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北京汽车
BAIC MOTOR

北京汽車股份有限公司

BAIC MOTOR CORPORATION LIMITED*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1958)

CONNECTED TRANSACTION IN RELATION TO THE CAPITAL INCREASE TO MBLC

The Board announces that, on 5 December 2019, the Company and DGRC entered into the Capital Increase Agreement, pursuant to which, the Company and DGRC agreed to contribute an aggregate amount of RMB500,000,000 to MBLC in proportion to their respective shareholdings in MBLC. Of which, DGRC will contribute RMB325,000,000, representing 65% of the amount under the Capital Increase, while the Company will contribute RMB175,000,000, representing 35% of the amount under the Capital Increase. Upon completion of the Capital Increase, the registered capital of MBLC will be increased from RMB4,297,538,461.54 to RMB4,797,538,461.54.

As at the date of this announcement, Daimler AG, who directly and indirectly holds 49% equity interests in Beijing Benz, a significant subsidiary of the Company, is a substantial shareholder of Beijing Benz. Thus, Daimler AG is a connected person of the Company at the subsidiary level. As Daimler AG indirectly holds 65% equity interests in MBLC through its wholly-owned subsidiary, DGRC, MBLC is an associate of Daimler AG and therefore also a connected person of the Company. The contribution by the Company to the newly increased registered capital of MBLC constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

According to the announcement of the Company dated 28 March 2019, the Company entered into the Agreement on Capital Increase in Mercedes-Benz Leasing Co., Ltd. with DGRC on 28 March 2019, pursuant to which, the Company contributed RMB245,000,000 to MBLC in proportion to its shareholding in MBLC. In addition, the Board has approved at a meeting held on 15 November 2019 to enter into relevant agreement with DGRC before 30 June 2020 in relation to a further contribution of RMB105,000,000 by the Company to MBLC in proportion to its shareholding in MBLC. When calculating the size tests of the Transaction, the Company has aggregated the amount of capital increase under the aforesaid agreement on 28 March 2019 with the amount of the Capital Increase and the amount of the proposed further capital contribution by the Company before 30 June 2020 pursuant to Rule 14A.81 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Transaction, after the aggregation, exceeds 1% but less than 5%, the Transaction is only subject to the reporting and announcement requirements but exempt from dispatch of circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that, on 5 December 2019, the Company and DGRC entered into the Capital Increase Agreement, pursuant to which, the Company and DGRC agreed to contribute an aggregate amount of RMB500,000,000 to MBLC in proportion to their respective shareholdings in MBLC. Of which, DGRC will contribute RMB325,000,000, representing 65% of the amount under the Capital Increase, while the Company will contribute RMB175,000,000, representing 35% of the amount under the Capital Increase. Upon completion of the Capital Increase, the registered capital of MBLC will be increased from RMB4,297,538,461.54 to RMB4,797,538,461.54.

THE CAPITAL INCREASE AGREEMENT

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

- Parties:** The Company
DGRC
- Date:** 5 December 2019
- Effective Date:** The Capital Increase Agreement shall come into force on the date when the duly authorised representatives of both parties sign and both parties chop thereon.
- Capital Increase:** As at the date of the Capital Increase Agreement, the registered capital of MBLC is RMB4,297,538,461.54 and has been fully paid. Each of DGRC and the Company holds respectively a 65% and a 35% equity interest in MBLC.
- In light of the operational needs of MBLC, the Company and DGRC agreed that the registered capital of MBLC shall be increased from RMB4,297,538,461.54 to RMB4,797,538,461.54 prior to 31 December 2019.
- The parties agree that the Capital Increase is to be subscribed in cash respectively by DGRC and the Company pro rata per their shareholdings in MBLC. DGRC shall subscribe in cash an amount of RMB325,000,000, representing 65% of the amount under the Capital Increase. The Company shall subscribe in cash an amount of RMB175,000,000, representing 35% of the amount under the Capital Increase.
- Upon completion of the Capital Increase, the total amount of the registered capital of MBLC shall be RMB4,797,538,461.54, of which:
- (i) DGRC shall hold 65%; and
 - (ii) the Company shall hold 35%.

Payment Arrangements: DGRC shall pay to MBLC, the subscribed amount of RMB325,000,000 in cash, using its own funds, prior to 31 December 2019. The Company shall pay to MBLC, the subscribed amount of RMB175,000,000 in cash, using its own funds, prior to 31 December 2019.

In accordance with the relevant PRC laws and regulations, the parties shall, after completing the filing procedures with the competent authority, fully pay up the amount subscribed by them under the Capital Increase before the dates stipulated in the above, and MBLC shall apply to an administrative authority for industry and commerce for the registration of the Capital Increase and a new business licence reflecting the total amount of the registered capital of MBLC following the Capital Increase.

SHAREHOLDING STRUCTURE OF MBLC PRIOR TO AND UPON COMPLETION OF THE CAPITAL INCREASE

The capital contributions by respective shareholders of MBLC and their proportions in the registered capital of MBLC as at the date of this announcement and upon completion of the Capital Increase are set out as follows:

Name of shareholders	As at the Date of this Announcement		Upon Completion of the Capital Increase	
	Contribution to the Registered Capital (RMB)	Proportion (%)	Contribution to the Registered Capital (RMB)	Proportion (%)
DGRC	2,793,400,000.00	65	3,118,400,000.00	65
The Company	1,504,138,461.54	35	1,679,138,461.54	35
Total	<u>4,297,538,461.54</u>	<u>100</u>	<u>4,797,538,461.54</u>	<u>100</u>

Meanwhile, the board of directors and management of MBLC will remain unchanged.

