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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)

## **MAJOR AND CONTINUING CONNECTED TRANSACTIONS**

### **(1) ENTRY OF TRADEMARK LICENSING FRAMEWORK**

#### **AGREEMENT WITH BAIC GROUP**

### **(2) REVISIONS TO ANNUAL CAPS FOR THE MAJOR AND CONTINUING CONNECTED TRANSACTIONS WITH BAIC GROUP**

References are made to the announcements of the Company dated 27 April 2022 and 16 December 2022 and the circular of the Company dated 27 May 2022 in relation to, among others, (a) the continuing connected transactions entered into between the Group and BAIC Group under (i) the Trademark Licensing Agreement, (ii) the Products and Services Purchasing Framework Agreement and (iii) the Provision of Products and Services Framework Agreement, and (b) the major and continuing connected transactions between the Company and BAIC Finance under the Financial Services Framework Agreement.

#### **ENTRY OF TRADEMARK LICENSING FRAMEWORK AGREEMENT WITH BAIC GROUP**

On 24 March 2023 (after trading hours), the Company and BAIC Group entered into the Trademark Licensing Framework Agreement, pursuant to which BAIC Group has agreed to grant the Group a license for the use of certain registered trademarks owned by BAIC Group and/or its associates and the relevant trademark licensing fees. The Trademark Licensing Framework Agreement will take effect from the date of approval by the Shareholders at the 2022 AGM to 31 December 2025, unless otherwise terminated by both parties.

## REVISIONS TO 2023, 2024 AND 2025 ANNUAL CAPS FOR THE MAJOR AND CONTINUING CONNECTED TRANSACTIONS WITH BAIC GROUP

On 24 March 2023, the Board resolved to revise the 2023, 2024 and 2025 annual caps for certain major and continuing connected transactions with BAIC Group as follows:

Agreement	Transactions	Existing Annual Caps for the Year Ending 31 December			Revised Annual Caps for the Year Ending 31 December		
		2023 <i>(RMB million)</i>	2024 <i>(RMB million)</i>	2025 <i>(RMB million)</i>	2023 <i>(RMB million)</i>	2024 <i>(RMB million)</i>	2025 <i>(RMB million)</i>
Products and Services Purchasing Framework Agreement	Purchase of products	26,832.1	27,756.0	27,385.4	38,209.4	49,511.1	56,883.5
	Purchase of services	4,415.3	4,568.6	4,507.1	6,037.4	5,797.6	5,746.3
Provision of Products and Services Framework Agreement	Sale of products	27,042.3	27,780.5	27,484.4	33,849.7	48,097.3	46,060.2
Financial Services Framework Agreement	Maximum daily balance of deposits placed by the Group with BAIC Finance	16,000.0	16,000.0	16,000.0	22,000.0	22,000.0	22,000.0
	Interest income from deposits placed by the Group with BAIC Finance	356.4	356.4	356.4	490.1	490.1	490.1
	Charges for other financial services of the Group with BAIC Finance	243.2	243.2	243.2	457.5	775.7	761.4

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, BAIC Group is the sole controlling shareholder of the Company and holds 44.5% of the total issued share capital of the Company, and hence a connected person of the Company. The transactions contemplated between the Company and BAIC Group under the Trademark Licensing Framework Agreement, the Products and Services Purchasing Framework Agreement and the Provision of Products and Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As BAIC Group holds 56.0% of the equity interests in BAIC Finance, and hence BAIC Finance is an associate of BAIC Group. Therefore, BAIC Finance is a connected person of the Company and the transactions between the Company and BAIC Finance under the Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the revised annual caps for (i) the maximum daily balance of deposits placed by the Group with BAIC Finance and (ii) the interest income from deposits placed by the Group with BAIC Finance under the Financial Services Framework Agreement is, on an aggregate basis, more than 25%, the revisions to the annual caps for such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of (i) the proposed annual caps for the Trademark Licensing Framework Agreement, (ii) the revised annual caps for the Products and Services Purchasing Framework Agreement; (iii) the revised annual caps for the Provision of Products and Services Framework Agreement; and (iv) the revised annual caps for charges for other financial services of the Group with BAIC Finance under the Financial Services Framework Agreement is more than 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **THE 2022 AGM**

The Company will convene the 2022 AGM for the purpose of, among other things, obtaining Independent Shareholders' approval for the (i) Trademark Licensing Framework Agreement and the proposed annual caps for trademark licensing fees to be paid by the Group to BAIC Group thereunder; and (ii) Revisions.

