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北京汽车
BAIC MOTOR

北京汽車股份有限公司

BAIC MOTOR CORPORATION LIMITED*

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

(Stock Code: 1958)

**CONNECTED TRANSACTION
IN RELATION TO
THE CAPITAL INCREASE TO MBLC**

THE CAPITAL INCREASE

The board of directors (the “**Board**”) of BAIC Motor Corporation Limited (the “**Company**”) announces that the Company, DGRC and MBLC entered into the Capital Increase Agreement, pursuant to which, the Company agreed to subscribe for the increased capital of MBLC. Upon completion of the Capital Increase, the registered capital of MBLC will be increased from RMB300,000,000 to RMB461,538,461.15 and the Company will hold 35% of MBLC’s total equity interests.

The Directors (including independent non-executive Directors) are of the view that the terms and conditions of the Capital Increase Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Daimler AG holds 10.08% equity interests in the Company, thus it is a substantial Shareholder of the Company. Meanwhile, Daimler AG holds 100% equity interest in DGRC, and DGRC holds 100% equity interests in MBLC, thus DGRC and MBLC are associates of Daimler AG. Accordingly, DGRC and MBLC are connected persons of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the Capital Increase to MBLC by the Company is more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements and exempted from the independent Shareholders’ approval requirement.

INTRODUCTION

The Board is pleased to announce that on 22 March 2015, the Company, DGRC and MBLC entered into the Capital Increase Agreement, pursuant to which, the Company agreed to subscribe for the increased capital of MBLC. Upon completion of the Capital Increase, the registered capital of MBLC will be increased from RMB300,000,000 to RMB461,538,461.15 and the Company will hold 35% of MBLC's total equity interests.

Prior to the Capital Increase, MBLC is solely owned by DGRC. After the completion of the Capital Increase, MBLC shall be transformed into a sino-foreign equity joint venture from a wholly foreign-owned enterprise. DGRC and the Company will hold 65% and 35% of the equity interests of MBLC, respectively. Pursuant to the Capital Increase Agreement, the Company agreed to subscribe for the increased capital of MBLC with a subscription price of RMB164,000,000, among which RMB161,538,461.15 shall be booked as the increased registered capital and RMB2,461,538.85 shall be booked as the capital reserve.

Upon completion of the Capital Increase, the Company's equity interests in MBLC will be 35%. Thus MBLC will not be the Company's subsidiary upon completion of the Capital Increase. Since MBLC was established and was wholly owned by DGRC prior to the completion of the Capital Increase, the original acquisition cost of the equity interests of MBLC is not applicable to the Company.

CAPITAL INCREASE AGREEMENT

Date

22 March 2015

Parties

The Company, DGRC, and MBLC

Subject Matter

Pursuant to the Capital Increase Agreement, the Company and DGRC agreed that the Company should subscribe for the increased capital of MBLC with a subscription price of RMB164,000,000 to MBLC in accordance with the terms and conditions of the Capital Increase Agreement, among which RMB161,538,461.15 shall be booked as the increased registered capital and RMB2,461,538.85 shall be booked as the capital reserve. Upon completion of the Capital Increase, the registered capital of MBLC will increase from RMB300,000,000 to RMB461,538,461.15.

The Capital Increase

The amount of registered capital contributed by, and the equity interests held by the Company and DGRC immediately before and after the Capital Increase are set out below:

	Registered Capital contributed before the Capital Increase (RMB)	Equity Interests in MBLC before the Capital Increase (%)	Capital Contribution to be made in the Capital Increase (RMB)	Respective Capital Contribution after the Capital Increase (RMB)	Equity Interests in MBLC after the Capital Increase (%)
The Company	0	0	164,000,000	161,538,461	35
DGRC	300,000,000	100	0	300,000,000	65
Total:	300,000,000	100	164,000,000	461,538,461	100

Payments of the prescribed subscription price by the Company under the Capital Increase Agreement will be made in one lump sum to MBLC in cash. The Company shall pay in full such prescribed subscription price on the Date of Closing subject to the conditions precedent set out in the following section.

Upon completion of the Capital Increase, the total equity interests in MBLC held by the Company will be increased from 0% to 35%.

