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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)**

## **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH BAIC GROUP AND DAIMLER AG**

### **I. BACKGROUND**

References are made to the section headed “Connected Transactions” of the Prospectus, the Announcement on the Continuous Connected Transactions of our Company dated December 31, 2014, the Announcement on the Revision of Annual Caps for Continuing Connected Transactions of our Company dated March 22, 2015 and the Circular of 2014 Annual General Meeting dated May 15, 2015 in relation to, among others, the continuing connected transactions between our Company and BAIC Group and its associates, namely the Property and Facility Leasing Framework Agreement, the Products and Services Purchasing Framework Agreement, the Provision of Products and Services Framework Agreement entered into by our Company and BAIC Group, and the Financial Services Framework Agreement entered into by our Company and BAG Finance. The abovementioned agreements and the relevant annual caps will expire on December 31, 2016. Accordingly, the relevant parties have renewed the abovementioned agreements. The Company has proposed new annual caps for the transactions contemplated thereunder for each of the three years ending December 31, 2017, 2018 and 2019.

Further references are made to the section headed “Connected Transactions” of the Prospectus in relation to, among others, the trademark licensing of BAIC Group to Beijing Benz under the Trademark Licensing Agreement dated February 28, 2003 the sales of vehicles by Beijing Benz to Daimler AG and its associates. The relevant annual caps will expire on December 31, 2016, accordingly, the Company has proposed new annual caps for the transactions for each of the three years ending December 31, 2017, 2018 and 2019.

**1. Continuing Connected Transactions Exempted from Independent Shareholders' Approval Requirement**

As the highest applicable ratios for each of the following transactions as contemplated in their respective agreements exceed 0.1% but are lower than 5% as defined by the Listing Rules, such connected transactions contemplated under the respective agreements and the relevant annual caps are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but exempted from the Independent Shareholders' approval requirement:

- A. transactions between our Group and BAIC Group and its associates under the Property and Facility Leasing Framework Agreement;
- B. provision of services transactions between our Group and BAIC Group and its associates under the Provision of Products and Services Framework Agreement;
- C. trademark licensing of BAIC Group to Beijing Benz under the Trademark Licensing Agreement dated February 28, 2003; and
- D. sales of vehicles by Beijing Benz to Daimler AG and its associates under prior arrangements with Daimler AG.

**2. Continuing Connected Transactions subject to Independent Shareholders' Approval Requirement**

As the highest applicable ratios for each of the following transactions as contemplated in their respective agreements exceed 5% as defined by the Listing Rules, such connected transactions contemplated under the respective agreements and the relevant annual caps are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

- A. deposit transactions between our Group and BAG Finance under Financial Services Framework Agreement;
- B. transactions between our Group and BAIC Group and its associates under the Products and Services Purchasing Framework Agreement; and
- C. provision of products transactions between our Group and BAIC Group and its associates under the Provision of Products and Services Framework Agreement.

## II. DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS EXEMPTED FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

### A. Transactions under the Property and Facility Leasing Framework Agreement

#### *Details of the Agreement*

The below sets forth the details of the Property and Facility Leasing Framework Agreement between our Company and BAIC Group:

<b>Parties:</b>	BAIC Group (as the lessor); and  Our Company (as the lessee).
<b>Principal Terms:</b>	<p>We renewed the existing property and facility leasing framework agreement with BAIC Group on 20 October 2016 (the “<b>Property and Facility Leasing Framework Agreement</b>”), pursuant to which our Company and/or our subsidiaries will lease properties and facilities from BAIC Group and/or its associates for manufacturing specific passenger vehicles.</p> <p>The principal terms of the Property and Facility Leasing Framework Agreement are as follows:</p> <ul style="list-style-type: none"><li>• the rent payables under the Property and Facility Leasing Framework Agreement shall be agreed based on negotiations between the relevant parties with reference to market rates at relevant location and subject to relevant laws and regulations of the PRC;</li><li>• separate agreements stipulating the specific terms and conditions (including property rents, payment methods and other usage fees) in respect of relevant leased properties and facilities shall be entered into; and</li><li>• the term of the Property and Facility Leasing Framework Agreement will commence on January 1, 2017 and end on December 31, 2019, subject to renewal through mutual consents by the parties.</li></ul>

<p><b>Pricing Policy:</b></p>	<p>The monthly rents payable during the leasing term are determined after arm's length negotiations between the relevant parties with reference to the prevailing market price of properties of comparable size and quality situated in the same locality.</p> <p>Based on current market conditions, we are of the view that the rents under the Property and Facility Leasing Framework Agreement are fair and reasonable and represent the prevailing market rates for similar properties situated in their locality that are used for similar purposes in Beijing, the PRC.</p>
<p><b>Reasons and Benefits of the Transactions:</b></p>	<p>The leased properties are mainly located in Beijing, the PRC, and are generally used for office, staff dormitory, storage and production. Our Company has leased certain properties from the BAIC Group and/or its associates for a long period of time. Compared with independent third parties, BAIC Group has a better understanding of our property requirements in relation to office premises, warehousing and production usage. In addition, relocating our offices, warehouses and plants to other premises will cause unnecessary disruptions to our operation and unnecessary costs.</p>

***Historical Figures and the Proposed Annual Caps***

Historical Figures:

	<p><b>Historical figures for the year ended December 31, (RMB/Million)</b></p>		<p><b>Historical figures for the six months ended June 30, (RMB/Million)</b></p>
	<p><b>2014</b></p>	<p><b>2015</b></p>	<p><b>2016</b></p>
<p>Maximum aggregate annual rents to be paid to BAIC Group and/or its associates for properties and facility leasing</p>	<p>127.4</p>	<p>184.5</p>	<p>127.1</p>

Proposed Annual Caps:

**Proposed annual cap  
for the year ending December 31,  
(RMB/Million)**

2017	2018	2019
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Maximum aggregate annual rents to be paid to BAIC Group and/or its associates for properties and facility leasing	377.8	396.7	416.5
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***Basis of annual caps:*** The above proposed annual caps were estimated on the basis of: (i) the total gross floor area of the properties leased by the Group from BAIC Group and its subsidiaries; (ii) the unit rent agreed under the property leasing contracts entered into between BAIC Group and its subsidiaries and our Group; and (iii) the demands for increased leased office space and facility leasing in the next three years based on its business expansion plans.