The Independent Board Committee, comprising all independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the (i) Trademark Licensing Framework Agreement and the proposed annual caps for trademark licensing fees to be paid by the Group to BAIC Group thereunder; and (ii) Revisions. Gram Capital will be appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders on the aforesaid matters.

A circular containing, among others, (a) further details of the (i) Trademark Licensing Framework Agreement and the proposed annual caps for trademark licensing fees to be paid by the Group to BAIC Group thereunder; and (ii) Revisions; (b) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; (c) a letter from the Independent Board Committee to the Independent Shareholders on the same and its recommendation on voting; and (d) the notice of the 2022 AGM of the Company, will be despatched to the Shareholders in due course.

## **I. BACKGROUND**

References are made to the announcements of the Company dated 27 April 2022 and 16 December 2022 and the circular of the Company dated 27 May 2022 in relation to, among others, (a) the continuing connected transactions entered into between the Group and BAIC Group under (i) the Trademark Licensing Agreement, (ii) the Products and Services Purchasing Framework Agreement and (iii) the Provision of Products and Services Framework Agreement, and (b) the major and continuing connected transactions between the Company and BAIC Finance under the Financial Services Framework Agreement.

## **II. ENTRY OF TRADEMARK LICENSING FRAMEWORK AGREEMENT WITH BAIC GROUP**

On 24 March 2023 (after trading hours), the Company and BAIC Group entered into the Trademark Licensing Framework Agreement, pursuant to which BAIC Group has agreed to grant the Group a license for the use of certain registered trademarks owned by BAIC Group and/or its associates the relevant trademark licensing fees. The Trademark Licensing Framework Agreement will take effect from the date of approval by the Shareholders at the 2022 AGM to 31 December 2025, unless otherwise terminated by both parties.

### **Trademark Licensing Framework Agreement**

Details of the Trademark Licensing Framework Agreement are summarised as follows:

<b>Parties:</b>	(i) BAIC Group (as the licensor) (ii) the Company (as the licensee)
<b>Date:</b>	24 March 2023
<b>Terms:</b>	The term of the Trademark Licensing Framework Agreement will be from the date of approval by the Shareholders at the 2022 AGM to 31 December 2025, subject to renewal through mutual consent by the parties.
<b>Principal Terms:</b>	According to the Trademark Licensing Framework Agreement, BAIC Group grants the Group a license for the use of certain trademarks on the products manufactured by and the services provided by, and in the documents of the Group. The actual trademark licensing fees and the method of payment shall be determined on the principles, conditions and terms of the Trademark Licensing Framework Agreement and set out in the specific agreements to be entered into by the parties.

**Pricing Policy:**

The licensing fees will be paid to BAIC Group with reference to a pre-agreed rate of the net revenue generated by each product manufactured or service provided. Net revenue generated by each product manufactured or service provided will be calculated based on the suggested retail price of the whole vehicle manufacturer net of the value-added tax, gross margin of dealers, sales rebates to dealers, consumption tax, sales discounts and other deductions.

The relevant prices of licensing fees to be paid to BAIC Group will be determined after arm' length negotiation by both parties with reference to the historical prices of the relevant licensing fees to be paid to BAIC Group. The Group will ensure that the terms and conditions of the licensing fees to be paid to BAIC Group are fair and reasonable based on the principle of cost plus a fair reasonable profit rate.

Please also refer to the section headed "Internal Control Measures" of this announcement for details of the internal control procedures adopted by the Company.

**Reasons and Benefits:**

A significant portion of the trademarks used for passenger cars produced and sold by the Group are licensed by BAIC Group. Such trademark licenses are critical to the operation and production of the Group and in the best interests of the Group and the Shareholders.

