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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 NATIONAL INNOVATION CENTER

The Board announces that on 24 December 2019, the Company, as one of the New Shareholders, entered into the Capital Increase Agreement with the Existing Shareholders of National Innovation Center (including BAIC Group, BJEV and three other shareholders who are independent third parties), other New Shareholders (including Foton Motor, Hainachuan Automotive and four other shareholders who are independent third parties) and National Innovation Center, in relation to additional capital contributions to National Innovation Center. Pursuant to the Capital Increase Agreement, the Company, Foton Motor, Hainachuan Automotive and other New Shareholders will subscribe for the additional registered capital of National Innovation Center in an aggregate amount of RMB243,883,492, at a total consideration of RMB251,199,996.76, of which the Company, Foton Motor and Hainachuan Automotive will subscribe for RMB48,543,689, RMB48,543,689 and RMB29,126,213 at a consideration of RMB49,999,999.67, RMB49,999,999.67 and RMB29,999,999.39 respectively. Upon completion of the Capital Increase, the registered capital of National Innovation Center will increase from RMB160,000,000 to RMB403,883,492, 12.02%, 12.02% and 7.21% of which will be held by the Company, Foton Motor and Hainachuan Automotive.

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, and thus it is a connected person of the Company. BAIC Group holds 27.07% and 60% equity interests in Foton Motor and Hainachuan Automotive respectively, and Foton Motor and Hainachuan Automotive are both non-wholly owned subsidiaries and associates of BAIC Group. BAIC Group holds 62.5% equity interests in National Innovation Center directly and indirectly through its non wholly-owned subsidiary, BJEV, and thus National Innovation Center is an associate of BAIC Group. Pursuant to Chapter 14A of the Listing Rules, Foton Motor, Hainachuan Automotive and National Innovation Center are connected persons of the Company. The subscription by the Company, Foton Motor and Hainachuan Automotive for the additional registered capital of National Innovation Center constitutes a connected transaction of the Company.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the Transaction is more than 0.1% but less than 5%, the Company shall, in respect of the Transaction, comply with the reporting and announcement requirements and is exempted from dispatch of circular and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that on 24 December 2019, the Company, as one of the New Shareholders, entered into the Capital Increase Agreement with the Existing Shareholders of National Innovation Center (including BAIC Group, BJEV and three other shareholders who are independent third parties), other New Shareholders (including Foton Motor, Hainachuan Automotive and four other shareholders who are independent third parties) and National Innovation Center, in relation to additional capital contributions to National Innovation Center. Pursuant to the Capital Increase Agreement, the Company, Foton Motor, Hainachuan Automotive and other New Shareholders will subscribe for the additional registered capital of National Innovation Center in an aggregate amount of RMB243,883,492, at a total consideration of RMB251,199,996.76, of which the Company, Foton Motor and Hainachuan Automotive will subscribe for RMB48,543,689, RMB48,543,689 and RMB29,126,213 at a consideration of RMB49,999,999.67, RMB49,999,999.67 and RMB29,999,999.39 respectively. Upon completion of the Capital Increase, the registered capital of National Innovation Center will increase from RMB160,000,000 to RMB403,883,492, 12.02%, 12.02% and 7.21% of which will be held by the Company, Foton Motor and Hainachuan Automotive.

CAPITAL INCREASE AGREEMENT

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

- Parties:** Existing Shareholders: BAIC Group, BJEV and three other independent third party shareholders;
- New Shareholders: the Company, Foton Motor, Hainachuan Automotive and four other independent third party shareholders; and
- National Innovation Center
- Date:** 24 December 2019
- Effective date:** The Capital Increase Agreement comes into force on the date it is signed by the legal representatives or authorised representatives of the parties and chopped with company chops or contract chops of such legal persons.

Capital increase: Pursuant to the Capital Increase Agreement, the Company, Foton Motor, Hainachuan Automotive and other New Shareholders will subscribe for the additional registered capital of National Innovation Center in an aggregate amount of RMB243,883,492, at a total consideration of RMB251,199,996.76, of which the Company, Foton Motor and Hainachuan Automotive will subscribe for RMB48,543,689, RMB48,543,689 and RMB29,126,213 at a consideration of RMB49,999,999.67, RMB49,999,999.67 and RMB29,999,999.39 respectively.