**B. Provision of Services Transactions under the Provision of Products and Services Framework Agreement**

***Details of the Agreement***

The below sets forth the details of the Provision of Products and Services Framework Agreement between BAIC Group and our Company:

<b>Parties:</b>	BAIC Group (as the buyer); and  Our Company (as the provider).
<b>Principal Terms:</b>	We renewed the existing provision of products and services framework agreement with BAIC Group on 20 October 2016 (the “ <b>Provision of Products and Services Framework Agreement</b> ”), pursuant to which BAIC Group and/or its associates will purchase the following types of products (including facilities, raw materials, components and parts and complete vehicles etc. (“ <b>Products</b> ”)) and services (including sales agency, processing agency, labor, logistic, transportation and consultancy etc. (“ <b>Services</b> ”)) from our Company and/or our subsidiaries (“ <b>Provision of Products and General Services</b> ”). We expect that our Group will mainly sell complete vehicles and provide relevant automotive parts and components to BAIC Group.  The term of the Provision of Products and Services Framework Agreement will commence on January 1, 2017 and end on December 31, 2019, and is subject to renewal through mutual consents by the parties.

<p><b>Pricing Policy:</b></p>	<p>To ensure that the terms of the transactions contemplated under the Provision of Products and Services Framework Agreement are on terms no less favorable than those entered into between our Group and independent third parties, the Provision of Products and Services Framework Agreement specifically provides that terms of transactions contemplated thereunder are to be on terms no less favorable than those entered into between our Company and independent third parties.</p> <p>The service fees charged to BAIC Group by us are to be determined on the basis of arm's length negotiations between the relevant parties. We will make reference to the applicable historical prices of products and services and will base such on the principle of cost plus a reasonable margin, to ensure that the terms of supplying products and services to BAIC Group are fair and reasonable.</p> <p>For details on the pricing policy of provisions of products, please refer to the section headed "III – DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS SUBJECT TO SHAREHOLDERS' APPROVAL REQUIREMENT – C. Provision of Products Transactions under the Provisions of Products and Services Framework Agreement" of this announcement.</p>
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<p><b>Reasons and Benefits of the Transactions:</b></p>	<p>In the ordinary and usual course of our business, our Group provides various products and general services to BAIC Group and/or its associates. Our Directors consider that the Provision of Products and General Services to BAIC Group would benefit our Group for the following reasons:</p> <p>(i) BAIC Group and/or its associates can benefit from our professional sales team which has a solid understanding of China's automobile market and diversified sales channels thereby reducing their sales cost;</p> <p>(ii) subsidiaries of BAIC Group operating dealership outlets purchase vehicles manufactured and assembled by Beijing Benz and vehicles under our proprietary brand for resale in its dealership outlets. Our Company and those subsidiaries of BAIC Group have established a long-term relationship and understand the business plan, quality control and other special requirements of each other;</p> <p>(iii) BAIC Group and/or its associates purchase automobile components, such as automobile engines, from our subsidiary, BAIC Motor Powertrain Co., Ltd. (北京汽車動力總成有限公司), for their daily production; and</p> <p>(iv) prices and terms for the products and general services provided by us to BAIC Group are not less favorable than those offered to independent third parties.</p>
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***Historical Figures and the Proposed Annual Caps***

Historical Figures:

	<b>Historical figures for the year ended December 31, (RMB/Million)</b>		<b>Historical figures for the six months ended June 30, (RMB/Million)</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Provision of Services	37.0	234.6	184.4

Proposed Annual Caps:

	<b>Proposed annual cap for the year ending December 31, (RMB/Million)</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
Provision of Services	973.1	1,027.2	1,101.1

***Basis of annual caps:***

- (i) the steady growth on future sales of complete vehicles to be manufactured and assembled by Beijing Benz and Beijing Motor by taking into account, among others, macroeconomic conditions as well as the development strategies and business expansion plan of our Group and increasing transportation, consultancy and other services;
- (ii) the percentage of our sales to the dealership outlets operated by the associates of BAIC Group in the future, which is determined with reference to the historical percentage of our sales of complete vehicles manufactured and assembled by Beijing Benz and Beijing Motor to the dealership outlets operated by the associates of BAIC Group;
- (iii) the expected annual value of the connected transactions between Beijing Benz and BAIC Group and its associates; and
- (iv) expected increase of our revenues, which is ultimately driven by our business expansion plan.

For details on the historical figures and proposed annual caps of provision of products, please refer to the section headed “III – DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS SUBJECT TO INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENT – C. Provision of Products Transactions under the Provision of Products and Services Framework Agreement” of this announcement.

**C. Transactions under the Trademark Licensing Agreement dated February 28, 2003**

***Details of the Agreement***

The below sets forth the details of the Trademark Licensing Agreement between BAIC Group and Beijing Benz:

<b>Parties:</b>	BAIC Group (as the licensor); and  Beijing Benz (as the licensee).
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<p><b>Principal Terms:</b></p>	<p>Beijing Benz, a non-wholly owned subsidiary of our Company, entered into a trademark licensing agreement on February 28, 2003, respectively, with each of BAIC Group and Daimler AG (the “<b>Trademark Licensing Agreement</b>”) in respect of the company name of Beijing Benz, “Beijing Benz”, and the production and the assembly of existing vehicle models, pursuant to which, BAIC Group granted Beijing Benz a non-exclusive license for the use of the “Beijing” trademark in its company name and on the passenger vehicles manufactured and assembled by Beijing Benz. Beijing Benz shall pay a trademark licensing fee to BAIC Group on a regular basis.</p> <p>The term of the Trademark Licensing Agreement entered into between Beijing Benz and BAIC Group commenced on February 28, 2003 and will continue to be effective. As stated in the Prospectus, it is the normal industry practice that the term of the transactions relating to the use of intellectual property rights be fixed with reference to the expected life cycle of vehicles models and the term of the joint venture contracts which will be of a duration of longer than three years. Any early termination, variation or risk in successful renewal may have a detrimental effect on the business continuity and successful operation of our Company.</p>
<p><b>Pricing Policy:</b></p>	<p>When determining the trademark licensing fee, Beijing Benz and BAIC Group have agreed that a licensing fee will be paid to BAIC Group with reference to a pre-agreed rate of the net revenue generated by each vehicle. Net revenue generated by each vehicle will be calculated based on the suggested retail price of the manufacturer net of the value-added tax, gross margin of dealers, sales rebates to dealers, consumption tax, sales discounts and other deductions.</p>
<p><b>Reasons and Benefits of the Transactions:</b></p>	<p>The Trademark Licensing Arrangement was a part of the joint venture agreement regarding Beijing Benz between our Company and Daimler AG. Beijing Benz has been using the trademark “Beijing” and trademark “Benz” since its establishment. Such trademark licenses are critical to the operation and production of Beijing Benz. It will be in the best interests of our Group and our Shareholders for Beijing Benz to continue the use of those trademarks.</p>

