
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Background

Our Company's history dates back to the year of 1958 when Beijing Automobile Factory, the predecessor of BAIC Group, our Controlling Shareholder, was incorporated. Beijing Automobile Factory was the second large-scale automobile manufacturer founded in China. BAIC Group has been our sole Controlling Shareholder. It is one of the five largest vehicle manufacturing groups in China with a history of operation spanning more than 50 years. BAIC Group has developed into a comprehensive modern automobile group unifying a diversified business portfolio of research and development and manufacturing of whole vehicles, manufacturing of vehicle spare parts and components, automobile service and trade, education, investment and financing, as well as development of emerging industries. We serve as a key platform developed by BAIC Group for its passenger vehicle resources and business development.

Promoters

Our Company was founded on September 20, 2010 by our promoters including BAIC Group. On August 25, 2010, our promoters entered into a promoters agreement with respect to the establishment of our Company with an initial registered capital of RMB5 billion. BAIC Group, our Controlling Shareholder and also one of our promoters, was incorporated on June 30, 1994 and has been our sole Controlling Shareholder throughout the Track Record Period. The table below sets forth a summary of our promoters:

Names of our promoters	Shareholding percentage in our Company at the time of our establishment	Contribution of our promoters into our Company for our establishment	Valuation of our promoters' contribution	Background information of our promoters
BAIC Group	51%	41.20631% equity interest in BAIC Investment, 51% equity interest in BAIC Limited, 100% equity interest in Powertrain, 100% equity interest in New Energy together with the physical assets of its passenger vehicle business unit and cash in the amount of RMB1,317,494,551.27	BAIC Group's contributions by way of equity and tangible assets to our Company were valued by an independent valuator on April 6, 2010	BAIC Group (previously known as BAIC Holding), is a state-owned enterprise established on June 30, 1994 with a registered capital of approximately RMB4.55 billion. Its principal businesses include the manufacture, sale, import and export 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. On September 28, 2010,

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Names of our promoters	Shareholding percentage in our Company at the time of our establishment	Contribution of our promoters into our Company for our establishment	Valuation of our promoters' contribution	Background information of our promoters
				its name was changed from BAIC Holding to BAIC Group. BAIC Group has been our sole Controlling Shareholder throughout the Track Record Period.
Shougang Limited	18.31%	23.61580% equity interest in BAIC Investment and cash in the amount of RMB270,684,446.53	Shougang Limited's contribution by way of equity to our Company was valued by an independent valuator on April 6, 2010	Shougang Limited is a joint stock company incorporated with limited liability in China established on October 15, 1999 with a registered capital of RMB5.29 billion and its A shares are listed on the Shenzhen Stock Exchange (Stock Code: 000959). Its principal businesses include iron and steel smelting, chemical products manufacture and sales, consultancy, transfer and training of technologies, equipment leasing, logistics service and investment management. Shougang Limited has been one of our Substantial Shareholders throughout the Track Record Period.
BSAM	13.18%	16.99251% equity interest in BAIC Investment and cash in the amount of RMB194,768,256.01	BSAM's contribution by way of equity to our Company was valued by an independent valuator on April 6, 2010	BSAM is a state-owned enterprise established on September 4, 1992 with a registered capital of RMB5 billion upon the establishment of the Company. Its principal businesses include the import and export of goods and technologies (or in

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Names of our promoters	Shareholding percentage in our Company at the time of our establishment	Contribution of our promoters into our Company for our establishment	Valuation of our promoters' contribution	Background information of our promoters
				the capacity of an agent). On June 28, 2011, BSAM entered into an agreement with Industry Investment, pursuant to which BSAM transferred all of its shares in our Company to Industry Investment as its capital contribution.
Modern Innovation . . .	7.75%	10% equity interest in BAIC Investment and cash in the amount of RMB114,620,063.71	Modern Innovation's contribution by way of equity to our Company was valued by an independent valuator on April 6, 2010	Modern Innovation is a limited liability company incorporated in China on January 27, 2003 with a registered capital of RMB450 million upon the establishment of the Company. Its principal businesses include industry investment, investment management, comprehensive technology development, technology service and technology consultancy. Modern Innovation transferred all of its shares in our Company to other Shareholders during the Track Record Period as detailed below in the section headed "—The Reorganization—Capital Increases and Share Transfers."
BSAMAC	5.00%	cash in the amount of RMB532,118,776.44	N/A	BSAMAC is a state-owned enterprise established on December 30, 2008 with a registered capital of RMB35 billion. BSAMAC was established as the platform for capital maintenance and appreciation of state-

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Names of our promoters	Shareholding percentage in our Company at the time of our establishment	Contribution of our promoters into our Company for our establishment	Valuation of our promoters' contribution	Background information of our promoters
Beijing Energy Investment	4.76%	6.13452% equity interest in BAIC Investment and cash in the amount of RMB70,313,906.04	Beijing Energy Investment's contribution by way of equity to our Company was valued by an independent valuator on April 6, 2010	owned assets as well as to support the Beijing Municipality Government's strategic adjustments to state-owned assets and reorganization of state-owned enterprises. Beijing Energy Investment is a state-owned enterprise established on December 8, 2004 with a registered capital of RMB20 billion. Its scope of businesses is subject to the provisions of relevant national laws and regulations with independent choice of businesses.

Overview of our business

Our Company serves as a key platform developed by BAIC Group for its passenger vehicle resources and business development. We are a leading manufacturer of passenger vehicles in China. According to ACMR, we are expected to be the second-largest passenger vehicle manufacturer listed on the Hong Kong Stock Exchange upon the Listing, in terms of the aggregate sales volume of Beijing Motor, Beijing Benz and Beijing Hyundai in 2013. We are engaged in design, research and development, manufacture and sale of an extensive and diversified portfolio of passenger vehicle models, and we provide related services in China.

Beijing Motor's proprietary brand passenger vehicle business is carried out under three product series, including the mid- to high-end Senova series, economy BJ series and Wevan series. We offer a number of models of passenger vehicles, including mid- to large-size sedan, mid-size sedan, compact sedan, small-size sedan, SUV, MPV and CUV products to satisfy customer needs for different types of vehicles.