Conditions Precedent

The Capital Increase will be completed subject to the following main conditions precedent:

The Capital Increase shall have obtained:

- i. all necessary internal approvals from each party of the Capital Increase Agreement;
- ii. approval from competent PRC governmental authority with regards to the Capital Increase and related transaction documents without any modification to the terms thereof, except for amendments unanimously agreed on by the parties of the Capital Increase Agreement;
- iii. approval from competent state-owned assets supervisory authority of the PRC on the asset appraisal report supporting the subscription price; and
- iv. the clearance of all competent competition authorities.

Board of Directors

The board of directors of MBLC shall consist of 6 members, four of whom are appointed by DGRC and two of whom are appointed by the Company. The chairman of the board of directors shall be one of the four directors appointed by DGRC. The term of office of the chairman and other directors shall be three years.

There would be 2 supervisors after the Capital Increase, one is appointed by DGRC and the other is appointed by the Company. The chief executive officer and the chief financial officer shall be appointed by DGRC. The chief operation officer shall be appointed by the Company.

FINANCIAL INFORMATION OF MBLC

The table below sets out certain financial information of MBLC for the financial years ended 31 December 2012 and 2013, and the six months ended 30 June 2014, respectively:

	For the year ended 31 December (RMB1,000)		
	2012	2013	2014 (January to June)
Net profits before taxation and non-recurring items	-15,605.3	-85,949.4	-68,384.8
Net profits after taxation and non-recurring items	-12,970.2	-63,179.8	-50,945.2
Net assets	<u>287,029.8</u>	<u>223,849.9</u>	<u>172,904.7</u>

Basis of Consideration

The estimated amount of the subscription price is based on valuation of MBLC by income approach. Pursuant to the Valuation Report by China Enterprise Appraisals, the shares should be valued based on the market participants' expectation of the future income of MBLC, after taking market risk into account. The total shares of MBLC were valued as RMB307,317,900 as at 30 June 2014. Considering the percentage of increased capital of MBLC that the Company subscribed was 35%, the subscription price was set as RMB164,000,000 with reference to the Valuation Report and based on a discount as agreed by the relevant parties.

REASONS FOR AND BENEFIT OF THE CAPITAL INCREASE

The Company is mainly engaged in the manufacture and sale of passenger vehicles, engines and other key automobile parts and components. MBLC provides automobile leasing and relevant leasing services to individuals and enterprises.

The Board is optimistic of the future market of car leasing and financing. The Board is of the view that car leasing and financing industry would develop rapidly and would have a new rapid growth in terms of revenue in the industry chain of automobile. Further, since car leasing is the most profitable sector in the industry chain of automobile, the Board believes that there will be substantial investment returns to the Company's Shareholders. Additionally, the development of car leasing and financing will further promote the sales of new models of Mercedes-Benz passenger vehicles in the PRC market. On top of that, the acquisition of 35% shares of MBLC is the first step of the Company's comprehensive cooperation with DGRC in terms of the after-market of automobiles. The Board believes that this will render a solid foundation for future co-operations in the field of car financing.

Therefore, in order to develop the leasing and relevant businesses with Mercedes-Benz brands through MBLC in the markets of PRC, the Company agreed to subscribe for the increased capital of MBLC.

The terms of the Capital Increase Agreement were negotiated on an arm's length basis amongst the Company, DGRC, and MBLC. The Directors, including the independent non-executive Directors, are of the view that the terms of the Capital Increase Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Daimler AG holds 10.08% equity interests in the Company, thus it is a substantial Shareholder of the Company. Meanwhile, Daimler AG holds 100% equity interest in DGRC, and DGRC holds 100% equity interests in MBLC, thus DGRC and MBLC are associates of Daimler AG. Accordingly, DGRC and MBLC are connected persons of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio calculated in accordance with the Listing Rules in respect of the capital contribution to MBLC by the Company is more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements and exempted from the independent Shareholders' approval requirement.

Opinion of the Directors

As Mr. Hubertus Troska and Mr. Bodo Uebber, both are Directors of the Company, currently hold position in Daimler AG as members of the management committee, they are deemed to have material interests in the Transaction and have abstained from voting on the resolution of the Transaction accordingly. Save for the above persons, other Directors have no interests in the Transaction.