## ***Historical Figures and the Proposed Annual Caps***

### Historical Figures:

	<b>Historical figures for the year ended December 31, (RMB/Million)</b>		<b>Historical figures for the six months ended June 30, (RMB/Million)</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Trademark licensing fees paid by Beijing Benz to BAIC Group	181.3	300.7	152.4

### Proposed Annual Caps:

	<b>Proposed annual cap for the year ending December 31, (RMB/Million)</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
Trademark licensing fees paid by Beijing Benz to BAIC Group	555.4	607.1	707.7

***Basis of annual caps:*** The above proposed annual caps were estimated on the basis of: (i) the historical trademark licensing fees and agreed ratio to be paid to BAIC Group by Beijing Benz; and (ii) the estimated sales volume of passenger vehicles to be manufactured and assembled by Beijing Benz with steady growth by taking into account, among others, macroeconomic conditions as well as the development strategies and business expansion plan of our Group.

#### **D. Sales of vehicles by Beijing Benz to Daimler AG and its associates under Prior Arrangements with Daimler AG**

Daimler AG and its associates have in the past purchased vehicles from Beijing Benz for research and development, testing, marketing, promotion and their own use. At the time of our listing, our Company had applied for, and the Stock Exchange has granted a waiver from strict compliance with the written agreement and the disclosure of terms of the agreement requirements in respect of the following arrangement.

### *Details of the Arrangement*

The below sets forth the details of the arrangement between Beijing Benz and Daimler AG for the sale of vehicles:

<b>Parties:</b>	Beijing Benz (the provider); and  Daimler AG and its associates (the purchaser).
<b>Pricing Policy:</b>	Our Company and its subsidiaries will take into account the market prices of the vehicles to make sure that the prices offered to Daimler AG and its associates are fair and reasonable and on normal commercial terms. As Beijing Benz has been selling vehicles to various 4S dealers (both connected with and independent from with our Company) in the market, the market prices of the vehicles are readily available.
<b>Reasons and Benefits of the Transactions:</b>	To maintain the high quality of Mercedes-Benz branded passenger vehicles globally, Daimler AG closely monitors the quality of vehicles manufactured by its joint ventures, including Beijing Benz, and therefore it purchases Mercedes-Benz branded passenger vehicles manufactured by Beijing Benz for research, development and testing purposes. Daimler AG's monitoring benefits Beijing Benz by serving as an additional level of quality control to ensure that the production of Beijing Benz meets the benchmark standard and qualification of Mercedes-Benz branded vehicles. Such arrangement has promoted the business operations and increase of Beijing Benz and the Company and will continue to do so. The continuation of the transaction will be beneficial to the Company and the shareholders as a whole.

### *Historical Figures and the Proposed Annual Caps*

#### Historical Figures:

	<b>Historical figures for the year ended December 31, (RMB/Million)</b>		<b>Historical figures for the six months ended June 30, (RMB/Million)</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Sales of vehicles by Beijing Benz to Daimler AG and its associates	–	21.0	36.8

Proposed Annual Caps:

	<b>Proposed annual cap for the year ending December 31, (RMB/Million)</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
Sales of vehicles by Beijing Benz to Daimler AG and its associates	170.0	170.0	170.0

***Basis of annual caps:***

The above proposed annual caps were estimated on the basis of: (i) the anticipated demand and consumption of vehicles by Daimler AG and/or its associates; and (ii) the historical purchase volume by Daimler AG from Beijing Benz.

The number of sales of vehicles by Beijing Benz to Daimler AG and its associates is based on the actual demand of vehicles on a case-by-case basis, which is driven by various factors, such as (i) new vehicle models' testing and marketing activities; (ii) vehicle models' research, development and upgrade; and (iii) other internal usages for daily operation. This varies from year to year, and it is impracticable to provide a definitive estimate. As such, the proposed annual caps for 2017, 2018 and 2019 are determined with reference to the highest total number of sales of vehicles during the two years ended December 31, 2015 and six months ended June 30, 2016.

### III. DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS SUBJECT TO INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENT

#### A. Deposit Transactions under the Financial Services Framework Agreement

##### *Details of the Agreement*

The below sets forth the details of the Financial Services Framework Agreement between our Company and BAG Finance:

<b>Parties:</b>	BAG Finance; and  Our Company.
<b>Principal Terms:</b>	<p>We renewed the existing financial services framework agreement on 20 October 2016 with BAG Finance (the “<b>Financial Services Framework Agreement</b>”), pursuant to which BAG Finance will provide financial services to us, and such financial services primarily include (i) deposits; (ii) loans and entrusted loan; (iii) other Financial Services including discounted notes and acceptance service, finance lease, settlement and entrusted loan agency; and (iv) other services subject to obtaining relevant approvals from CBRC.</p> <p>The term of the Financial Services Framework Agreement will commence on January 1, 2017 and end on December 31, 2019, subject to renewal through mutual consents by the parties.</p>
<b>Pricing Policy:</b>	<p>The Financial Services Framework Agreement provides for the following pricing principles:</p> <p>(a) <i>Deposit services.</i> Interest rates for the deposits placed by our Group with BAG Finance will not be lower than: (i) the minimum interest rate published by the PBOC for deposits of a similar type for the same period; (ii) the interest rate for deposits of a similar type for the same period placed by the subsidiaries of BAIC Group other than our Group; or (iii) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to us and our subsidiaries.</p>