**Proposed Annual Caps for the Three Financial Years Ending 31 December 2025**

The proposed annual caps for the trademark licensing fees to be paid by the Group to BAIC Group under the Trademark Licensing Framework Agreement for the three financial years ending 31 December 2025 are as follows:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Trademark licensing fees to be paid by the Group to BAIC Group	985.0	992.0	996.0

## Historical Transaction Amounts

The historical amounts of the trademark licensing fees paid by the Group to BAIC Group for the three financial years ended 31 December 2022 are as follows:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Trademark licensing fees paid by the Group to BAIC Group	772.8	680.7	753.5

The Company confirmed that the total trademark licensing fees paid by the Group to BAIC Group as at the date of this announcement are within the relevant maximum caps as set out in the announcement of the Company dated 16 December 2022.

## Basis of Determination of the Proposed Annual Caps

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

- (i) the trademark licensing fees previously paid by the Group to BAIC Group; and
- (ii) based on the Group's development strategy and business expansion plan from 2023 to 2025, it is expected that the sales volume of vehicles of the Group will continue to increase from 2023 to 2025.

### III. REVISIONS TO 2023, 2024 AND 2025 ANNUAL CAPS FOR THE MAJOR AND CONTINUING CONNECTED TRANSACTIONS WITH BAIC GROUP

#### A. The Products and Services Purchasing Framework Agreement

Pursuant to the Products and Services Purchasing Framework Agreement, BAIC Group and/or its associates provide several types of products and services to the Group. These products include commodities such as equipment, raw materials, components and vehicles and related technologies, related derivatives derived from these commodities (including but not limited to energy credits and carbon emissions policy trading), while these services include labor services, logistics services, transportation services, technical services and consultancy services.

On 27 April 2022, the Board resolved to set the annual caps for purchase of products and services contemplated under the Products and Services Purchasing Framework Agreement for the three financial years ending 31 December 2025 as follows:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Purchase of products	26,832.1	27,756.0	27,385.4
Purchase of services	4,415.3	4,568.6	4,507.1

#### Historical Transaction Amounts

The historical transaction amounts for the continuing connected transactions under the Products and Services Purchasing Framework Agreement for the three financial years ended 31 December 2022 are as follows:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Purchase of products	17,742.3	26,635.1	27,094.0
Purchase of services	3,565.6	3,552.6	4,310.0

As at the date of this announcement, the existing annual caps for the financial year ended 31 December 2022 and the financial year ending 31 December 2023 have not been exceeded.



## Revised Annual Caps for the Three Financial Years Ending 31 December 2025

With the continuous business development and based on the demand forecast and operating status, the Company expects that the existing annual caps for the transactions contemplated under the Products and Services Purchasing Framework Agreement for the three financial years ending 31 December 2025 will not be sufficient to meet the needs of the Group. Based on the products and services to be purchased as a result of the rapid expansion of the Group's business, the Company expects that there will be an increase in the purchase of products and services from BAIC Group for the three financial years ending 31 December 2025. Therefore, on 24 March 2023, the Board resolved to propose the annual caps for the three financial years ending 31 December 2025 being revised as follows:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Purchase of products	38,209.4	49,511.1	56,883.5
Purchase of services	6,037.4	5,797.6	5,746.3

### Basis of Determination of the Revised Annual Caps

In determining the revised annual caps for the Products and Services Purchasing Framework Agreement, the Company mainly considered the following factors:

- (i) the volume of raw materials, components and equipment needed by the Group for the manufacturing of whole vehicles is expected to increase with the growth in the sales volume of whole vehicles in 2023, 2024 and 2025. In 2022, the number of whole vehicles sold was approximately 664,000. The number of whole vehicles sold in 2023, 2024 and 2025 is expected to further increase, especially taking into account the accelerated promotion of iterations of Beijing Brand off-road vehicles and all-electric battery vehicles; and
- (ii) the estimated purchase of services is expected to increase in 2023, 2024 and 2025 due to the expected increase in the volume of raw material, components and equipment to be needed by and the revised target annual production and sales volume of vehicles of the Group.

## B. The Provision of Products and Services Framework Agreement

Pursuant to the Provision of Products and Services Framework Agreement, the products and services provided by the Group to BAIC Group and/or its associates primarily include, among others, products, such as facilities, raw materials, components and parts and complete vehicles etc., relevant technologies, and derivatives derived from such products including but not limited to energy credits and carbon emissions policy trading.

