contained in the circular to be despatched to the Shareholders after considering the advice from Gram Capital) are of the view that the transactions under the renewed Financial Services Framework Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance thereunder for the next three financial years ending 31 December 2022 are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

E. **Trademark Licensing Agreement**

Since the annual caps for the continuing connected transactions contemplated under the Trademark Licensing Agreement will expire by 31 December 2019, in accordance with the relevant requirements of the Listing Rules, the Board has resolved to set the new annual caps for such continuing connected transactions for the next three years ending 31 December 2022.

1. *Trademark Licensing Agreement*

Details of the Trademark Licensing Agreement are summarized as follows:

Parties: (i) BAIC Group (as the licensor)

(ii) Beijing Benz (as the licensee)

Date: 28 February 2013

Term: The term of the Trademark Licensing Agreement entered into between Beijing Benz and BAIC Group commenced on 28 February 2013 and will be effective within the term of the joint venture agreement of Beijing Benz.

As stated in the prospectus of the Company dated 9 December 2014, it is the normal industry practice that the term of the transactions relating to the use of intellectual property rights be fixed with reference to the expected life cycle of vehicles models and the term of the joint venture contracts which will be of a duration of longer than three years. Any early termination, variation or risk in successful renewal may have a detrimental effect on the business continuity and successful operation of the Company.

Principal Terms: According to the Trademark Licensing Agreement, BAIC Group granted Beijing Benz a non-exclusive license for the use of the “Beijing” trademark in its company name and on the passenger vehicles manufactured and assembled by Beijing Benz. Beijing Benz shall pay a trademark licensing fee to BAIC Group on a regular basis.

Pricing Policy: When determining the trademark licensing fee, Beijing Benz and BAIC Group have agreed that a licensing fee will be paid to BAIC Group with reference to a pre-agreed rate of the net revenue generated by each vehicle. Net revenue generated by each vehicle will be calculated based on the suggested retail price of the manufacturer net of the value-added tax, gross margin of dealers, sales rebates to dealers, consumption tax, sales discounts and other deductions.

Please also refer to the section headed “Internal Control Procedures for the Implementation of Continuing Connected Transactions” of this announcement for details of the internal control procedures adopted by the Company.

Reasons and Benefits: The Trademark Licensing Arrangement was a part of the joint venture agreement regarding Beijing Benz between the Company and Daimler AG. Beijing Benz has been using the trademark “Beijing” and trademark “Benz” since its establishment. Such trademark licenses are critical to the operation and production of Beijing Benz. It will be in the best interests of the Group and the Shareholders for Beijing Benz to continue the use of those trademarks.

2. *Historical Transaction Amounts*

Set out below is a breakdown of the historical transaction amounts in respect of the trademark licensing fees paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement for the preceding three financial years ended 31 December 2018:

	Approximate historical transaction amounts for the year ended 31 December		
	2016	2017	2018
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Trademark licensing fees paid by Beijing Benz to BAIC Group	352.3	512.0	573.2

3. *Proposed Annual Caps for the Three Financial Years Ending 31 December 2022*

The Company estimates the annual caps for the trademark licensing fees paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement for the next three financial years ending 31 December 2022 as follows:

	Proposed annual caps for the year ending		
	31 December		
	2020	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Trademark licensing fees paid by Beijing Benz to BAIC Group	939.8	986.8	1,036.2

4. *Basis of Determination of the Proposed Annual Caps*

In determining the annual caps for the trademark licensing fees paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement, the Company mainly considers the following factors:

- (i) The trademark licensing fees previously paid by Beijing Benz to BAIC Group and the growth rate: the trademark licensing fees paid by Beijing Benz to BAIC Group in 2018 increased by 12.0% as compared with that in 2017 and the trademark licensing fees paid in 2017 increased by 45.3% as compared with that in 2016;
- (ii) The expected increase in the average net revenue per vehicle: as the expected proportion of high-priced vehicle models will increase, the average net revenue per vehicle will increase accordingly, which in turn will result in an expected increase in the trademark licensing fees; and
- (iii) Beijing Benz's development strategy and business expansion plan for the next three years ending 31 December 2022: it is expected that the sales volume of vehicles of Beijing Benz will continue to increase in the next three years ending 31 December 2022.