	<p>(b) <i>Loans services.</i> Interest rates on the loans to be advanced by BAG Finance to our Group will not be higher than: (i) the maximum loan interest rate, if any, published by the PBOC for loans of a similar type for the same period; (ii) the interest rate for comparable loans offered by BAG Finance to other subsidiaries of BAIC Group other than our Group; or (iii) the interest rate for loans of a similar type offered for the same period by independent commercial banks to us and our subsidiaries.</p> <p>(c) <i>Other Financial Services.</i> The interest rates or services fees will be: (i) subject to the benchmark fee (if applicable) for similar types of financial services published by PBOC or CBRC from time to time; (ii) comparable to, or no less favorable to our Group than, the interest rates or fees charged by independent commercial banks or financial institutions for similar types of financial services; and (iii) comparable to, or no less favorable to our Group than, fees charged by BAG Finance to the subsidiaries of BAIC Group other than our Group for similar financial services.</p>
<p><b>Reasons and Benefits of the Transactions:</b></p>	<p>The main reasons for our Company to enter into the Financial Services Framework Agreement with BAG Finance are as follows:</p> <p>(a) as all members of the BAIC Group and our Group are entitled to utilize deposit services, loan services and other Financial Services, the Financial Services Framework Agreement would allow for the provision of intra-group loans amongst members of our Group, thus opening another channel for our Group to raise loans and providing our Group with an alternative to raising loans from other financial institutions, which would in turn promote funding liquidity among our Group, enhance the overall ability of our Group to repay debts, and assist with monitoring and controlling financial risks;</p> <p>(b) the use of BAG Finance as a platform to manage the funds of our Group would facilitate a more efficient deployment of funds of our Group;</p>

- (c) the interest rates on the deposit services and loan services offered, and the service fees in connection with the other Financial Services charged by BAG Finance to our Group will be no less favorable than, on a case-by-case basis, those offered to our Group by any Independent Third Party;
- (d) as BAG Finance only provides financial services to members of the BAIC Group, it has acquired extensive knowledge of our industry for several years. At the same time, BAG Finance is familiar with our capital structure, business operations, funding needs and cash flow patterns, which enables it to better anticipate our business needs. BAG Finance is well-positioned in providing us with customized services;
- (e) the arrangements under the Financial Services Framework Agreement would save financial costs, and accordingly increase the profitability of our Group accordingly;
- (f) the arrangements under the Financial Services Framework Agreement would allow our Group to centralize our deposited funds to a certain degree (limited by the proposed deposit annual caps), which would expedite the monitoring of the use and application of funds within our Group, and would provide our Group with higher bargaining power (than when the deposited sum was split between financial institutions) with regard to the terms and interest rates of the deposit services;
- (g) by virtue of our Company's indirect equity interests in BAG Finance, the expansion of the business of BAG Finance will bring economic benefits to our Company; and
- (h) BAG Finance is regulated by PBOC and CBRC, and as such its services provided must be in accordance with and in compliance with the rules and operational requirements of such regulatory authorities.

Taking into account that our Group enjoys no less favorable interest rates and other commercial benefits, our Company is of the view that the continuation of provision of financial services by BAG Finance is beneficial to our Group and our Shareholders as a whole.

## ***Historical Figures and the Proposed Annual Caps***

### Historical Figures:

	<b>Historical figures for the year ended December 31, (RMB/Million)</b>		<b>Historical figures for the six months ended June 30, (RMB/Million)</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Maximum daily balance of deposits placed by our Group with BAG Finance	9,193.0	4,031.0	8,427.4
Interest income of the deposits placed by our Group with BAG Finance	88.4	76.3	36.4

### Proposed Annual Caps:

	<b>Proposed annual cap for the year ending December 31, (RMB/Million)</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
Maximum daily balance of deposits placed by our Group with BAG Finance	12,500.0	12,500.0	12,500.0
Interest income of the deposits placed by our Group with BAG Finance	193.2	193.2	193.2



**Basis of annual caps:** The above proposed caps are determined with reference to: (i) historical and expected sales revenues from Beijing Motor; (ii) historical and expected sales revenues from Beijing Benz; (iii) historical maximum daily balance deposited with BAG Finance as a percentage of sales revenue from Beijing Motor; and (iv) historical maximum daily balance deposited with BAG Finance as a percentage of sales revenue from Beijing Benz.

#### ***Exempted Transactions Under the Financial Services Framework Agreement***

Since the loans service provided by BAG Finance to our Group are on normal commercial terms and on terms that are no less favourable to us than those offered by independent third parties for comparable services in the PRC, and that no security over the assets of our Group would be granted in respect of the loans service, loans service transactions are exempt from reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

As all applicable ratios for the annual caps in respect of the Financial Services provided by BAG Finance to the Group are expected to be less than 0.1%, according to the relevant requirements under the Listing Rules, the Transactions are exempted from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A.90.

#### ***Internal Control and Corporate Governance Measures Targeted for Transactions under the Financial Services Framework Agreement***

Although there is no limit on the percentage of our total liquid and/or surplus funds to be deposited or loaned to BAG Finance, we consider that for the reasons explained above, the following measures are in the interests of our Shareholders as a whole. Our Company has put in place targeted internal control and corporate governance measures for transactions under the Financial Services Framework Agreement in order to further safeguard the interests of our Independent Shareholders:

##### ***(1) Independent financial system***

We have established an independent financial department with a team composed of independent financial staff, and supervised by the vice president of our Company in charge of finance. We have adopted a sound and independent audit system and a comprehensive financial management system. We also maintain accounts with independent banks. BAIC Group does not share any bank account with us nor does it control the use of any of our bank accounts. We have independent tax registrations and have paid tax independently pursuant to applicable PRC laws and regulations.

(2) *Risk management measures*

BAG Finance and BAIC Group will provide sufficient information including various financial indicators (as well as annual and interim financial statements) at the end of every quarter to enable us to monitor and review the financial condition of BAG Finance and BAIC Group. BAG Finance and BAIC Group shall notify us, subject to compliance with applicable laws and regulations, should any of them be subject to any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on the financial condition of any of them. If we consider that there is any material adverse change in the financial condition of any of the BAG Finance and BAIC Group, we will take appropriate measures (including early withdrawal of deposits and a moratorium on further deposits) to protect our financial position.