On 27 April 2022, the Board resolved to set the annual caps for sale of products contemplated under the Provision of Products and Services Framework Agreement, for the three financial years ending 31 December 2025 as follows:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Sale of products	27,042.3	27,780.5	27,484.4

### Historical Transaction Amounts

The historical transaction amounts for the continuing connected transactions under the Provision of Products and Services Framework Agreement for the three financial years ended 31 December 2022 are as follows:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Sale of products	15,702.5	17,209.4	18,166.0

As at the date of this announcement, the existing annual caps for the financial year ended 31 December 2022 and the financial year ending 31 December 2023 have not been exceeded.

## Revised Annual Caps for the Three Financial Years Ending 31 December 2025

With the continuous business development and based on the demand forecast and operating status, the Company expects that the existing annual caps for the transactions contemplated under the Provision of Products and Services Framework Agreement for the three financial years ending 31 December 2025 will not be sufficient to meet the needs of the Group. Based on the products needed by BAIC Group and/or its associates as a result of the rapid expansion of their business, the Company expects that there will be an increase in the sale of products, for the three financial years ending 31 December 2025. Therefore, on 24 March 2023, the Board resolved to propose the annual caps for the three financial years ending 31 December 2025 being revised as follows:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Sale of products	33,849.7	48,097.3	46,060.2

### Basis of Determination of the Revised Annual Caps

In determining the revised annual caps for the Provision of Products and Services Framework Agreement, the Company mainly considered the following factors:

- (i) as a result of the new business expansion of the Group, it is expected that the Group will also expand the existing product offerings to a wider range of products, including speed up the marketing of iterations of Beijing Brand off-road vehicles and all-electric battery vehicles to meet growing demands of BAIC Group; and
- (ii) the expected proportion of future sales to dealerships operated by the associates of BAIC Group, which was calculated with reference to the proportion of historical sales of whole vehicles manufactured and assembled by the Group to dealerships operated by associates of BAIC Group.

### C. The Financial Services Framework Agreement

The financial services provided by BAIC Finance to the Group primarily include (i) deposits; (ii) loans and entrusted loans; (iii) other financial services including discounted notes and acceptance service, finance lease, settlement and entrusted loan agency; and (iv) other services subject to relevant approvals from the CBIRC.

On 27 April 2022, the Board resolved to set the annual caps for (i) the maximum daily balance of deposits placed by the Group with BAIC Finance, (ii) interest income from deposits placed by the Group with BAIC Finance, and (iii) charges for other financial services of the Group with BAIC Finance for the three financial years ending 31 December 2025 as follows:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
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	356.4	356.4	356.4
Charges for other financial services of the Group with BAIC Finance	243.2	243.2	243.2

### **Historical Transaction Amounts**

Historical transaction amounts for the major and continuing connected transactions under the Financial Services Framework Agreement for the three financial years ended 31 December 2022 are as follows:

	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Maximum daily balance of deposits placed by the Group with BAIC Finance	15,999.3	15,968.0	15,994.0
Interest income from deposits placed by the Group with BAIC Finance	292.4	289.3	196.6
Charges for other financial services of the Group with BAIC Finance	20.1	19.8	22.1

As at the date of this announcement, the existing annual caps for the financial year ended 31 December 2022 and the financial year ending 31 December 2023 have not been exceeded.

## Revised Annual Caps for the Three Financial Years Ending 31 December 2025

With the continuous business development and based on the demand forecast and operating status, the Company expects that the existing annual caps for the transactions contemplated under the Financial Services Framework Agreement for the three financial years ending 31 December 2025 will not be sufficient to meet the needs of the Group. Based on the financial services required as a result of the rapid expansion of the Group's business, the Company expects that there will be an increase in (i) the existing daily maximum deposits placed by the Group with BAIC Finance and the corresponding interest income from deposits placed by the Group with BAIC Finance, and (ii) charges for other financial services of the Group with BAIC Finance, for the three financial years ending 31 December 2025. Therefore, on 24 March 2023, the Board resolved to propose the annual caps for the three financial years ending 31 December 2025 being revised as follows:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Maximum daily balance of deposits placed by the Group with BAIC Finance	22,000.0	22,000.0	22,000.0
Interest income from deposits placed by the Group with BAIC Finance	490.1	490.1	490.1
Charges for other financial services of the Group with BAIC Finance	457.5	775.7	761.4