5. *Opinion of the Directors*

The Directors (including the independent non-executive Directors) are of the view that transactions under the Trademark Licensing Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

III. INTERNAL CONTROL PROCEDURES FOR THE IMPLEMENTATION OF CONTINUING CONNECTED TRANSACTIONS

The Company has adopted the following internal control procedures to ensure that the above-mentioned continuing connected transactions of the Company are fair and reasonable and on normal commercial terms:

- A. the Company has adopted and implemented a management system on connected transactions. Under this system, the Company's finance center is responsible for conducting reviews on compliance with relevant laws, regulations, company policies and Listing Rules in respect of the continuing connected transactions of the Company. 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 agreements for continuing connected transactions of the Company, in particular, the fairness of the pricing terms under each agreement; and
- B. the independent non-executive Directors will review the agreements for the continuing connected transactions of the Company to ensure such agreements, where available, are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements. The auditor of the Company will also conduct an annual review on the pricing and annual caps of such agreements.

In order to ensure that the pricing terms under the agreements for the continuing connected transactions of the Company are fair and reasonable, the Company's finance center and other relevant operation departments will review the proposed price provided by the vendor in the following manner:

- A. if a comparable market price is available, the proposed price will be compared with the market price to ensure that such proposed price is not higher than the selling price of the part or product with similar specifications, technology and quality requirements provided by any other manufacturers in the market;
- B. the Company has established a stringent market price inquiry system:
 - (i) For selection of potential suppliers, the Group has developed standards for selection of suppliers based on different purchase needs. Such standards include, but not limit to, the scale of business, industry recognition, experience of supplying same types of products and services, technological level, financial conditions etc. Same standards are applicable to both connected person and independent third-party suppliers. The Company does not give preferential treatment to connected persons for the selection of potential suppliers. The selection of suppliers shall be determined by the collective decision of a tender assessment board with members from the components and parts development department, suppliers management department, research and development department, compliance and supervision department, finance center and audit department as well as procurement engineers, product engineers and suppliers' quality management engineers. Tenders will be sought from various suppliers and assessed internally over several rounds before a decision is made on the basis of pricing, quality, technology, product risks and after-sales services;

- (ii) For price inquiry procedures, the Company requires at least three potential suppliers participating in the same purchase and there shall be at least two independent third-party suppliers. Price inquiry procedures that fails to meet the above requirements will be void. Price inquiry procedures are conducted in strict accordance with the above model and the entire process is under the supervision of financial department, audit department and discipline inspection department. Any violations of those measures will be recorded. The result of price inquiry will undergo a final review by the Company's management. The winner of the price inquiry procedure will enter into a written agreement with us. If there is any evidence of frauds or irregularities of the supplier during the procedure, the Company will terminate cooperation and pursue legal responsibility, regardless of whether such supplier is connected person of the Company. All of the written documents involved in the price inquiry procedure shall be kept for at least ten years. In case the parties involving in the price inquiry procedure have any reasonable doubt about the result of price inquiry, they may check relevant documents upon the Company's approval.

- C. if no comparable market price is available, the fairness and reasonableness of the proposed price will be determined with reference to the total cost of the part or product, which is estimated with reference to (i) the market price of the raw materials or semi-finished products forming the part or product; and (ii) the cost estimated to be required for manufacturing such part or product with reference to requirements in relation to its nature, functionality, technology and quality standards etc., plus a profit margin of not more than the maximum profit margin level as stipulated under the relevant agreement, depending on the complexity of technologies and quality control procedures involved; and

- D. the proposed price will be reviewed to ensure that it is in line with the pricing terms of the relevant agreement and that the terms provided to the Company are no less favourable than those offered by the supplier to independent third parties.