In addition to our internal monitoring, BAG Finance is also required to monitor the maximum daily balance of the deposits and loans on a daily basis to ensure that the aggregate outstanding amounts do not exceed the applicable annual caps. BAG Finance will provide us with a periodic report on the status of our deposits and loans so as to enable us to monitor and ensure the relevant annual caps under the Financial Services Framework Agreement have not been exceeded. Should the balance at the end of any day exceed the maximum daily balance of deposits and interest income prevailing at that time, the excess funds will be transferred to our designated bank accounts with an independent commercial bank. We shall also be notified immediately once the daily balance exceeds the maximum daily balance limit.

We will, from time to time, at our sole discretion, request that the deposits with BAG Finance be withdrawn or terminated early (either in full or in part) to assess and ensure the liquidity and safety of our deposits.

(3) *Internal control measures*

We have adopted internal control policies which are implemented by our finance center. All cash inflow and outflow of our Group should be considered in light of a unified budget. In addition, the vice president of our Company in charge of finance and his/her team will be responsible for closely monitoring such ongoing and continuing connected transactions.

Our management will prepare periodic risk assessment reports of the funds deposited with BAG Finance. The contents of such risk assessment reports will include the maximum daily balance of the deposits for the reporting period and the deposits with BAG Finance during the reporting period.

Our independent non-executive Directors will independently scrutinize the implementation and enforcement of the transactions under the Financial Services Framework Agreement on an annual basis. If the independent non-executive Directors consider that it would be in our interests to reduce the level of deposits with BAG Finance, we will take appropriate measures to implement the decision of our independent non-executive Directors. Any material findings in the risk assessment reports, the views of our independent non-executive Directors on the deposits under the Financial Services Framework Agreement (including their views on how the terms of the Financial Services Framework Agreement have been complied with), and their decisions on any matters in relation thereto, will be disclosed in our annual and interim reports.

During our annual audit, we will engage our auditors to review connected transactions between us and BAIC Group to ensure that the transactions under the Financial Services Framework Agreement have been conducted in accordance with the Listing Rules and have fulfilled the relevant disclosure requirements. Since our listing, as confirmed by our auditor, we have conducted all continuing connected transactions in compliance with the applicable Listing Rules.

**B. Transactions under the Products and Services Purchasing Framework Agreement**

*Details of the Agreement*

The below sets forth the details of the Products and Services Purchasing Framework Agreement between BAIC Group and Beijing Benz:

<b>Parties:</b>	BAIC Group (as the provider); and  Our Company (as the buyer).
<b>Principal Terms:</b>	We renewed the existing products and services purchasing framework agreement (the “ <b>Products and Services Purchasing Framework Agreement</b> ”) with BAIC Group on 20 October 2016, pursuant to which, BAIC Group and/or its associates will provide several types of products and services to our Company and/or our subsidiaries. These products will include automobile equipments, raw materials, components and parts and complete vehicles, and these services will include labor services, logistics services, transportation services and consultancy services (“ <b>Purchase of Products and General Services</b> ”).  The term of the Products and Services Purchasing Framework Agreement will commence on January 1, 2017 and end on December 31, 2019, and is subject to the renewal through mutual consent by the parties.

<p><b>Pricing Policy:</b></p>	<p>In order to ensure that the terms of individual transaction in respect of the purchase of products and general services by our Group from BAIC Group are fair and reasonable and in line with market practices, our Group has adopted the following measures:</p> <ul style="list-style-type: none"> <li>(i) to have regular contact with the suppliers of our Group (including the BAIC Group) to keep abreast of market developments and the price trend of general services;</li> <li>(ii) before placing an individual purchase order, to invite certain number of suppliers (including BAIC Group) from the approved list of suppliers of our Group to submit quotations or proposals; and</li> <li>(iii) to have the suppliers and pricing of products and general services determined by the collective decision of our Company's tender assessment board according to our Company's administrative measures for market quotations. Members of the tender assessment board include representatives from the components and parts development department, supplies management department, research and development department, compliance and supervision department, finance center and audit department. Procurement engineers, product engineers and supplier quality management engineers will also participate in the assessment to review and compare the quotations or proposals received and assess the same based on various factors such as pricing, flexibility, quality and after-sales service.</li> </ul> <p>Where there are other independent suppliers, our Company and our subsidiaries will obtain quotations for comparable products or services that may be available from other independent suppliers in order to determine whether viable alternatives of comparable quality can be obtained in a timely manner and at the most competitive price. If alternatives are available, our Company and our subsidiaries will conduct a tender process before selecting suppliers for such alternatives. In such a tender process, the connected persons and their associates are treated no differently from any other independent suppliers. Consequently, the purchase of products and general services by our Company and our subsidiaries from our connected persons and their associates would not be made if our Company and our subsidiaries could obtain better terms from any other suppliers.</p>
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*Raw materials, automotive modules, and automobile parts and components*

Raw materials, automotive modules (including modules for dashboards and chassis), and automobile parts and components have historically been, and will continue to be, priced with reference to a combination of factors, including costs of materials, labor costs and employee benefit expenses, electricity and other utility costs, depreciation, machinery maintenance costs and selling and administrative expenses which are attributable to the procurement or production of such raw materials and components as well as automotive part products. Based on the above factors, each raw material, automotive module or finished automotive part product is ascribed a unit cost.

BAIC Group would then charge us a profit margin within the pre-agreed arm's length range over such unit cost. The prices of automotive modules and automobile parts and components provided by BAIC Group and/or its associates are determined with reference to actual costs or reasonable costs (whichever is lower) incurred plus a profit margin within the pre-agreed arm's length range determined in the following order: (i) at prices not higher than the market prices; and (ii) if no comparable market price, at prices with reference to actual costs or reasonable costs (whichever is lower) incurred plus a profit margin within the pre-agreed arm's length range. To monitor that the prices charged by BAIC Group are fair and reasonable, we have historically requested, prior to entering into individual supply agreements with BAIC Group, and will continue to request that BAIC Group provide a schedule of the costs being incurred by BAIC Group in respect of the raw materials, automotive modules and automotive parts and components being supplied by BAIC Group. Once such schedule is received, we have historically and will continue to (i) assess independently whether the costs incurred are fair and reasonable; (ii) request clarification and supporting documents from BAIC Group if we are of the view that the cost of items stated by BAIC Group are materially different from the costs that were quoted by BAIC Group historically; and (iii) verify that the profit margin on the total costs incurred by BAIC Group falls within the pre-agreed range of profit margins.