### Basis of Determination of the Revised Annual Caps

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

- (i) the expected increase in the sales volume of vehicles for the three financial years ending 31 December 2025 with reference to the Group's revised target annual sales volume of vehicles (including the existing Beijing Brand vehicles and the new models to be launched) for the same period;

- (ii) the maximum daily balance of deposits placed by the Group with BAIC Finance for the three financial years ended 31 December 2022, representing 8.4% to 9.1% of the total sales revenue of the Group for the same period; and
- (iii) although the Group expects a growth in future sales revenues, meanwhile, the Group also pays attention to the control of the amount of deposit placed with BAIC Finance to avoid potential risks in connection with over-concentration of capital.

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

- (i) the revised maximum daily balance of deposits placed by the Group with BAIC Finance under the Financial Services Framework Agreement for the three financial years ending 31 December 2025; and
- (ii) the type of deposits placed by the Group with BAIC Finance in the past and the corresponding interest rates. The interest rates of 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.

In determining the revised annual caps for charges for other financial services of the Group with BAIC Finance under the Financial Services Framework Agreement, the Company mainly considered the following factors:

- (i) the Group's revised target annual production and sales volume of vehicles (including the existing Beijing Brand vehicles and the new models to be launched) for the three financial years ending 31 December 2025; and
- (ii) the types and fees of the other financial services provided by BAIC Finance to the Group. The services fees will be: (a) subject to the benchmark fee (if applicable) for similar types of financial services published by the PBOC or the CBIRC from time to time; (b) comparable to, or no less favourable to the Group than, the 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. The charges for other financial services of the Group with BAIC Finance are expected to increase approximately 88.1% to 218.9% to the original charges used for the calculation of the existing annual caps for the other financial services of the Group with BAIC Finance for the three financial years ending 31 December 2025.

#### **IV. OPINION OF THE DIRECTORS**

The Board (excluding the Directors who have abstained from voting as more particularly described below and the independent non-executive Directors whose opinions on the Trademark Licensing Framework Agreement and the proposed annual caps for the trademark licensing fees to be paid by the Group to BAIC Group thereunder, and the Revisions will be included in the letter from the Independent Board Committee contained in the circular to be despatched to the Shareholders, after taking into account the advice from the Independent Financial Adviser) is of the view that transactions under the Trademark Licensing Framework Agreement, the Products and Services Purchasing Framework Agreement, the Provision of Products and Services Framework Agreement and the Financial Services Framework Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as the proposed 2023, 2024 and 2025 annual caps for the transactions under the Trademark Licensing Framework Agreement, and the Revisions are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

Since Mr. Chen Wei, Mr. Hu Hanjun and Mr. Chen Hongliang, each being a Director, also hold office in BAIC Group and/or its subsidiaries, they are therefore considered to be materially interested in the continuing connected transactions contemplated under the Trademark Licensing Framework Agreement, the Products and Services Purchasing Framework Agreement, the Provision of Products and Services Framework Agreement and the Financial Services Framework Agreement. As a result, each of Mr. Chen Wei, Mr. Hu Hanjun and Mr. Chen Hongliang has abstained from voting on the Board resolutions for approving the Trademark Licensing Framework Agreement and the proposed annual caps for the continuing connected transactions thereunder for the three financial years ending 31 December 2025, and the Revisions. Save for the above Directors, none of the other Directors has any interest in the above-mentioned transactions.

## **V. INTERNAL CONTROL MEASURES**

The Company has adopted the following internal management 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 department is responsible for conducting reviews on compliance with relevant laws, regulations, company policies and the Listing Rules in respect of the continuing connected transactions of the Company. In addition, the finance department, procurement department, 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 department 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 component 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 management 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 are not limited to, the scale of business, industry recognition, experience of supplying same types of products and services, technological level, financial conditions etc. The same standards are applicable to both connected persons and independent third-party suppliers. The Group 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 procurement department, research and development department, discipline inspection department, finance department 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 generally requires at least three potential suppliers participating in the same purchase. Price inquiry procedures that fail 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 the Company. 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 a 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 components or product, which is estimated with reference to (i) the market price of the raw materials or semi-finished products forming the components or product; and (ii) the total 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.