We also manufacture passenger vehicles under our joint venture brands through Beijing Benz (a subsidiary of our Company) and Beijing Hyundai (a joint venture of our Company). For details, see "Business" in this prospectus. In addition, we manufacture engines and other key automobile parts and components, which are used for manufacturing our passenger vehicles, as well as for sales to other automobile manufacturers.

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Our Major Subsidiaries

Powertrain

Powertrain was established by BAIC Group on February 9, 2010 in the PRC with a registered capital of RMB50 million. Pursuant to the promoters agreement entered into among BAIC Group and other promoters of our Company dated August 25, 2010, BAIC Group transferred its entire equity interest in Powertrain to us as part of its capital contributions in founding our Company. Following two subsequent rounds of capital increases in September 2011 and May 2013, the registered capital of Powertrain increased to RMB1.15 billion.

As a wholly-owned subsidiary of our Company, Powertrain is primarily engaged in, among other things, research and development, manufacturing and sales of automobile engines and transmission units.

Beijing Benz

On November 2, 2012, BAIC Group and the Company entered into an equity transfer agreement, pursuant to which BAIC Group transferred its 50% equity interest in Beijing Benz to our Company for a consideration of RMB5,140,400,200. Upon completion of the equity transfer in January 2013, our Company owned 50% equity interest in Beijing Benz, with the remaining 39.454% owned by Daimler AG and 10.546% owned by Daimler Greater China.

On November 18, 2013, following a round of capital increase subscribed by our Company, and as part of the Pre-IPO Strategic Investment detailed below, our Company increased our shareholding in Beijing Benz from 50% to 51% and Beijing Benz became our subsidiary and has been consolidated into the financial statements of our Group, with Daimler AG and Daimler Greater China holding the remaining 38.665% and 10.335% equity interest of Beijing Benz, respectively. As a result, since November 18, 2013, Beijing Benz has become a 51%-owned subsidiary of our Company and will remain so after the Listing.

BAIC Investment

BAIC Investment was incorporated on June 28, 2002 with a registered capital of RMB3.5 billion as of the Latest Practicable Date. As set out above, pursuant to the promoters agreement dated August 25, 2010 entered into among our promoters, each of BAIC Group, Shougang Limited, BSAM, Modern Innovation and Beijing Energy Investment transferred their then shareholdings in BAIC Investment as to 41.20631%, 23.61580%, 16.99251%, 10% and 6.13452%, respectively, as part of their capital contribution for the establishment of our Company. As of the Latest Practicable Date, BAIC Investment is 97.95% owned by our Company with the remaining 2.05% owned by BAIC Group. Moreover, BAIC Investment also holds 80% equity interest in Beijing Hainachuan Investment Co., Ltd. (a subsidiary of our Company) and 50% equity interest in Beijing Hyundai and other equity interest in certain associated companies.

As one of our major subsidiaries, BAIC Investment is primarily engaged in, among other things, investment and management of automobile and other related industries.

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Milestones of Development

The following are the key milestones in our history to date:

<u>Year</u>	<u>Events</u>
1958	Establishment of Beijing Automobile Factory, the predecessor of our Controlling Shareholder, BAIC Group
1983	Beijing Jeep Motor Co., Ltd., the predecessor of Beijing Benz and the first sino-foreign joint venture automobile company founded in China, mainly engaged in the development and manufacturing of off-road vehicles, was incorporated by Beijing Automobile Factory and American Motors Corporation
1994	Establishment of BAIC Holding, the predecessor of our Controlling Shareholder, BAIC Group
2002	Our Controlling Shareholder, BAIC Group, established Beijing Hyundai with Hyundai Motor; Beijing Hyundai was the first approved joint venture vehicle manufacturer after China's accession to the World Trade Organization; in the same year, Beijing Hyundai passenger vehicle No. 1 factory commenced production
2005	BAIC Group, our Controlling Shareholder, and Daimler AG reorganized Beijing Benz and thus BAIC Group entered into the premium passenger vehicle market
2006	Beijing Benz MRA factory commenced production
2008	Beijing Hyundai passenger vehicle No. 2 factory commenced production
2009	Our Controlling Shareholder, BAIC Group, acquired Saab technology through BAIC Hong Kong
2010	Establishment of our Company; contribution to our Company's capital by injection of core passenger vehicles assets (including equity interest in Beijing Hyundai) by our Controlling Shareholder, BAIC Group
2011	The Company acquired the entire equity interest in BAIC Hong Kong from BAIC Group and obtained Saab technology The passenger vehicle factory of the Zhuzhou branch of our Company commenced production
2012	The BJ E-Series was launched into the market (rebranded as Senova D20 in November 2014) The engine factory of Powertrain, our Company's subsidiary, commenced production Beijing Hyundai passenger vehicle No. 3 factory commenced production Our Company successfully passed the ISO9001:2008 quality management review Our Company entered into a series of agreements with BAIC Group and Daimler AG to further strengthen our strategic alliance by (a) establishing Benz Sales Service, and (b) obtaining, on a royalty-free basis, the permanent license to use the Mercedes-Benz E-Class LWB V212 platform and related technologies
2013	The passenger vehicle factory of the Beijing branch of our Company commenced production, the Senova D70 sedan was launched into the market 50% equity interest in Beijing Benz was acquired by our Company from BAIC Group; in the same year, Beijing Benz became a subsidiary of our Company and the only sino-foreign joint venture focused on passenger vehicle manufacturing that became controlled by a Chinese automobile manufacturer after the promulgation of the "Policy on Development of Automotive Industry" (汽車產業發展政策) in 2004 The engine factory of Beijing Benz commenced production Our Company, BAIC Group, and Daimler AG entered into the Share Subscription Agreement and Daimler AG became our pre-IPO strategic investor
2014	The Senova D50 sedan was launched into the market The Company completed its acquisition of 100% equity interest in Guangzhou Company from BAIC Group

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THE REORGANIZATION

During the Track Record Period, our Company underwent a Reorganization by means of capital increases, share transfers, Pre-IPO Strategic Investment as well as acquisitions and disposals.