Independent non-executive Directors of the Company, Fu Yuwu, Wong Lung Tak Patrick, Bao Robert Xiaochen, Zhao Fuquan and Liu Kaixiang have considered and approved the resolution of the Capital Increase of MBLC. They considered that the Transaction is (i) fair and reasonable and on normal or better commercial terms and in the ordinary and usual course of business of the Company; and (ii) in the interests of the Company and its Shareholders as a whole.

GENERAL INFORMATION

Information on the Company

The Company is a company limited by shares duly incorporated in China. It is a leading manufacturer of passenger vehicles in China. It is engaged in the design, research and development, manufacture and sale of an extensive and diversified portfolio of passenger vehicle models, and the provision of related services in China. It offers a variety of passenger vehicle models, including mid- to large-size sedan, mid-size sedan, compact sedan, small-size sedan, SUV, MPV and CUV products to satisfy customer demands for different types of vehicles.

Information on MBLC

MBLC is a company with limited liability duly incorporated in PRC. It is a wholly foreign-funded company duly incorporated by DGRC under PRC law of which 100% of the equity interests in MBLC are held by DGRC, and hence a connected person of the Company. As of the date of this announcement, MBLC has a fully paid-up registered capital of RMB300,000,000. MBLC provides automobile leasing and relevant leasing services to individuals and enterprises.

Information on DGRC

DGRC is a company duly incorporated in the PRC. DGRC previously known as Daimler Northeast Asia Ltd, established in January 2001 in Beijing, a wholly-owned subsidiary of Daimler AG and hence a connected person of the Company.

DEFINITION

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board of Directors” or “Board”	the board of directors of the Company
“Company”	BAIC Motor Corporation Ltd. a company limited by shares duly incorporated and validly existing under the laws of the PRC, whose registered office is at Tower 5, Shuntong Road 25, Shunyi District, Beijing, 101300, China.
“Date of Closing”	the closing of the Transaction which shall take place at the office of MBLC or other location unanimously agreed by the parties on the fifth (5th) business day after the closing conditions have been satisfied or waived
“Daimler AG”	Daimler AG (戴姆勒股份公司), a company established in Germany in 1886 which is a Shareholder and a connected person of the Company
“DGRC”	Daimler Greater China Ltd., a company incorporated and existing under the laws of the PRC, whose registered office is at 21/F Daimler Building, Yard No. 8 of Wangjing Street, Chaoyang District, Beijing, 100102, China.
“MBLC”	Mercedes-Benz Leasing Co., Ltd. (梅賽德斯－奔馳租賃有限公司), a company with limited liability duly incorporated and validly existing under the laws of the PRC, whose registered address is at Room 1906, 1907, 1908 of 19/F, Jiuxianqiao Road 20, Chaoyang District, Beijing, 100016, China.
“Capital Increase”	the subscription by the Company of the increased capital of MBLC at a price of RMB164,000,000, among which RMB161,538,461.15 shall be booked as the increased registered capital and RMB2,461,538.85 shall be booked as the capital reserve of MBLC
“Capital Increase Agreement”	the Agreement on Capital Increase and Shareholding Change in Mercedes-Benz Leasing Co., Ltd. dated 22 March 2015 entered into amongst the Company, DGRC and MBLC.
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

“PRC” or “China”	The People’s Republic of China
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Transaction”	the subscription by the Company of the increased capital of MBLC at a price of RMB164,000,000
“Valuation Report”	the valuation report prepared by China Enterprise Appraisals Co., Ltd. in relation to the proposed capital increase to Mercedes-Benz Leasing Co., Ltd. by BAIC Motor Corporation Ltd
“%”	percent

By order of the Board
BAIC Motor Corporation Ltd
Xu Heyi
Chairman

Beijing, the PRC, 22 March 2015

As at the date of this announcement, the Board comprises Mr. Xu Heyi, as Chairman of the Board and non-executive Director; Mr. Li Feng, as executive Director; Mr. Zhang Xiyong, Mr. Li Zhili, Mr. Ma Chuanqi, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Bodo Uebber, Ms. Wang Jing and Mr. Yang Shi, as non-executive Directors; and Mr. Fu Yuwu, Mr. Wong Lung Tak Patrick, Mr. Bao Robert Xiaochen, Mr. Zhao Fuquan and Mr. Liu Kaixiang, as independent non-executive Directors.

* *For identification purpose only*