The independent non-executive Directors will, on an annual basis, review the implementation and execution of transactions under the above-mentioned agreements independently. If the independent non-executive Directors are of the opinion that the decrease in the relevant annual caps is in the interest of the Company, the Company will take appropriate measures to implement the decisions of the independent non-executive Directors. The views of the independent non-executive Directors on such transactions (including their views on how to comply with the terms of the above-mentioned agreements), 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 of the Company to ensure that the transactions under the above-mentioned agreements have been conducted in accordance with the Listing Rules and the relevant disclosure requirements have been complied with.

## **VI. LISTING RULES IMPLICATIONS**

As at the date of this announcement, BAIC Group is the sole controlling shareholder of the Company and holds 44.5% of the total issued share capital of the Company, and hence a connected person of the Company. The transactions contemplated between the Company and BAIC Group under the Trademark Licensing Framework Agreement, the Products and Services Purchasing Framework Agreement and the Provision of Products and Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As BAIC Group holds 56.0% of the equity interests in BAIC Finance, and hence BAIC Finance is an associate of BAIC Group. Therefore, BAIC Finance is a connected person of the Company and the transactions between the Company and BAIC Finance under the Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the revised annual caps for (i) the maximum daily balance of deposits placed by the Group with BAIC Finance and (ii) the interest income from deposits placed by the Group with BAIC Finance under the Financial Services Framework Agreement is, on an aggregate basis, more than 25%, the revisions to the annual caps for such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of (i) the proposed annual caps for the Trademark Licensing Framework Agreement, (ii) the revised annual caps for the Products and Services Purchasing Framework Agreement; (iii) the revised annual caps for the Provision of Products and Services Framework Agreement; and (iv) the revised annual caps for charges for other financial services of the Group with BAIC Finance under the Financial Services Framework Agreement is more than 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **VII. THE 2022 AGM**

The Company will convene the 2022 AGM for the purpose of, among other things, obtaining Independent Shareholders' approval for the (i) Trademark Licensing Framework Agreement and the proposed annual caps for trademark licensing fees to be paid by the Group to BAIC Group thereunder; and (ii) Revisions.

The Independent Board Committee, comprising all independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the (i) Trademark Licensing Framework Agreement and the proposed annual caps for trademark licensing fees to be paid by the Group to BAIC Group thereunder; and (ii) Revisions. Gram Capital will be appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders on the aforesaid matters.

A circular containing, among others, (a) further details of the (i) Trademark Licensing Framework Agreement and the proposed annual caps for trademark licensing fees to be paid by the Group to BAIC Group thereunder; and (ii) Revisions; (b) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; (c) a letter from the Independent Board Committee to the Independent Shareholders on the same and its recommendation on voting; and (d) the notice of the 2022 AGM of the Company, will be despatched to the Shareholders in due course.

## **VIII. GENERAL INFORMATION**

### **Information on the Company**

The Company was established in September 2010, and its H shares were listed on the Main Board of the Hong Kong Stock Exchange in December 2014. 44.5% of the equity interests in the Company is directly owned by BAIC Group, which is the controlling shareholder of the Company and ultimately owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. The Company's brands cover joint venture premium passenger vehicles, joint venture premium multi-purpose passenger vehicles, joint venture mid- to high-end passenger vehicles, proprietary brand passenger vehicles and other vehicles, which can maximally satisfy various customers' demands.

### **Information on BAIC Group**

BAIC Group is the sole controlling shareholder of the Company, being a state-owned enterprise wholly owned by Beijing State-owned Capital Operation and Management Company Limited (北京國有資本運營管理有限公司), and holds 44.5% of equity interests in the Company. BAIC Group is one of the main automobile manufacturing groups in China. It has now developed into a comprehensive and modern automobile conglomerate with diversified business portfolio and integrating vehicle research and development and manufacturing, parts and components manufacturing, automobile service trade, education and investment and financing business, as well as incubation of new industries.