Capital Increases and Share Transfers

In 2012, the Company increased its registered capital through the issue of 616 million new Shares at the price of RMB6.5 per Share to its then Shareholders. Upon completion of the capital increase, the Company's registered capital increased from RMB5 billion to RMB5.616 billion.

In 2013, the Company further increased its registered capital through the issue of 765,818,182 Unlisted Foreign Shares at the price of RMB6.7 per Share to Daimler AG to facilitate the Pre-IPO Strategic Investment as described in the paragraph headed "Pre-IPO Strategic Investment" below. Upon completion of the further capital increase, the Company's registered capital increased from RMB5.616 billion to approximately RMB6.382 billion.

During the Track Record Period, our Shareholders undertook a number of share transfers as detailed below:

<u>Transfer Agreement Date</u>	<u>From</u>	<u>To</u>	<u>Number of Shares Transferred</u>	<u>Consideration (RMB in millions)</u>	<u>Valuation of the Consideration</u>	<u>Completion Date⁽²⁾</u>
April 6, 2011	Modern Innovation	Hangzhou Jingjie	12,500,000	84.30	N/A	December 19, 2011
June 28, 2011	BSAM	Industry Investment	658,823,714	N/A ⁽¹⁾	N/A	December 19, 2011
September 21, 2011	Modern Innovation	Qingtian Yunsheng	30,000,000	241.00	N/A	December 19, 2011
September 21, 2011	Modern Innovation	Qingtian Yunzhong	20,000,000	159.00	N/A	December 19, 2011
September 21, 2011	Modern Innovation	Guoyuan Capital	5,700,000	45.60	N/A	December 19, 2011
October 18, 2011	Modern Innovation	Tianjin Blueberry	5,000,000	41.50	N/A	December 19, 2011
November 1, 2011	Modern Innovation	Quanzhou Citong	10,000,000	80.00	N/A	December 19, 2011
June 7, 2013	Modern Innovation	Benyuan Jinghong	304,514,184	2,724.78	N/A	June 25, 2013
June 7, 2013	BAIC Group	Benyuan Jinghong	37,624,734	244.56	N/A	June 25, 2013
July 2013	Industry Investment	Jingguofa Fund	29,850,746	200.00	The share transfer was valued by an independent valuator	August 1, 2013
August 15, 2013	Industry Investment	BAIC Group	658,823,714	4,414.12	The share transfer was valued by an independent valuator	October 10, 2013

(1) As it was BSAM's contribution by way of equity to Industry Investment, there is no consideration in cash.

(2) According to the dates of changes in the registrations with industry and commerce authorities.

The consideration of each of the share transfers above was fully settled on or prior to the completion date of such share transfer. Among the transferors as set out in the above table, except for BSAM and Modern Innovation, which ceased to be Shareholders when their entire shareholdings in our Company transferred to other Shareholders, all of the others remain to hold equity interest in our

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Company. As to the transferees, except for BAIC Group, which has been a Connected Person of our Company, none of the other transferees were connected persons of the Company as of the Latest Practicable Date. For details of the shareholding percentage of each party mentioned above upon completion of Reorganization and upon Listing, see “—Corporate Structure” of this prospectus.

Pre-IPO Strategic Investment

In order to comprehensively strengthen our Company’s strategic alliance with Daimler AG, a world-class vehicle manufacturer, in 2012 and 2013, our Company and BAIC Group entered into a series of agreements with Daimler AG, including Daimler AG’s subscription of Shares issued by our Company, the increase of our Company’s Shareholding in Beijing Benz, technology licencing and arrangements regarding sales and service. Among the above, and as part of the Pre-IPO Strategic Investment, on February 1, 2013 Daimler AG entered into a Share Subscription Agreement with our Company and BAIC Group. Pursuant to the Share Subscription Agreement, our Company issued 765,818,182 Unlisted Foreign Shares to Daimler AG, which represented 12% of the enlarged total issued share capital of the Company following the completion of the Pre-IPO Strategic Investment. The subscription price per Share was RMB6.7 and the total aggregate amount paid by Daimler AG for subscription of such Shares in accordance with the terms and conditions under the Share Subscription Agreement was RMB5,130,981,819.40.

Details of the Pre-IPO Strategic Investment

Set forth below are the details of the Pre-IPO Strategic Investment:

Date of the Share Subscription Agreement	February 1, 2013
Number of Shares Issued	765,818,182
Amount of Consideration Paid	RMB5,130,981,819.40
Payment date of the Pre-IPO Strategic Investment	November 18, 2013
Completion Date of the Pre-IPO Strategic Investment	November 18, 2013
Cost per Share Paid	RMB6.7
Discount to the IPO Price	2.68% to the Offer Price assuming the Offer Price of HK\$8.70, being the mid-point of the Offer Price range
Use of Proceeds	<ol style="list-style-type: none">1. RMB765,818,182 to be booked as the increased registered capital of the Company; and2. a premium equal to the consideration (i.e. RMB5,130,981,819.40) minus the increased amount in the then registered capital of the Company to be booked as the capital reserves of the Company.

Other than the above, the parties did not further specify the intended use of proceeds in the Share Subscription Agreement. The Company confirms that the proceeds of the Pre-IPO Strategic

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Investment have been allocated pursuant to the proposed divisions as set out above and they have been used to replenish the Group’s working capital and for general corporate use.

- Strategic meanings to the Company
1. Strengthening our strategic alliance with Daimler AG, a world-class vehicle manufacturer;
 2. acquiring advanced technology and management expertise, which will help to enhance both the business performance and corporate governance of the Group; and
 3. further strengthening the existing cooperation between the parties on various levels through, among other things, their leading production joint venture, Beijing Benz and the integrated sales and service joint venture, Benz Sales Service.