IV. 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. The transactions contemplated between the Company and BAIC Group under the Property and Facility Leasing Supplemental Agreement, the renewed Property and Facility Leasing Framework Agreement, the renewed Products and Services Purchasing Framework Agreement and the renewed Provision of Products and Services Framework Agreement, and the transactions contemplated between Beijing Benz, a non-wholly owned subsidiary of the Company, and BAIC Group under the Trademark Licensing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As BAIC Group holds 56.00% of the equity interest of BAIC Finance, BAIC Finance is an associate of BAIC Group. Therefore, BAIC Finance is a connected person of the Company and the transactions contemplated between the Company and BAIC Finance under the renewed Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of each of (i) the proposed annual cap for the rentals to be received from BAIC Group and/or its associates for properties and facility leasing under the Property and Facility Leasing Supplemental Agreement; (ii) the proposed annual caps for the continuing connected transactions contemplated under the renewed Property and Facility Leasing Framework Agreement; (iii) the proposed annual caps for the provision of services transactions contemplated under the renewed Provision of Products and Services Framework Agreement; and (iv) the proposed annual caps for the continuing connected transactions contemplated under the Trademark Licensing Agreement is more than 0.1% but less than 5%, such continuing connected transactions are only subject to the reporting, announcement and annual review requirements, but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable percentage ratios in respect of each of (i) the proposed annual caps for the continuing connected transactions contemplated under the renewed Products and Services Purchasing Framework Agreement; and (ii) the proposed annual caps for the sale of products transactions contemplated under the renewed Provision of Products and Services Framework Agreement is more than 5%, such continuing connected transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable percentage ratios in respect of the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance under the renewed Financial Services Framework Agreement is more than 25%, such transactions constitute major transactions and continuing connected transactions of the Company and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

V. 2018 ANNUAL GENERAL MEETING

The Company will convene the 2018 annual general meeting for the purpose of, among other things, obtaining the Independent Shareholders' approval for the (i) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder for the three financial years ending 31 December 2022; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder for the three financial years ending 31 December 2022; and (iii) renewal of Financial Services Framework Agreement and the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance thereunder for the three financial years ending 31 December 2022.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the (i) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder for the three financial years ending 31 December 2022; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder for the three financial years ending 31 December 2022; and (iii) renewal of Financial Services Framework Agreement and the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance thereunder for the three financial years ending 31 December 2022. Gram Capital will be appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same matter.

A circular containing, among other things, further details of the (i) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder for the three financial years ending 31 December 2022; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder for the three financial years ending 31 December 2022; and (iii) renewal of Financial Services Framework Agreement and the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance thereunder for the three financial years ending 31 December 2022, a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders and a letter from the Independent Board Committee to the Independent Shareholders on the same and its recommendation on voting, together with the notice of the 2018 annual general meeting of the Company, will be despatched to the Shareholders in due course.

VI. 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 Beijing Benz

Beijing Benz (previously known as Beijing Jeep Motor Co., Ltd. and Beijing Benz-Daimler Chrysler Automotive Co., Ltd.) is a company incorporated in the PRC on 1 July 1983, a non wholly-owned subsidiary of the Company with 51.0% equity interest owned by the Company, 49.0% directly or indirectly owned by Daimler AG. Its scope of business ranges from research and development, engines and complete vehicles production and sales and related services.

Information on BAIC Group

BAIC Group is a state-owned enterprise established on 30 June 1994. BAIC Group's principal businesses include manufacturing and sales 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.

Information on BAIC Finance

BAIC Finance is a non-banking financial institution incorporated in November 2011 in the PRC, which 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 People's Bank of China and CBRC. The main scope of business of BAIC Finance includes: providing financial and financing consultancy, credit certification and related consultancy and agency services; assisting with settlement; conducting approved insurance agency business; providing guarantees; processing entrusted loans; providing bill acceptance and discount; processing the settlement of internal transfers between accounts and formulating plans for relevant settlement and clearing; taking deposits; processing loans and finance leasing; conducting inter-borrowings; underwriting corporate bonds of its members; providing consumption loans for products of its members, loans to purchasers and finance leasing; and investing in fix income securities. The registered capital of BAIC Finance is RMB2.5 billion for the time being, which is owned as to 56% by BAIC Group, as to 20% by BAIC Investment Co., Ltd. (北京汽車投資有限公司), as to 14% by Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司) and as to 10% by Beijing Hainachuan Automotive Parts Stock Co., Ltd. (北京海納川汽車部件股份有限公司).