	<p><i>Logistics services</i></p> <p>Logistics services provided to us by BAIC Group include transportation and storage services. The fees of logistics services are charged on the basis of the value of the complete vehicles, components and parts, custodial requirements, size and level of inventories, delivery and handling requirements and the number of vehicles. When determining the prices, the procurement department of our Group has made reference to the market prices charged for logistics services by other comparable automotive enterprises based on its extensive expertise and experience.</p> <p><i>Other services fees</i></p> <p>The services fees for other general services charged by BAIC Group and/or its associates are determined by arm's length negotiations between the relevant parties. Our Group will make reference to the historical fees of such general services and will also refer to the comparable market prices, to ensure that the terms of services provided by BAIC Group are fair and reasonable to our Group.</p>
<p><b>Reasons and Benefits of the Transactions:</b></p>	<p>In the ordinary and usual course of our business, our Group purchases products and services from BAIC Group and/or its associates. We have been using the products and services provided by BAIC Group and/or its associates for several years. BAIC Group has been providing us with a long-term stable supply. As a result, BAIC Group and its associates understand our business and operational requirements well. It is crucial to maintain a stable and quality supply of products and general services for our existing and future production and operation. With reference to our previous purchasing experience with BAIC Group and its associates, BAIC Group can efficiently fulfill our requirements with stable and quality supply of products and general services.</p> <p><i>Automobile parts and components and raw materials</i></p> <p>Our Group is capable of carrying on its business independently of BAIC Group as it can procure the parts and components and raw materials supplied by BAIC Group and its associates from independent third parties.</p>

The purchases of automobile parts, components and raw materials from BAIC Group and its associates would benefit our Group for the following reasons:

- (i) the purchases from BAIC Group and its associates will be at competitive prices not less favorable than those that our Group can obtain from independent third parties;
- (ii) BAIC Group and its associates are familiar with our Group's specifications, standards and requirements on automobile parts and components and raw materials; and
- (iii) it is crucial for our Group to maintain the stability in supply and quality of automobile parts and components and raw materials for our existing and future production needs. In view of our product purchasing experience with BAIC Group and its associates, our Directors are of the view that BAIC Group and its associates can effectively fulfill our requirements in supply stability as well as quality.

*Automotive modules*

We source certain automotive module systems, including systems for dashboards and chassis, from several subsidiaries of BAIC Group. Our Group is capable of manufacturing automotive modules independently. In order to utilize our own resources more efficiently and focus on our core business, we have outsourced the production of automotive modules to BAIC Group and/or its associates. Our Group will continue this arrangement for the following reasons:

- (i) the production lines of these automotive module systems are specifically designed for a number of our products, meeting the specific production requirements of such products of our Group;
- (ii) BAIC Group has been providing us with a long-term stable supply and it is familiar with our products and requirements;
- (iii) meanwhile, due to the geographical proximity between the subsidiaries of BAIC Group, which produce automotive modules for our Group, the transportation costs of products are low. The close cooperation with BAIC Group also facilitates our quality control and management; and

- (iv) subsidiaries of BAIC Group produce high quality automotive modules for our Group and provide complete after-sales services for further improving the automotive module production lines based on our feedback.

*Transportation services*

Zhongdu Logistics Co., Ltd. (中都物流有限公司) (“**Zhongdu Logistics**”), a subsidiary of BAIC Group, provides logistics services for our whole vehicles, parts and components, including transportation and storage services.

The purchase of logistics services from BAIC Group and its associates would benefit our Group for the following reasons:

- (i) Zhongdu Logistics has been providing us with long-term stable supply and consistent quality services, being familiar with our special requirements on the transportation of complete vehicles and automobile parts and components;
- (ii) meanwhile, warehouse centers of Zhongdu Logistics are in geographical proximity to our production plant, which facilitates the transportation of complete vehicles and parts and components, thereby lowering our logistics costs and shortening transportation time; and
- (iii) the transportation service fees charged by Zhongdu Logistics are no less favorable than the fees charged to us by independent third parties.

*Back-office services*

The purchases of ancillary administrative and back-office services from BAIC Group and/or its associates would benefit our Group for the following reasons:

- (i) BAIC Group and/or its associates have been providing us with long-term stable ancillary administrative and back-office services for certain office premises of our Group in Beijing, the PRC, including meeting facilities and services, catering services and information technology services;



	<p>(ii) as the relevant services are of consistent quality, cost efficiency and localization convenience, it is in our best interests to continue to procure such services from BAIC Group and/or its associates; and</p> <p>(iii) the relevant back-office service fees charged by BAIC Group and/or its associates are no less favorable than the fees charged to us by independent third parties.</p>
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### ***Historical Figures and the Proposed Annual Caps***

#### Historical Figures:

	<b>Historical figures for the year ended December 31, (RMB/Million)</b>		<b>Historical figures for the six months ended June 30, (RMB/Million)</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Purchase of products	5,995.8	14,988.4	10,042.5
Purchase of services	2,831.6	2,083.1	1,024.0

#### Proposed Annual Caps:

	<b>Proposed annual cap for the year ending December 31, (RMB/Million)</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
Purchase of products	41,532.7	61,954.4	72,821.3
Purchase of services	7,755.0	8,265.5	8,632.2

#### Basis of annual caps:

The above proposed annual caps are made with reference to the following factors:

- (i) unit purchase cost for each vehicle model of our Group in 2016 and the expected market condition and general cost inflation for the relevant period;
- (ii) the estimated sales volume of passenger vehicles with steady growth by taking into account, among others, macroeconomic conditions as well as the development strategies and business expansion plan of our Group;
- (iii) the expected annual value of the connected transactions between Beijing Benz and BAIC Group and its associates;

- (iv) the expected increase of our total costs and expenses, which is ultimately driven by the business expansion plan of our Group. Our Group (including Beijing Benz) plans to launch and manufacture various new models in the next three years, which is expected to result in significant increases in our total costs and expenses for such years. In addition, the expected sales volume of existing models will continue to rise driven by the continued demand growth in their respective segments, which will also result in the increase of our total costs and expenses (cost of sales, selling and distribution expenses, and general and administrative expenses); and
- (v) the expected demand for higher quality premium new products will require the purchase of better and more sophisticated new raw materials, automotive modules, automotive parts and components from BAIC Group and/or its associates which will be comparatively more expensive than the costs of existing raw materials, automotive modules, automotive parts and components purchased from BAIC and/or its associates for existing products. As a result, it is expected that the total procurement costs for these raw materials, automotive modules, automotive parts and components for the production of new premium products will be increased.