Shareholding of Daimler AG in the Company immediately prior to the Global Offering 12%

Relationship of Daimler AG with our Company prior to the Pre-IPO Strategic Investment Daimler AG owned a 39.4540% equity interest in Beijing Benz, with the remaining 50% and 10.5460% held by our Company and Daimler Greater China (a wholly-owned subsidiary of Daimler AG), respectively.

Basis of determining the consideration paid by Daimler AG The consideration was determined on the basis of an arm’s length negotiation between the relevant parties.

Shareholder’s Rights of Daimler AG

Pursuant to the Share Subscription Agreement, subject to applicable laws, the Listing Rules and rules promulgated by the relevant stock exchange, Daimler AG was granted a number of shareholder’s rights in relation to our Company. Set forth below is a summary of the principal shareholder’s rights granted to Daimler AG under the Share Subscription Agreement, all of which will be terminated upon the completion of the Global Offering, except as otherwise disclosed:

Board Representative Our Company agrees that, so long as Daimler AG holds, directly and indirectly, no less than 8.5% of our total issued Shares, subject to relevant applicable laws, listing rules and stock exchange rules, Daimler AG shall have the right to nominate: (i) two individuals to serve as our Directors (each a “**Daimler Nominee**”) upon the closing of the transactions under the Share Subscription Agreement (the “**Closing**”) until immediately prior to the Listing; and (ii) one

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Daimler Nominee to serve as our Director immediately upon Listing. BAIC Group shall use its best efforts to procure that Daimler AG, subject to relevant applicable laws, listing rules and stock exchange rules, will have a second Daimler Nominee serving as our Director upon and after Listing. Given that it is an arrangement between our Shareholders, the Directors are of the view that BAIC Group's obligation would be allowed to continue after Listing.

Pursuant to the above, two Daimler Nominees (Mr. Bodo Uebber and Mr. Hubertus Troska) have been appointed as our Directors and it is expected that they will continue to act as our Directors after Listing subject to the retirement and re-appointment requirements under the Articles of Association.

- Information Right After the Closing and prior to the Listing, our Company shall provide reasonable access to Daimler AG or its representative, at Daimler AG's expense, to visit and inspect any of our Articles of Association, register of shareholders, bond register, minutes of shareholder meetings, minutes of meetings of our Board, minutes of meetings of our Supervisors and audited financial statements, and to discuss the business affairs of our Company with our officers at a time as may be reasonably requested by Daimler AG, and our Company shall provide the information set out below:
- (i) within three months after the end of the first, second and third quarter of each financial year, the unaudited consolidated quarterly financial statements of our Company (i.e. balance sheet, profit and loss statement and equity statement (if applicable)) prepared in accordance with PRC GAAP in Chinese, with an English translation;
 - (ii) within three months after the end of each financial year, the annual unaudited consolidated financial statements of our Company prepared in accordance with PRC GAAP in Chinese, with an English translation of the balance sheet, profit and loss statement and equity statement (if applicable);
 - (iii) within four months after the end of each financial year, the annual audited

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consolidated financial statements of our Company prepared in accordance with PRC GAAP in Chinese, with an English translation of the balance sheet, profit and loss statement and equity statement (if applicable); and

- (iv) any information in connection with our Company delivered by us to any of our other Shareholders.

After the Listing, our Company shall continue to provide the information listed above to Daimler AG, subject to relevant applicable laws, listing rules and stock exchange rules. Given that the Company's obligation after the Listing is subject to applicable laws, relevant listing rules and stock exchange rules, the Company would only provide Daimler AG with public information or information which is released to the public shareholders of the Company at the same time after the Listing.

Pre-emptive Right

If, during the period commencing from the Closing and ending on the successful completion of the Listing, save for certain exceptions, our Company issues any additional securities, rights or warrants to acquire such additional securities, Daimler AG shall, subject to relevant applicable laws, have the right to subscribe for and acquire such number of additional securities to be issued by our Company so that the percentage of its Shares in the total issued Shares of our Company will be:

- (i) maintained at the same level as immediately prior to such issuance; and
- (ii) not lower than 10% of our total issued Shares on a fully diluted basis immediately upon the Listing.

For the avoidance of doubt, for the purposes of the pre-emptive right of Daimler AG and the restriction of issuance of additional securities or transfer shares to certain of Daimler AG's competitors, the references to the Listing included in "Pre-emptive Right" and "Restriction on Issuance of Additional Securities and Transfer Shares to Competitors" in this prospectus shall include the issuance of any Shares upon the exercise of any Over-allotment Option following the Listing, if any.

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Daimler AG will have the right to subscribe for such number of additional securities at the Listing so as to maintain at the same level of interest in our Company as immediately prior to such issuance and so that its share percentage in our Company does not fall below 10% of our total issued Shares on a fully diluted basis immediately following the Listing. Subscription of any Shares by Daimler AG will be at the same price and on the same terms and conditions as those generally offered to other investors under our listing plan. Our Company shall, with the assistance of Daimler AG, be responsible for obtaining any applicable regulatory approvals pursuant to the requirements of relevant applicable laws, listing rules and stock exchange rules enabling Daimler AG to complete such subscription at the Listing. Daimler AG has determined not to exercise its pre-emptive right.

Restriction on Issuance of Additional Securities

and Transfer Shares to Competitors

Provided that (a) Daimler AG, directly or indirectly, holds no less than 12%, or in the case of the Listing, 10% or any other percentage immediately upon the Listing as a result of the Listing, of our total issued Shares, and (b) there exists the consolidation of Beijing Benz by our Company:

- (i) for Category One Daimler AG Competitors (four automobile groups as specifically set out and defined in the Share Subscription Agreement):
 - (A) following the Closing and prior to and after the Listing, our Company shall not issue any additional Shares (or any options, warrants or other rights to acquire, or securities convertible into or exchangeable for additional Shares, collectively “**Additional Securities**”) to any Category One Daimler AG Competitor (except for those issued, after the Listing, through a public offering where our Company is unable to identify and choose the buyer), unless our Company has obtained the prior written consent of Daimler AG;
 - (B) BAIC Group shall not sell or otherwise transfer any Shares held by BAIC Group prior to and after the Listing to any Category One Daimler