The subscription price at which the Company will subscribe for the aforesaid additional registered capital of National Innovation Center is determined according to the asset valuation report issued by Pan-China Assets Appraisal Co., Ltd.* (北京天健興業資產評估有限公司) on 20 March 2019 with the valuation reference date being 31 July 2018. In accordance with the aforesaid asset valuation report, on the valuation reference date (31 July 2018), National Innovation Center has the total assets with a book value of RMB166.0219 million and an appraised value of RMB166.0219 million, and net assets with a book value of RMB159.7016 million and an appraised value of RMB164.2016 million. The capital increase shall be calculated at a subscription price of RMB1.03 per the registered capital of RMB1.

The Existing Shareholders have agreed to waive their respective preemptive rights, with regard to the Capital Increase. Upon completion of the Capital Increase, the registered capital of National Innovation Center will increase from RMB160,000,000 to RMB403,883,492, 12.02%, 12.02% and 7.21% of which will be held by the Company, Foton Motor and Hainachuan Automotive.

Payment arrangements: The Company, Foton Motor, Hainachuan Automotive and other New Shareholders shall, within 15 working days following the effective date of the Capital Increase Agreement, complete the agreed capital contribution, and pay the committed contributions by bank transfer to the designated account of National Innovation Center.

After completing industrial and commercial change registration for the Capital Increase, National Innovation Center shall provide its shareholders with copies of the changed capital contribution certificates and business license, in a timely manner.

Taxes in relation to the Capital Increase shall be borne respectively by the parties in accordance with relevant laws and regulations of the PRC.

Transitional period and arrangement for gains or losses in the transitional period: Transitional period means the period from the valuation reference date (namely, 31 July 2018) to the date on which industrial and commercial change registration is completed for the Capital Increase.

The gains or losses in the transitional period will be allocated or enjoyed among all shareholders after completion of the Capital Increase, in proportion to their respective shareholdings.

SHAREHOLDING STRUCTURE OF NATIONAL INNOVATION CENTER PRIOR TO AND UPON COMPLETION OF THE CAPITAL INCREASE

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

Name of Shareholders	As at the Date of the Announcement		Upon Completion of the Capital Increase	
	Contribution to the Registered Capital of National Innovation Center (RMB)	Proportion (%)	Contribution to the Enlarged Registered Capital of National Innovation Center (RMB)	Proportion (%)
BAIC Group	50,000,000	31.25	50,000,000	12.38
BJEV	50,000,000	31.25	50,000,000	12.38
Other Existing Shareholders	60,000,000	37.50	60,000,000	14.86
The Company	–	–	48,543,689	12.02
Foton Motor	–	–	48,543,689	12.02
Hainachuan Automotive	–	–	29,126,213	7.21
Other New Shareholders	–	–	117,669,901	29.13
Total	160,000,000	100.00	403,883,492	100.00

FINANCIAL INFORMATION OF NATIONAL INNOVATION CENTER

According to valuation of all assets and liabilities of National Innovation Center by Pan-China Assets Appraisal Co., Ltd. using the asset-based approach, on the valuation reference date (31 July 2018), National Innovation Center has the total assets with a book value of RMB166.0219 million and an appraised value of RMB166.0219 million, and net assets with a book value of RMB159.7016 million and an appraised value of RMB164.2016 million. As at 30 September 2019, the unaudited book value of the total assets of National Innovation Center was RMB146.3538 million, and the book value of net assets was RMB114.8041 million. The following table sets forth the financial information of National Innovation Center for the two years ended 31 December 2018 and for the nine months ended 30 September 2019, prepared in accordance with the PRC 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	0	(17,273,895.94)	(27,922,012.44)
Net profit/(loss) after taxation and non-recurring items	0	(17,273,895.94)	(27,922,012.44)

REASONS FOR AND BENEFITS OF THE TRANSACTION

- 1. There is a close relevancy between businesses of National Innovation Center and strategies and business policies of the Company, and the project is conducive to the implementation of the Company's strategies.**

The Company is promoting the new energy vehicle strategy. Its 2019 business policy is “focus on two ends, improvement in three strengths, striving and commitment, and enhancement through change”. With regard to research and development, the Company plans to focus on production of new energy products and intelligent networking, based on customer demands and with orientation towards the implementation of new technologies, so as to make a breakthrough for self-developed products.