## **C. Provision of Products Transactions under the Provision of Products and Services Framework Agreement**

### ***Details of the Agreement***

The pricing policy in respect of the provision of products is as follows:

In determining the prices of the raw materials, automobile parts, components and complete vehicles, we will refer to the average profit margin in the market or the principle of the cost plus a reasonable profit margin. The underlying costs include raw materials, accessories, depreciation, salary, energy, cutters/tools, technology consumption, equipment maintenance, management fees and financial fees. With the assistance of the relevant procurement experience of our procurement department, we gather information on market prices and profit margin levels of automobile products in the industry through industrial associations and independent automobile products suppliers in the PRC.

For other details of the Provision of Products and Services Framework Agreement, please refer to the section headed “II – DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS EXEMPTED FROM INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENT – B. Provision of Services Transactions under the Provision of Products and Services Framework Agreement” in this announcement.

## ***Historical Figures and the Proposed Annual Caps***

### Historical Figures:

	<b>Historical figures for the year ended December 31, (RMB/Million)</b>		<b>Historical figures for the six months ended June 30, (RMB/Million)</b>
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Provision of products	1,902.6	6,410.6	5,215.5

### Proposed Annual Caps:

	<b>Proposed annual cap for the year ending December 31, (RMB/Million)</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
Provision of products	32,473.3	43,017.6	46,445.6

Please refer to the section headed “II – DETAILS OF THE CONTINUING CONNECTED TRANSACTIONS EXEMPTED FROM INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENT – B. Provision of Services Transactions under the Provision of Products and Services Framework Agreement” for the basis of the above proposed annual caps.

## **IV. INTERNAL CONTROL PROCEDURES FOR THE IMPLEMENTATION OF CONTINUING CONNECTED TRANSACTIONS**

Our Company has adopted the following internal control procedures to ensure that the Renewed CCTs are fair and reasonable and on normal commercial terms:

- our Company has adopted and implemented a management system on connected transactions. Under this system, our finance center is responsible for conducting reviews; on compliance with relevant laws, regulations, company policies and Listing Rules in respect of the Renewed CCTs. In addition, the finance center, procurement center, legal affairs department and other relevant operation departments of our Company are jointly responsible for evaluating the transaction terms under the agreements for Renewed CCTs, in particular, the fairness of the pricing terms under each agreement; and
- our independent non-executive Directors have also reviewed and will continue to review the agreements for Renewed CCTs 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 our Company will also conduct an annual review on the pricing and annual caps of such agreements.

When determining the actual prices of products and services to be supplied to our Company, the corresponding vendor will provide our Company with a proposed price. As mentioned above, in order to ensure that the pricing terms under the agreements for Renewed CCTs are fair and reasonable, our Company's finance center and other relevant operation departments will review the proposed price provided by the vendor in the following manner:

- 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 product with similar specifications, technology and quality requirements provided by any other manufacturers in the market;
- our Company has established a stringent market price inquiry system. The selection of suppliers shall be determined by the collective decision of a tender assessment board with members from the components and parts development department, suppliers management department, research and development department, compliance and supervision department, finance center 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;
- 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 part or product, which is estimated with reference to (i) the market price of the raw materials or semi-finished products forming the part or product; and (ii) the 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
- 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 our Company are no less favorable than those offered by the supplier to independent third parties.

## **V. LISTING RULES IMPLICATIONS**

BAIC Group is the sole controlling shareholder of our Company. BAIC Group owns approximately 44.98% of the total issued share capital of our Company. According to the Listing Rules, BAIC Group is a connected person of the Company. The transactions between our Company and BAIC Group constitute continuing connected transactions of our Company under the Listing Rules.

As BAIC Group holds 56.00% of the equity interest of BAG Finance, BAG Finance is an associate of BAIC Group, and BAIC Group is the sole controlling shareholder of our Company. According to the Listing Rules, BAG Finance is a connected person of our Company. The transactions between our Company and BAG Finance constitute continuing connected transactions of our Company under the Listing Rules.

Daimler AG is a substantial shareholder of our Company holding 10.08% of our Company's total issued share capital as well as a substantial shareholder of Beijing Benz holding a 49.00% equity interest. According to the Listing Rules, Daimler AG and its associates are connected persons of our Company. The transactions between our Company and Daimler AG and its associates constitute continuing connected transactions of our Company under the Listing Rules.

As the highest applicable ratios for each of the following transactions as contemplated in their respective agreements exceed 0.1% but is lower than 5% as defined by the Listing Rules, such connected transactions contemplated under the respective agreements and the relevant annual caps shall be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but exempted from the Independent Shareholders' approval requirement:

- A. transactions between our Group and BAIC Group and its associates under the Property and Facility Leasing Framework Agreement;
- B. provision of services transactions between our Group and BAIC Group and its associates under the Provision of Products and Services Framework Agreement;
- C. trademark licensing of BAIC Group to Beijing Benz under the Trademark Licensing Agreement dated 28 February 2003; and
- D. sales of vehicles by Beijing Benz to Daimler AG and its associates under prior arrangements with Daimler AG.

As the highest applicable ratios for each of the following transactions as contemplated in their respective agreements exceed 5% as defined by the Listing Rules, such connected transactions contemplated under the respective agreements and the relevant annual caps shall be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

- A. deposit transactions between our Group and BAG Finance under Financial Services Framework Agreement;
- B. transactions between our Group and BAIC Group and its associates under the Products and Services Purchasing Framework Agreement; and
- C. provision of products transactions between our Group and BAIC Group and its associates under the Provision of Products and Services Framework Agreement.

Our Company has formed an Independent Board Committee comprising of the independent non-executive Directors to provide advice to the Independent Shareholders regarding the fairness and reasonableness of the terms of the Non-exempt Transactions. Zhongtai International Capital Limited has been appointed as the independent financial advisor of our Company to provide advice on such matters to the Independent Board Committee and the Independent Shareholders.