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AG Competitor unless otherwise agreed by the parties to the Share Subscription Agreement. For the avoidance of doubt, the above restriction does not apply to any transactions made after the Listing through the central bidding system or by any other similar means whereby BAIC Group is unable to identify and choose the buyer;

- (ii) for Category Two Daimler AG Competitors (four automobile groups as specifically set out and defined in the Share Subscription Agreement):
 - (A) following the Closing and prior to and after the Listing, our Company shall not issue any Additional Securities to any Category Two Daimler AG Competitor (except for those issued, after the Listing, through a public offering where our Company is unable to identify and choose the buyer), if such issuance or acquisition would result in:
 - (a) the total Shares held by such Category Two Daimler AG Competitors through such issuance or acquisition will account for more than 3% of the total issued Shares of our Company on a fully diluted basis after completion of such issuance and/or acquisition; or
 - (b) any individual nominated by such Category Two Daimler AG Competitor will be elected as a Director, unless prior written consent from Daimler AG has been obtained;
 - (B) BAIC Group shall not sell or otherwise transfer any Shares prior to and after the Listing to any Category Two Daimler AG Competitor, if such transfer would result in:
 - (a) the total Shares held by such Category Two Daimler AG Competitors through such transfer will account for more than 3% of the total issued Shares of our Company on a fully

diluted basis after completion of such transfer; or

- (b) any individual nominated by such Category Two Daimler AG Competitor will be elected as a Director, unless prior written consent from Daimler AG has been obtained. For the avoidance of doubt, the above restriction does not apply to any transactions made after the Listing and through the central bidding system or by any other similar means whereby BAIC Group is unable to identify and choose the buyer.

Our Directors are of the view that the shareholder's right of Daimler AG regarding restriction on issuance of Additional Securities and transfer to competitors would be allowed to continue after the Listing for the following reasons.

- (i) Considering the commercial benefits and values brought by the strategic alliance between Daimler AG and the Company, and the limited scope of competitors of Daimler AG as specified under the Share Subscription Agreement, our Directors are of the view that the above obligation of the Company to obtain the prior written consent of Daimler AG before issuing Additional Securities to certain of Daimler AG's competitors would not be egregious or contravene fundamental principles to the disadvantage of other Shareholders.
- (ii) The restriction on BAIC Group, which was intended to protect Daimler AG's interest in the Company by prohibiting the Controlling Shareholder from disposing its Shares to certain of Daimler AG's competitors, was a purely contractual arrangement between two Shareholders.
- (iii) In particular, Daimler AG has agreed with the Company to include an explicit "fiduciary out" clause when interpreting the Share Subscription Agreement to the effect that our Directors are allowed to ignore the above restrictions if compliance with which would constitute a breach of

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their fiduciary duties as supported by a legal opinion to be issued by a qualified legal counsel. Our Directors would therefore not be prevented from exercising their judgment in whether to issue Additional Securities to Daimler AG's certain competitors in the best interest of our Company and our Shareholders as a whole.

As Daimler AG is expected to be one of our Substantial Shareholders and a substantial shareholder of Beijing Benz after the Listing, the Shares held by it will not be considered as part of the public float according to Rule 8.08 of the Listing Rules.

In addition, as Daimler AG holds, and is expected to continue to hold more than 10% equity interest in our Company immediately after the Listing (assuming the Over-allotment Option is not exercised), and it is also a substantial shareholder at our subsidiary level, any transactions entered into or to be entered into between our Group and Daimler AG (and/or its associates as defined under the Listing Rules) will constitute connected transactions for our Company under Chapter 14A of the Listing Rules. Details of such continuing connected transactions and relevant waivers are set out in the section headed "Connected Transactions" of this prospectus.

The Joint Sponsors confirm that the Pre-IPO Strategic Investment detailed above is in compliance with applicable Hong Kong Stock Exchange guidance, namely, the interim guidance of the Stock Exchange on Pre-IPO Strategic Investments dated October 13, 2010 (and updated on January 16, 2012) and the Stock Exchange guidance letter HKEx-GL43-12.

Lock-up of Daimler AG

Pursuant to the Share Subscription Agreement, subject to applicable laws, listing rules and applicable stock exchange rules (including any mandatory lock-up period, if any), Daimler AG will not be subject to any lock-up period after the Listing. However, pursuant to Article 141 of the Company Law, for a period of one year from the Listing, Daimler AG will not be allowed to transfer any of the Shares it held prior to the Listing.

Information regarding Daimler AG

Daimler AG is a joint stock company incorporated and existing under the laws of the Federal Republic of Germany. As of the Latest Practicable Date, Daimler AG held 12% of the Shares of our Company.

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Major Acquisitions and Disposals

In addition to the “Pre-IPO Strategic Investment” described above, set forth below is a table summarizing the major acquisitions and disposals conducted by the Company during the Track Record Period:

No.	Transaction	Date of Acquisition/ Disposal Agreement	Consideration (RMB in millions)	Basis of Consideration	Reasons for the Transaction	Completion Date ⁽¹⁾
1	Acquisition of certain physical assets of the passenger vehicle branch and Zhuzhou branch of BAIC Group by the Company from BAIC Group	January 24, 2011	530.18	Asset evaluation by an independent valuator	BAIC Group performed its capital contribution obligation by incorporating the capacity of the related passenger vehicle branch and the Zhuzhou branch of BAIC Group to manufacture passenger vehicles into the Company	January 25, 2011
2	Acquisition of relevant research and development business and assets of Beijing Automotive Technology Center by the Company from Beijing Automotive Technology Center	January 24, 2011	445.53	Asset evaluation by an independent valuator	To incorporate the research and development capacity of Beijing Automotive Technology Center into the Company	January 25, 2011
3	Acquisition of a 50% equity interest in Beijing Benz by the Company from BAIC Group	November 2, 2012	5,140.40	Asset evaluation by an independent valuator	To diversify and upgrade the overall strength of the passenger vehicle business of the Company	January 4, 2013