With focus on development and application of industrial leading technologies and key generic technologies, businesses of National Innovation Center aim to strengthen applied basic research, jointly promote modern engineering technologies and disruptive technology innovation, and create a comprehensive industry technology innovation platform which gathers innovative resources, with open organization and operation and diversified governance structures. Its “9+4” business planning with focus on new energy-related technologies is highly in accord with the business policy of the Company. Investment in National Innovation Center is conducive to accelerating the industry innovation of the Company and supports operation and implementation of strategies of the Company.

- 2. National Innovation Center is an innovation center at national level, and the project helps the Company obtain superior resources in the industry by relying on the national strategies.**

National Innovation Center is an innovation center at national level, and the construction of a national new energy vehicle technology innovation center is a major measure for implementing the spirit of the 19th CPC National Congress and the National Science, Technology and Innovation Conference, and the important instructions of General Secretary Xi Jinping with regard to “support and reply on enterprises in establishing national technology innovation center”.

In view of the high strategic positioning and rich industry resources of National Innovation Center, being its shareholder through investment in it helps the Company strive for and obtain superior resources from the industry by relying on the national strategies, to support development of the Company.

In conclusion, additional capital contribution to National Innovation Center is necessary to the Company, as it is conducive to accelerating the industry innovation of the Company and the Company's better meeting market demands.

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, and thus it is a connected person of the Company. BAIC Group holds 27.07% and 60% equity interests in Foton Motor and Hainachuan Automotive respectively, and Foton Motor and Hainachuan Automotive are both non-wholly owned subsidiaries and associates of BAIC Group. BAIC Group holds 62.5% equity interests in National Innovation Center directly and indirectly through its non wholly-owned subsidiary, BJEV, and thus National Innovation Center is an associate of BAIC Group. Pursuant to Chapter 14A of the Listing Rules, Foton Motor, Hainachuan Automotive and National Innovation Center are connected persons of the Company. The subscription by the Company, Foton Motor and Hainachuan Automotive for the additional registered capital of National Innovation Center constitutes a connected transaction of the Company.

As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the Transaction is more than 0.1% but less than 5%, the Company shall, in respect of the Transaction, comply with the reporting and announcement requirements and is exempted from dispatch of circular and independent shareholders' approval requirements pursuant to 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 in the ordinary and usual course of business of the Company and on normal commercial terms; and (iii) the Transaction is in the interests of the Company and its shareholders as a whole.

At the meeting of the Board at which the Transaction was considered, since Mr. Xu Heyi, Ms. Shang Yuanxian, Mr. Yan Xiaolei and Mr. Xie Wei, each being a Director of the Company, also held office in BAIC Group 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 a company limited by shares duly incorporated in the PRC. 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 BAIC Group

BAIC Group is a state-owned enterprise established on 30 June 1994. Its principal businesses include manufacturing, sale, import and export of vehicles and components, operation and management of state-owned assets, investment and investment management, technology development, service and consultancy, and real property development and sales.

Information on BJEV

BJEV, established in 2009, is mainly engaged in the installment of power modules for new energy automobiles (specifically including the installment of electric-machinery systems, battery systems and electric-control systems for power modules); the production of passenger electric vehicles; the sale of charging facilities for new energy automobiles, automobiles, remote supervisory and control equipment for new energy automobiles as well as power modules systems parts for new energy automobiles; and the preparation of manufacturing projects for complete new energy automobiles and hybrid vehicles.