## Information on BAIC Finance

BAIC Finance is a non-banking financial institution incorporated in October 2011 in the PRC with the approval of the CBIRC. BAIC Finance was initiated and established by 4 shareholders, namely BAIC Group, BAIC Investment Co., Ltd. (北京汽車投資有限公司), Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司) and Beijing Hainachuan Automotive Parts Stock Co., Ltd. (北京海納川汽車部件股份有限公司), holding 56%, 20%, 14%, and 10% of the equity interest respectively, with a registered capital of RMB5 billion. The main businesses of BAIC Finance include the provision of financial and financing consultation services, credit appraisal and other related consultation and agency services to members; assistance to members in the collection and payment of transaction amounts; authorised insurance agency services; provision of guarantee between members; provision of entrusted loans between members; provision of bill acceptance and discount services to members; provision of internal fund transfer and settlement services and corresponding settlement and clearing planning to members; accepting deposits from members; provision of loans and finance leasing to members; provision of inter-bank lending; underwriting of corporate bonds of members; provision of consumption credit, buyers' credit and finance leasing for products of members; and investments in negotiable securities (other than stock and trust investments).

## IX. DEFINITIONS

In this announcement, unless the content otherwise requires, the following terms and expressions have the following meanings:

“2022 AGM”	the annual general meeting of the Company for the year 2022 to be convened and held
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BAIC Finance”	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”	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
“Board”	the board of Directors of the Company

“CBIRC”	China Banking and Insurance Regulatory Commission
“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
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and BAIC Finance on 2 December 2014 and was last renewed on 27 April 2022 for another term of three years expiring on 31 December 2025
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a corporation licensed 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) Trademark Licensing Framework Agreement and the proposed annual caps for trademark licensing fees to be paid by the Group to BAIC Group thereunder; and (ii) Revisions for the three financial years ending 31 December 2025
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Ge Songlin, Ms. Yin Yuanping, Mr. Xu Xiangyang, Mr. Tang Jun and Mr. Edmund Sit, which was established to advise the Independent Shareholders in relation to the (i) Trademark Licensing Framework Agreement and the proposed annual caps for trademark licensing fees to be paid by the Group to BAIC Group thereunder; and (ii) Revisions
“Independent Shareholders”	Shareholders (other than BAIC Group and its associates) who are not required to abstain from voting on the resolution to be proposed at the 2022 annual general meeting of the Company in relation to the (i) Trademark Licensing Framework Agreement and the proposed annual caps for trademark licensing fees to be paid by the Group to BAIC Group thereunder; and (ii) Revisions
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“PBOC”	The People’s Bank of China, the central bank in the PRC
“Products and Services Purchasing Framework Agreement”	the products and services purchasing framework agreement entered into between the Company and BAIC Group on 2 December 2014 and was last renewed on 27 April 2022 for another term of three years expiring on 31 December 2025
“Provision of Products and Services Framework Agreement”	the sale of products and services framework agreement entered into between the Company and BAIC Group on 2 December 2014 and was last renewed on 27 April 2022 for another term of three years expiring on 31 December 2025

“Revisions”	the proposed revisions to annual caps for the (i) purchase of products and services transactions contemplated under the Products and Services Purchasing Framework Agreement; (ii) sale of products transactions contemplated under the Provision of Products and Services Framework Agreement; and (iii) maximum daily balance of deposits placed by the Group with BAIC Finance, the interest income from deposits placed by the Group with BAIC Finance and charges for other financial services of the Group with BAIC Finance under the Financial Services Framework Agreement, for the three financial years ending 31 December 2025
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Trademark Licensing Framework Agreement”	the Trademark Licensing Framework Agreement entered into between the Company and BAIC Group on 24 March 2023
“%”	percentage

By Order of the Board  
**BAIC Motor Corporation Limited**  
**Wang Jianhui**

*Secretary to the Board and Company Secretary*

Beijing, the PRC, 24 March 2023

*As at the date of this announcement, the Board comprises Mr. Chen Wei, as Chairman of the Board and non-executive Director; Mr. Hu Hanjun and Mr. Chen Hongliang, as non-executive Directors; Mr. Huang Wenbing, as executive Director; Mr. Ye Qian, Mr. Hubertus Troska, Mr. Harald Emil Wilhelm, Mr. Gu Tiemin and Mr. Sun Li, as non-executive Directors; and Mr. Ge Songlin, Ms. Yin Yuanping, Mr. Xu Xiangyang, Mr. Tang Jun and Mr. Edmund Sit, as independent non-executive Directors.*

\* For identification purpose only