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No.	Transaction	Date of Acquisition/ Disposal Agreement	Consideration (RMB in millions)	Basis of Consideration	Reasons for the Transaction	Completion Date ⁽¹⁾
4	Disposal of a 51% equity interest in BAIC Limited by the Company to BAIC Group	November 6, 2012	467.99	Asset evaluation by an independent valuator	To improve the asset and business structure of the Company by disposing of a business irrelevant to our core businesses	November 20, 2012
5	Capital increase to Beijing Benz by the Company	February 1, 2013	216.00	Asset evaluation by an independent valuator	To improve the asset and business structure of the Company	November 18, 2013
6	Disposal of a 100% equity interest in New Energy by the Company to BAIC Group	October 11, 2013	268.38	Asset evaluation by an independent valuator	To improve the asset and business structure of the Company by disposing of the new energy vehicle business in its premature development stage and when uncertain of its development prospects	October 28, 2013
7	Disposal of its productive assets and intellectual property assets related to off-road vehicles by the Company to BAIC Group	October 12, 2013	94.64	Asset evaluation by an independent valuator	To improve the asset and business structure of the Company by disposing of its off-road vehicle business to a state-owned enterprise pursuant to the requirements of the PRC military confidentiality policy. See “Relationship with BAIC Group” in this prospectus	December 25, 2013 ⁽²⁾

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

No.	Transaction	Date of Acquisition/ Disposal Agreement	Consideration (RMB in millions)	Basis of Consideration	Reasons for the Transaction	Completion Date ⁽¹⁾
8	Disposal of its assets related to the research and development business of off-road vehicles-related product by the Company to Beijing Automotive Technology Center	October 15, 2013	290.45	Asset evaluation by an independent valuator	To improve the asset and business structure of the Company by disposing of its off-road vehicle business to a state-owned enterprise pursuant to the requirements of the PRC military confidentiality policy. See “Relationship with BAIC Group” in this prospectus	December 20, 2013 ⁽²⁾
9	Acquisition of 100% equity interest in Guangzhou Company by the Company from BAIC Group	May 23, 2014	2,369.76	Asset evaluation by an independent valuator	To improve the asset and business structure of the Company	July 24, 2014

(1) According to the dates of changes in the registrations of industry and commerce authorities or the completion dates of asset transfers.

(2) The completion of such disposal is subject to the Transition Period Arrangement (as defined in “Relationship with BAIC Group”).

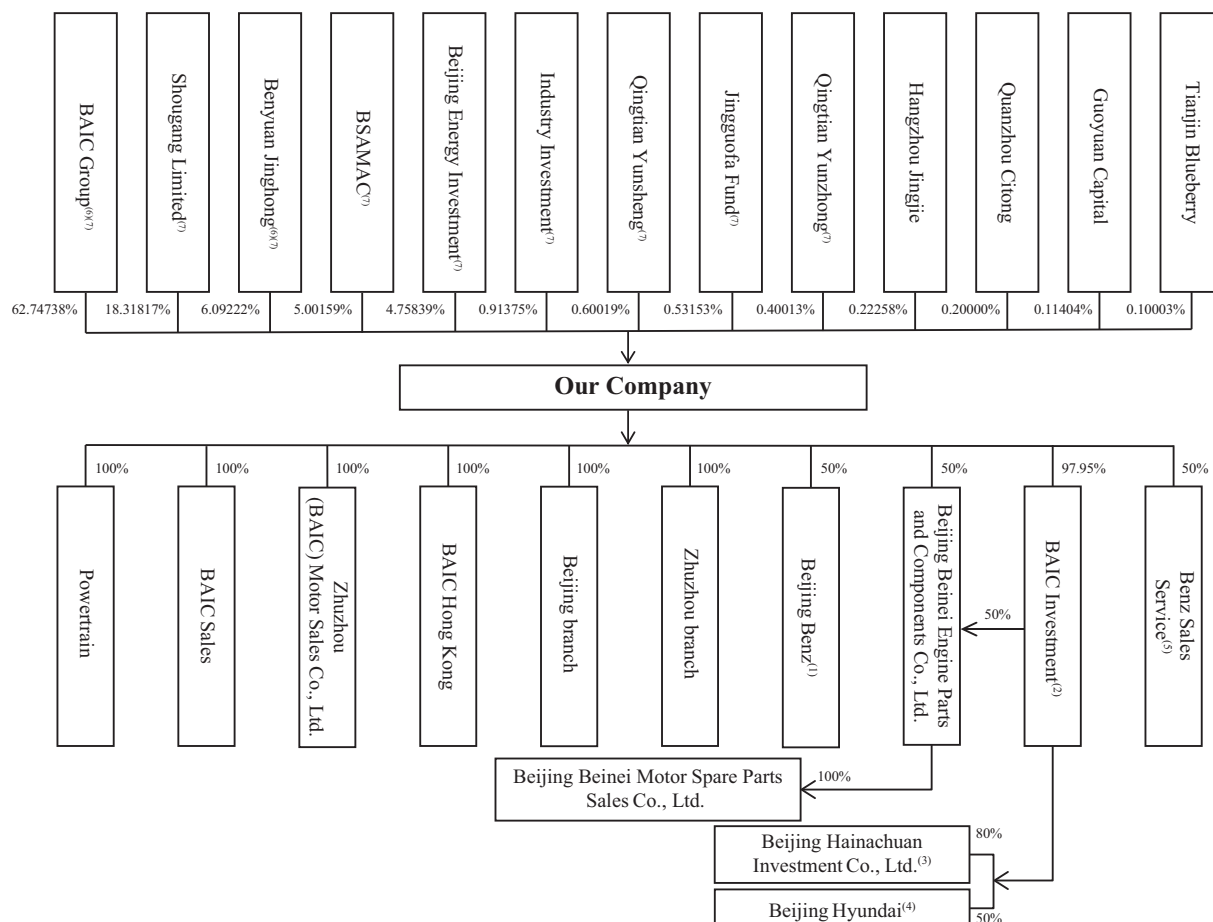
The transferors and transferees (as the case may be) involved in the major acquisitions and disposals set out above include BAIC Group (our sole Controlling Shareholder) and Beijing Automotive Technology Center (a Connected Person of our Company). In addition, the capital increase set out above also involves Beijing Benz, which is one of our subsidiaries and also a Connected Person of our Company.