## **VI. CONFIRMATION OF THE BOARD**

The Renewed CCTs are and will be conducted in the ordinary and usual course of business of our Company. The Renewed CCTs are agreed on an arm's length basis with terms that are fair and reasonable to our Company. Due to the long-term relationship between our Group and BAIC Group, between our Group and BAG Finance and our Group and Daimler AG, our Directors (including our independent non-executive Directors) consider that: (a) it is beneficial to our Company to continue to enter into such transactions as these transactions have facilitated and will continue to facilitate the operation and growth of our Company's business; (b) such transactions have been conducted on normal commercial terms or on terms no less favourable than those available to our Company from independent third parties, under prevailing local market conditions, and are entered into in the ordinary and usual course of business of our Company, are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and that the proposed annual caps are fair and reasonable and are in the interests of our Company and the Shareholders as a whole.

The Board has considered and approved the resolutions in relation to the Renewed CCTs. As Xu Heyi, Zhang Xiyong, Li Zhili, Li Feng and Ma Chuanqi, the Directors of our Company, are also the directors of BAIC Group, they are deemed to have material interests in the transactions between our Group and BAIC Group. They have abstained from voting on the resolutions in respect of all the Renewed CCTs but the sales of vehicles by Beijing Benz to Daimler AG and its associates. As Hubertus Troska and Bodo Uebber, the Directors of our Company, are also the directors of Daimler AG, they are deemed to have material interests in the transactions between our Group and Daimler AG. They have thus abstained from voting on the resolutions in respect of the sales of vehicles by Beijing Benz to Daimler AG.

## **VII. GENERAL INFORMATION**

### **The Company**

The Company 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.

### **BAIC Group**

BAIC Group is a state-owned enterprise established on 30 June 1994 with a registered capital of approximately RMB17.13 billion. Its principal businesses include manufacturing, 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.

## **BAG Finance**

BAG Finance is a non-banking financial institution incorporated in November 2011 in the PRC with a registered capital of RMB1,500 million. BAG Finance is 56.00% owned by BAIC Group, 20.00% owned by BAIC Investment Co., Ltd., 14.00% owned by Beijing Foton Motor Co., Ltd. and 10.00% owned by Beijing Hainachuan Automotive Arts Co., Ltd.. It is subject to the Administrative measures on Financial Companies of Group Enterprises (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by the PBOC and CBRC. Its establishment was approved by the CBRC and its operation is subject to the ongoing supervision of the CBRC and the applicable regulations related to interest rates issued by the PBOC and CBRC.

## **Beijing Benz**

Beijing Benz is a company incorporated in China on July 1, 1983 and our non-wholly-owned subsidiary. Its scope of business ranges from research and development, engines and complete vehicles production and sales and after sales services.

## **Daimler AG**

Daimler AG is a company established in Germany in 1886. Daimler AG is one of the largest producers of premium cars and commercial vehicles in terms of sales volume globally. Its principal businesses include producing premium automobiles, trucks, vans and buses, and providing tailored services around these products.

## **VIII. DISPATCH OF CIRCULAR**

The Company expects to dispatch a circular on or before November 15, 2016 containing, among others, (i) details of the Non-exempt Transactions; (ii) a letter of advice from the independent financial advisor to the Independent Board Committee and Independent Shareholders regarding the Non-exempt Transactions; and (iii) a letter of recommendation from the Independent Board Committee regarding the Non-exempt Transactions, and the notice of the general meeting to the Shareholders.

## **IX. DEFINITIONS**

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

“4S”	sales, service, spare parts and survey
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BAG Finance”	BAIC Group Finance Co., Ltd. (北京汽車集團財務有限公司), a company incorporated in the PRC, a subsidiary of BAIC Group
“BAIC Group”	Beijing Automotive Group Co., Ltd. (北京汽車集團有限公司), a state-owned enterprise incorporated in the PRC, the sole controlling shareholder of the Company

“Beijing Benz”	Beijing Benz Automotive Co., Ltd. (北京奔馳汽車有限公司) (previously known as Beijing Jeep Motor Co., Ltd. and Beijing Benz-Daimler Chrysler Automotive Co., Ltd.), a company incorporated in the PRC on 1 July 1983, a subsidiary of the Company with 51.0% equity interest owned by our Company, 38.665% owned by Daimler AG and 10.335% owned by Daimler Greater China
“Beijing Motor”	our proprietary brand passenger (the Beijing brand) vehicles under Senova, BJ and Wevan
“Board”	the board of directors of the Company
“CBRC”	China Banking Regulatory Commission
“Company” or “our Company” or “We”	BAIC Motor Corporation Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Daimler AG”	Daimler AG, a company established in Germany in 1886 which is a Shareholder and a connected person of our Company
“Director(s)”	the director(s) of the Company
“Financial Services”	other financial services under Financial Services Framework Agreement, except deposits and loans
“Group”	our Company and its subsidiaries
“Independent Board Committee”	a committee under the Board of our Company comprising of our independent non-executive Directors for the consideration of the Non-exempt Transactions and advise Independent Shareholders in respect of the Transactions
“Independent Shareholders”	the shareholders of our Company other than the controlling shareholders and their associates of Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited



“Non-exempt Transactions”	the continuing connected transactions contemplated under the renewal of framework agreements and arrangement as listed under section “I. Background – 2. Continuing Connected Transactions subject to Shareholders’ Approval Requirement” of this announcement, which are subject to the approval of Independent Shareholders
“PBOC”	The People’s Bank of China, the central bank in the PRC
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of our Company dated December 9, 2014
“Renewed CCTs”	the continuing connected transactions contemplated under the renewal of framework agreements and arrangement as listed under sections “I. Background – 1. Continuing Connected Transactions Exempted from Independent Shareholders’ Approval Requirement” and “I. Background – 2. Continuing Connected Transactions subject to Independent Shareholders’ Approval Requirement” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of our Company
“%”	percentage

By Order of the Board  
**BAIC Motor Corporation Limited**  
**Xu Heyi**  
*Chairman*

Beijing, PRC  
October 20, 2016

*As at the date of this announcement, the Board comprises Mr. Xu Heyi, as Chairman of the Board and non-executive Director; Mr. Zhang Xiyong, Mr. Li Zhili as non-executive Directors; Mr. Li Feng, as executive Director; 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*