FINANCIAL INFORMATION OF MBLC

As at 30 September 2019, the total assets of MBLC amounted to RMB50,814,391,145.28. The table below sets forth the financial information of MBLC for the years ended 31 December 2017 and 31 December 2018 and for the nine months ended 30 September 2019, which was prepared in accordance with the China Accounting Standards for Business Enterprises:

	For the year ended 31 December 2017 (RMB) (Audited)	For the year ended 31 December 2018 (RMB) (Audited)	For the nine months ended 30 September 2019 (RMB) (Unaudited)
Net profit/(loss) before taxation and non-recurring items	435,760,512.13	618,397,704.92	910,971,079.71
Net profit/(loss) after taxation and non-recurring items	<u>297,382,050.01</u>	<u>450,478,534.34</u>	<u>690,152,931.5</u>

REASONS FOR AND BENEFITS OF THE TRANSACTION

In the coming years, MBLC will continue to grow rapidly. According to the relevant regulations of the Administration Measures of Supervision on Financial Leasing Enterprises issued by the Ministry of Commerce of the PRC, a financial leasing enterprise's risk assets shall not exceed ten times of its total net assets. With the increase in sales volume of the passenger vehicle under the brand of Mercedes-Benz and improvement of the penetration rate of financial leasing products, the volume of new "Enjoy First and Select Then" sale-leaseback contracts and the amount of outstanding loans of MBLC have increased significantly and the risk assets are building up. Therefore, to comply with the regulatory requirements of the Ministry of Commerce, it is necessary to replenish the registered capital.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Daimler AG, who directly and indirectly holds 49% equity interests in Beijing Benz, a significant subsidiary of the Company, is a substantial shareholder of Beijing Benz. Thus, Daimler AG is a connected person of the Company at the subsidiary level. As Daimler AG indirectly holds 65% equity interests in MBLC through its wholly-owned subsidiary, DGRC, MBLC is an associate of Daimler AG and therefore also a connected person of the Company. The contribution by the Company to the newly increased registered capital of MBLC constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

According to the announcement of the Company dated 28 March 2019, the Company entered into the Agreement on Capital Increase in Mercedes-Benz Leasing Co., Ltd. with DGRC on 28 March 2019, pursuant to which, the Company contributed RMB245,000,000 to MBLC in proportion to its shareholding in MBLC. In addition, the Board has approved at a meeting held on 15 November 2019 to enter into relevant agreement with DGRC before 30 June 2020 in relation to a further contribution of RMB105,000,000 by the Company to MBLC in proportion to its shareholding in MBLC. When calculating the size tests of the Transaction, the Company has aggregated the amount of capital increase under the aforesaid agreement on 28 March 2019 with the amount of the Capital Increase and the amount of the proposed further capital contribution by the Company before 30 June 2020 pursuant to Rule 14A.81 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Transaction, after the aggregation, exceeds 1% but less than 5%, the Transaction is only subject to the reporting and announcement requirements but exempt from dispatch of circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

OPINION OF THE DIRECTORS

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

At the meeting of the Board where the Transaction was considered, since Mr. Hubertus Troska and Mr. Harald Emil Wilhelm, both being Directors of the Company, also hold office in Daimler AG and its subsidiaries, they were deemed to have material interests in the Transaction and have abstained from voting on the resolution in relation to the Transaction. Save for the above persons, none of the other Directors has any interest in the Transaction.

GENERAL INFORMATION

Information on the Company

The Company is duly incorporated in the PRC as a joint stock limited company. The Company is a leading manufacturer of passenger vehicles in the PRC. The Company is engaged in the design, research and development, manufacture and sale of an extensive and diversified portfolio of passenger vehicle models, and the provision of related services in 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 demands for different types of vehicles.

Information on MBLC

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

Information on DGRC

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

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
“Board”	the board of directors of the Company
“Capital Increase”	the capital increase in MBLC in an aggregate amount of RMB500,000,000, to be made as agreed by the Company and DGRC in proportion to their respective shareholdings in MBLC, of which, DGRC and the Company will contribute RMB325,000,000 and RMB175,000,000 respectively
“Capital Increase Agreement”	the Agreement on Capital Increase in Mercedes-Benz Leasing Co., Ltd. dated 5 December 2019 entered into by the Company and DGRC in respect of the contribution by the Company and DGRC to the newly increased registered capital of MBLC in proportion to their respective shareholdings in MBLC
“Company”	BAIC Motor Corporation Limited, a joint stock limited company 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”	Daimler AG, a company established in Germany in 1886, is a substantial shareholder of Beijing Benz, a significant subsidiary of the Company, and also a connected person of the Company
“DGRC”	Daimler Greater China Ltd., a company incorporated and existing under the laws of the PRC and a connected person of the Company
“Beijing Benz”	Beijing Benz Automotive Co., Ltd. (previously known as Beijing Jeep Motor Co., Ltd. and Beijing Benz-Daimler Chrysler Automotive Co., Ltd.), 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, and the remaining 49.0% equity interest directly or indirectly owned by Daimler AG
“Director(s)”	director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“MBLC”	Mercedes-Benz Leasing Co., Ltd.
“Mercedes-Benz”	the brand of Daimler AG, and the subsidiary of the Company, Beijing Benz, is endorsed to use the brand
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Transaction”	the connected transaction in relation to the entering into of the Capital Increase Agreement between the Company and DGRC
“%”	percentage

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

Beijing, the PRC, 5 December 2019

As at the date of this announcement, the Board comprises Mr. Xu Heyi, as Chairman of the Board and non-executive Director; Ms. Shang Yuanxian and Mr. Yan Xiaolei, as non-executive Directors; Mr. Chen Hongliang, as executive Director; Mr. Xie Wei, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Harald Emil Wilhelm, Mr. Jin Wei 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*