Information on Foton Motor

Foton Motor is a cross-regional, cross-industrial, cross-ownership and state-controlled listed company, which currently owns the business brands such as AUMAN, AUV, AUMARK, OLLIN, FORLAND, SAUVANA, TUNLAND, SUP, TOANO, VIEW, MP-X, GT and ROWOR, and the vehicle models produced by Foton Motor include light trucks, medium trucks, heavy trucks, light passenger cars, large and medium passenger cars, passenger vehicles and core engine parts.

Information on Hainachuan Automotive

Hainachuan Automotive, established in 2008, is mainly engaged in: manufacturing and assembling auto spare parts (excluding surface treatment operations); general freight; sales of auto accessories; investment and investment management; investment consulting; technology development; technical consulting; technical services; technology transfer; technology training; import and export of commodities and technology and acting as import and export agency; real estate development; property management.

Information on National Innovation Center

National Innovation Center is a company duly incorporated in the PRC. Its principal businesses include technology development, technology transfer, technology consultation, technology service and technology promotion; engineering and technical research and experimental development; product design, industrial design services; sales of electrical equipment, automobiles, electronic products and auto parts; undertaking exhibition and presentation activities; economic and trade consultation; automobile decoration; software development; import and export of commodities and technology and acting as import and export agency; technical testing etc.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, except BAIC Group, BJEV, Foton Motor, Hainachuan Automotive and National Innovation Center (the ultimate beneficial owner of each of which is the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (北京市人民政府國有資產監督管理委員會)), all other Existing Shareholders, other New Shareholders and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

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 Group”	Beijing Automotive Group Co., Ltd.* (北京汽車集團有限公司), a state-owned enterprise incorporated in the PRC, the sole controlling shareholder of the Company
“BJEV”	Beijing Electric Vehicle Co., Ltd.* (北京新能源汽車股份有限公司), a joint stock company with limited liability incorporated under the laws of the PRC
“Board”	the board of directors of the Company
“Capital Increase”	subscription by the Company, Foton Motor, Hainachuan Automotive and other New Shareholders for the additional registered capital of National Innovation Center in an aggregate amount of RMB243,883,492, of which RMB48,543,689, RMB48,543,689 and RMB29,126,213 will be subscribed for by the Company, Foton Motor and Hainachuan Automotive
“Capital Increase Agreement”	the Capital Increase Agreement entered into by the Company, BAIC Group, BJEV, other Existing Shareholders, Foton Motor, Hainachuan Automotive, other New Shareholders and National Innovation Center on 24 December 2019, in relation to subscription by the Company, Foton Motor, Hainachuan Automotive and other New Shareholders for the additional registered capital of National Innovation Center in an aggregate amount of RMB243,883,492
“Company”	BAIC Motor Corporation Limited* (北京汽車股份有限公司), a company limited by shares duly incorporated and validly existing under the laws of the PRC, whose H shares are listed on the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Existing Shareholders”	existing shareholders of National Innovation Center as at the date of this announcement, including BAIC Group, BJEV and three other shareholders who are independent third parties
“Foton Motor”	Beiqi Foton Motor Co., Ltd.* (北汽福田汽車股份有限公司), a joint stock company with limited liability incorporated under the laws of the PRC

“Hainachuan Automotive”	Beijing Hainachuan Automotive Parts Co., Ltd.* (北京海納川汽車部件股份有限公司), a joint stock company with limited liability incorporated under the laws of the PRC
“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
“National Innovation Center”	Beijing New Energy Vehicle Technology Innovation Center Co., Ltd.* (北京新能源汽車技術創新中心有限公司), a limited liability company incorporated and existing under the laws of the PRC
“New Shareholders”	the Company, Foton Motor, Hainachuan Automotive and four other shareholders (which are independent third parties) who participate in subscription for the additional registered capital of National Innovation Center
“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
“Transaction”	connected transaction in respect of the Capital Increase Agreement, in which the Company will subscribe for the additional registered capital of National Innovation Center
“%”	percentage

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

Beijing, the PRC, 24 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