As advised by our PRC legal advisers, Jia Yuan Law Offices, all necessary consents, approvals, authorizations and permissions required to be obtained for the Reorganization steps set out above have been obtained; all the Reorganization steps have been duly completed pursuant to the applicable PRC laws, regulations and rules; and the corresponding industry and commerce formalities have been modified for other matters in connection with the Reorganization that are subject to the registration for changes with the industry and commerce authorities.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

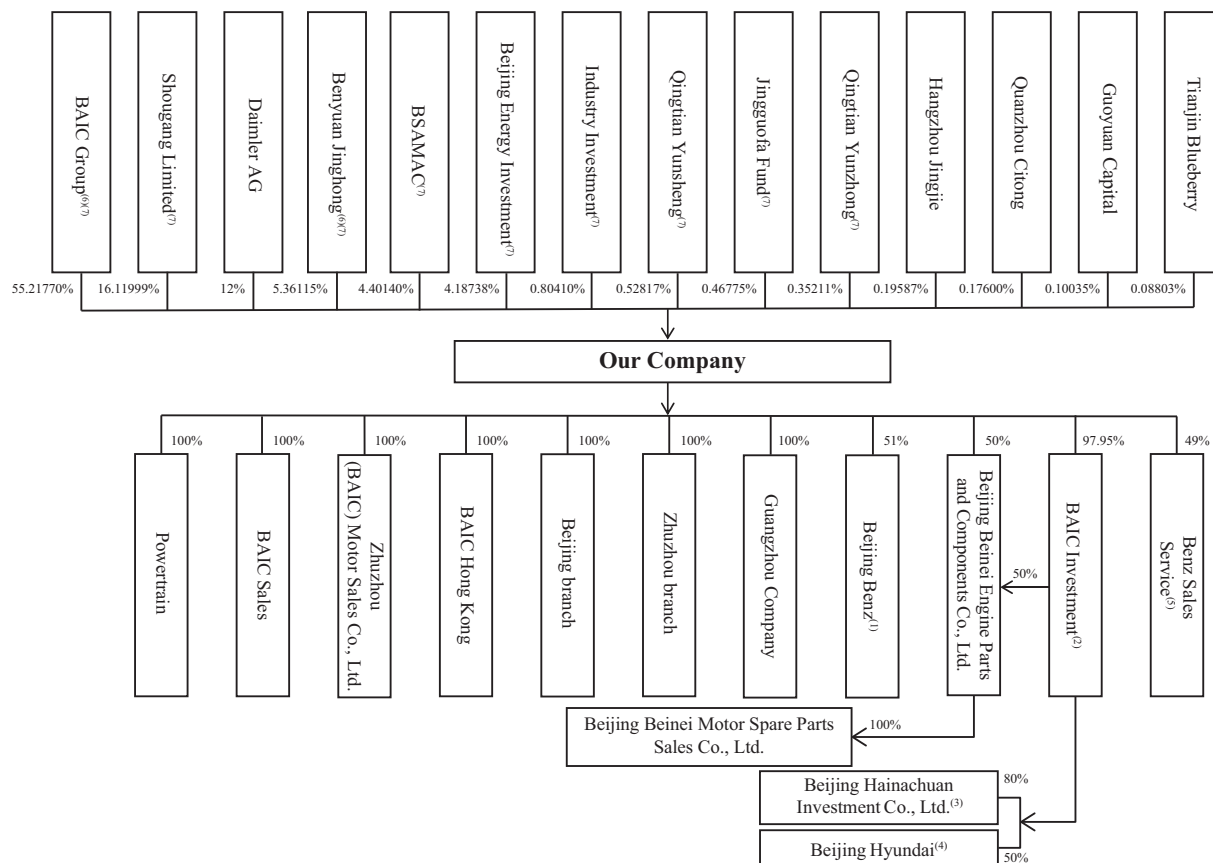
The following chart sets forth our simplified corporate structure immediately prior to the completion of the Pre-IPO Strategic Investment:



- (1) The remaining 50% equity interest was held by Daimler AG (as of the Latest Practicable Date, it owned 38.665% equity interest in Beijing Benz, our Company's subsidiary, and it constituted a Connected Person of our Company) with 39.4540% and Daimler Greater China (as of the Latest Practicable Date, it owned 10.335% equity interest in Beijing Benz, our Company's subsidiary, and it constituted a Connected Person of our Company) with 10.5460%.
- (2) The remaining 2.05% equity interest was held by BAIC Group, which is the Controlling Shareholder of our Company.
- (3) The remaining 20% equity interest was held by Industry Investment, which is a Shareholder of our Company.
- (4) The remaining 50% equity interest was held by Hyundai Motor, which is not a Connected Person of our Company.
- (5) The remaining 50% equity interest was held by Daimler Greater China (as of the Latest Practicable Date, it was wholly owned by Daimler AG and it owned 10.335% equity interest in Beijing Benz, our Company's subsidiary and therefore constitutes a Connected Person of our Company).
- (6) To the best knowledge of the Company, BAIC Group was, as of the Latest Practicable Date, indirectly interested in 40% of the company that indirectly invested in Benyuan Jinghong.
- (7) Other than (i) that each of BAIC Group, Shougang Limited, BSAMAC, Beijing Energy Investment, Industry Investment and Jingguofa Fund was, as of the Latest Practicable Date, ultimately controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality, (ii) that Qingtian Yunsheng and Qingtian Yunzhong were, as of the Latest Practicable Date, majority-held by Shen Jing (沈靜) and Wu Jingmin (吳靜敏), and (iii) the interest of BAIC Group in Benyuan Jinghong as set out above, to the best knowledge of the Company, we are not aware of any other relationship among our existing Shareholders as of the Latest Practicable Date.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