VII. DEFINITIONS

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
“BAIC Finance”	means BAIC Group Finance Co., Ltd. (北京汽車集團財務有限公司), a non-banking financial institution incorporated in the PRC, and a subsidiary of BAIC Group, the controlling shareholder of the Company
“BAIC Group”	means 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 Benz”	means 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 non wholly-owned subsidiary of the Company with 51.0% equity interest owned by the Company, 49.0% directly and indirectly owned by Daimler AG
“Beijing Motor”	means the Company’s proprietary brand passenger (the Beijing brand) vehicles under Senova, BJ and Wevan
“Board”	means the board of directors of the Company
“CBRC”	means China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Company”	means BAIC Motor Corporation Ltd. (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
“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”	means Daimler AG, a company established in Germany in 1886, which is a connected person of the Company
“Director(s)”	means the director(s) of the Company
“Financial Services Framework Agreement”	means the financial services framework agreement entered into between the Company and BAIC Finance on 2 December 2014 and subsequently renewed by the parties on 20 October 2016, which was further renewed on 27 March 2019 for another term of three years expiring on 31 December 2022

“Group”	means the Company and its subsidiaries
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	means an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Ge Songlin, Mr. Wong Lung Tak Patrick, Mr. Bao Robert Xiaochen, Mr. Zhao Fuquan and Mr. Liu Kaixiang, which was established to advise the Independent Shareholders in relation to the (i) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder for the three financial years ending 31 December 2022; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder for the three financial years ending 31 December 2022; and (iii) renewal of Financial Services Framework Agreement and the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance thereunder for the three financial years ending 31 December 2022
“Gram Capital” or “Independent Financial Adviser”	means Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), who will be appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the (i) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder for the three financial years ending 31 December 2022; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder for the three financial years ending 31 December 2022; and (iii) renewal of Financial Services Framework Agreement and the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance thereunder for the three financial years ending 31 December 2022

“Independent Shareholders”	means Shareholders (other than BAIC Group and its associates) who are not required to abstain from voting on the resolution to be proposed at the 2018 annual general meeting of the Company in relation to the (i) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending 31 December 2022; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder for the three financial years ending 31 December 2022; and (iii) renewal of Financial Services Framework Agreement and the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance thereunder for the three financial years ending 31 December 2022
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time
“PBOC”	means The People’s Bank of China, the central bank in the PRC
“PRC” or “China”	means The People’s Republic of China, for the purpose of this announcement only, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“Products and Services Purchasing Framework Agreement”	means the products and services purchasing framework agreement entered into between the Company and BAIC Group on 2 December 2014 and subsequently renewed by the parties on 20 October 2016, which was further renewed on 27 March 2019 for another term of three years expiring on 31 December 2022
“Property and Facility Leasing Framework Agreement”	means the property and facility leasing framework agreement entered into between the Company and BAIC Group on 2 December 2014 and subsequently renewed by the parties on 20 October 2016, which was further renewed on 27 March 2019 for another term of three years expiring on 31 December 2022
“Provision of Products and Services Framework Agreement”	means the sale of products and services framework agreement entered into between the Company and BAIC Group on 2 December 2014 and subsequently renewed by the parties on 20 October 2016, which was further renewed on 27 March 2019 for another term of three years expiring on 31 December 2022
“RMB”	means Renminbi, the lawful currency of the PRC

“Shareholder(s)”	means the shareholder(s) of the Company
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Property and Facility Leasing Supplemental Agreement”	means the supplemental agreement to the Property and Facility Leasing Framework Agreement entered into between the Company and BAIC Group on 27 March 2019
“Trademark Licensing Agreement”	means the trademark licensing agreement entered into between Beijing Benz and BAIC Group on 28 February 2013
“%”	means percentage

By order of the Board
BAIC Motor Corporation Limited
Wang Jianhui
Secretary to the Board and Company Secretary

Beijing, the PRC, 27 March 2019

As at the date of this announcement, the Board of the Company 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*