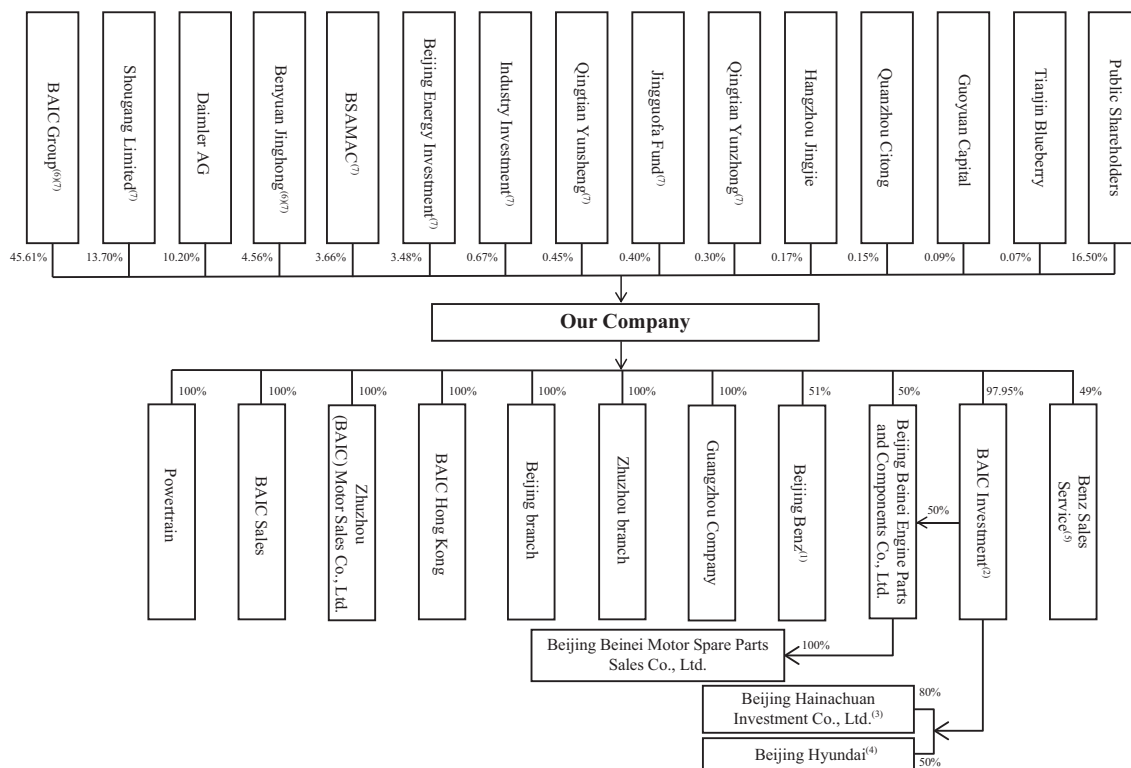
The following chart sets forth our simplified corporate structure following the completion of the Reorganization and immediately prior to the Global Offering:



- (1) The remaining 49% equity interest is held by Daimler AG (a Connected Person of our Company) as to 38.665% and Daimler Greater China (a Connected Person of our Company) as to 10.335%.
- (2) The remaining 2.05% equity interest is held by BAIC Group, which is the Controlling Shareholder of our Company.
- (3) The remaining 20% equity interest is held by Industry Investment, which is a Shareholder of our Company.
- (4) The remaining 50% equity interest is held by Hyundai Motor, which is not a Connected Person of our Company.
- (5) The remaining 51% equity interest is held by Daimler Greater China (as of the Latest Practicable Date, it was wholly owned by Daimler AG and it owned 10.335% equity interest in Beijing Benz, our Company's subsidiary, and it constituted a Connected Person of our Company).
- (6) To the best knowledge of the Company, BAIC Group was, as of the Latest Practicable Date, indirectly interested in 40% of the company that indirectly invested in Benyuan Jinghong.
- (7) Other than (i) that each of BAIC Group, Shougang Limited, BSAMAC, Beijing Energy Investment, Industry Investment and Jingguofa Fund was, as of the Latest Practicable Date, ultimately controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality, (ii) that Qingtian Yunsheng and Qingtian Yunzhong were, as of the Latest Practicable Date, majority-held by Shen Jing (沈靜) and Wu Jingmin (吳靜敏), and (iii) the interest of BAIC Group in Benyuan Jinghong as set out above, to the best knowledge of the Company, we are not aware of any other relationship among our existing Shareholders as of the Latest Practicable Date.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets forth our simplified corporate structure immediately following the Global Offering assuming the Over-allotment Option is not exercised:



- (1) The remaining 49% equity interest is held by Daimler AG (a Connected Person of our Company) as to 38.665% and Daimler Greater China (a Connected Person of our Company) as to 10.335%.
- (2) The remaining 2.05% equity interest is held by BAIC Group, which is the Controlling Shareholder of our Company.
- (3) The remaining 20% equity interest is held by Industry Investment, which is a Shareholder of our Company.
- (4) The remaining 50% equity interest is held by Hyundai Motor, which is not a Connected Person of our Company.
- (5) The remaining 51% equity interest is held by Daimler Greater China (as of the Latest Practicable Date, it was wholly owned by Daimler AG and it owned 10.335% equity interest in Beijing Benz, our Company's subsidiary, and it constituted a Connected Person of our Company).
- (6) To the best knowledge of the Company, BAIC Group was, as of the Latest Practicable Date, indirectly interested in 40% of the company that indirectly invested in Benyuan Jinghong.
- (7) Other than (i) that each of BAIC Group, Shougang Limited, BSAMAC, Beijing Energy Investment, Industry Investment and Jingguofa Fund was, as of the Latest Practicable Date, ultimately controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality, (ii) that Qingtian Yunsheng and Qingtian Yunzhong were, as of the Latest Practicable Date, majority-held by Shen Jing (沈靜) and Wu Jingmin (吳靜敏), and (iii) the interest of BAIC Group in Benyuan Jinghong as set out above, to the best knowledge of the Company, we are not aware of any other relationship among our existing Shareholders as of the Latest Practicable Date.