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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 ESTABLISHMENT OF BAIC SA**

### **SUMMARY**

The Board is pleased to announce that on the date of this announcement, BAIC HK, the Company's wholly-owned subsidiary, has entered into the Subscription Agreement and the Shareholders' Agreement with IDC, Investment Universe and BAIC SA in respect of the establishment of BAIC SA. BAIC SA will serve as, among others, the importer and manufacturer of "BAIC"-branded vehicles, components and parts in South Africa. Upon the establishment of BAIC SA, it will be held as to 20% by BAIC HK, 45% by Investment Universe and 35% by IDC.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, BAIC Group is the controlling shareholder of the Company and holds 44.98% equity interests of the Company, thus it is a connected person of the Company. Investment Universe is an indirect wholly-owned subsidiary of BAIC Group, thus Investment Universe is an associate of BAIC Group. Accordingly, Investment Universe is a connected person of the Company. As the Transaction is conducted between BAIC HK, a wholly-owned subsidiary of the Company, and Investment Universe, a connected person of the Company, the Transaction constitutes a connected transaction under Chapter 14A of the Listing Rules.

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

## **CONFIRMATION OF THE DIRECTORS**

As Mr. Xu Heyi, Mr. Zhang Xiyong, Mr. Li Zhili, Mr. Li Feng and Mr. Ma Chuanqi, all being Directors of the Company, are also the directors of BAIC Group, 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.

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

### **I. INTRODUCTION**

The Board is pleased to announce that on the date of this announcement, BAIC HK, the Company's wholly-owned subsidiary, has entered into the Subscription Agreement and the Shareholders' Agreement with IDC, Investment Universe and BAIC SA in respect of the establishment of BAIC SA. BAIC SA will serve as, among others, the importer and manufacturer of "BAIC"-branded vehicles, components and parts in South Africa. Upon the establishment of BAIC SA, it will be held as to 20% by BAIC HK, 45% by Investment Universe and 35% by IDC.

## II. SUBSCRIPTION AGREEMENT

The salient terms of the Subscription Agreement are as follows:

- Parties:
- BAIC HK
  - IDC
  - Investment Universe
  - BAIC SA
- Date: November 7, 2016
- Conditions Precedent: The Subscription Agreement is subject to the following conditions precedent:
- (a) the Shareholders' Agreement will have been signed by the parties thereto and will have become unconditional in accordance with its terms;
  - (b) BAIC SA, Investment Universe and BAIC HK will have complied with the requirements of the Financial Intelligence Centre Act on such terms and conditions as the IDC may require;
  - (c) all resolutions of the sole director of BAIC SA for the conclusion of the Subscription Agreement will have been adopted in a form and substance acceptable to all the Subscribers;
  - (d) proof of incorporation of BAIC SA and its registration with the Companies and Intellectual Property Commission will have been provided to all the Subscribers to their satisfaction;
  - (e) each Subscriber will have completed a legal due diligence of the incorporation of BAIC SA, to its satisfaction;
  - (f) each of Investment Universe and BAIC HK will have provided the IDC with a power of attorney, while IDC will have provided a board resolution to Investment Universe and BAIC HK, evidencing the authority of its signatories to the Subscription Agreement to conclude the Subscription Agreement on its behalf;
  - (g) a land lease agreement shall have been concluded between BAIC SA and Coega Development Corporation (Pty) Ltd over the property located in Zone 1 of the Coega Industrial Development Zone for a period of not less than 99 (ninety nine) years the terms and conditions of which shall be to the Subscriber's satisfaction;

- (h) an engineering, procurement and construction (“EPC”) agreement in a form and substance approved by the project steering committee and/or BAIC SA’s board shall have been signed by the EPC contractor comprising of fully detailed costing information/bills of quantities, including an activity schedule, guarantees, scope of work and responsibilities, to BAIC SA’s satisfaction; and
- (i) proof of a written commitment by senior debt funders for the initial third party debt, required by BAIC SA with terms and conditions acceptable to the Subscribers.

As at the date of this announcement, all the above conditions precedent have been duly fulfilled in accordance with the Subscription Agreement.

**Subscription:** Subscribers (as BAIC SA Shareholders) are to provide not less than US\$44,570,000 of the initial agreed funding required by BAIC SA by way of subscriptions for not more than 44,570,000 Issue Shares in aggregate at US\$1 per Issue Share in BAIC SA from time to time.

**Subscription Proportions:**

- BAIC HK – 20%;
- Investment Universe – 45%; and
- IDC – 35%.

**Subscription Price and Payment:** On the date of issue of shares, each Subscriber shall pay its pro rata portion of aggregate issue price (determined according to the Subscribers’ Proportions) in cash into such bank account as BAIC HK nominates in the relevant drawdown notice, free from any exchange or bank fees and commission and of any withholding or deduction, including without limitation, any taxes, charges, levies or duties or other cost that may be levied on such payment by electronic transfer.

Date and manner of completion: The effective date is the first Business Day after the date on which the last of the condition precedents is fulfilled or waived, as the case may be, but not later than June 30, 2017, or such other date as the parties may agree in writing.

On or before the effective date, the chief executive officer of BAIC SA is to deliver an initial drawdown notice relating to the immediate funding needs of BAIC SA, which drawdown notice will trigger a subscription by the Subscribers (in the Subscribers' Proportions) for the number of Issue Shares stipulated in the drawdown notice.

The Subscription shall be completed by June 30, 2018.

None of the Subscribers is obliged to make payment of the Issue Price for such Issue Shares after June 30, 2018.

Subsequent Call for Subscription: The chief executive officer of BAIC SA may deliver a drawdown notice on behalf of BAIC SA to each party calling upon the them to pay the aggregate issue price, in accordance to the above Subscribers' proportions, for the issue of such number of Issue Shares specified in the drawdown notice, provided that the chief executive officer of BAIC SA does not issue more than four drawdown notices in total.

### **III. SHAREHOLDERS' AGREEMENT**

Parties: BAIC HK  
IDC  
Investment Universe  
BAIC SA

Date: November 7, 2016

Scope of Business of BAIC SA: BAIC SA shall operate as an automobile enterprise incorporating vehicles and parts research and development, manufacturing, sales and services, including, inter alia, the design, research and development, manufacturing, and sales of vehicles (including, inter alia, passenger vehicles, light off road vehicles, multi purpose vehicles, electronic vehicles, and hybrid vehicles), their parts and components, accessories, and equipment; and engaging in relevant equipment installation, market research, technical research and development, consultation, services and the importing and exporting of related goods and techniques, etc.

Conditions Precedent: The Shareholders' Agreement is subject to the following conditions precedent:

- (a) the completion of a financing feasibility study and approval of the same by the BAIC SA Shareholders; and
- (b) the memorandum of incorporation of BAIC SA is adopted by BAIC SA Shareholders and is filed with the Companies and Intellectual Property Commission in accordance with section 16(9) of the Companies Act of South Africa.

As at the date of this announcement, all the above conditions precedent have been duly fulfilled in accordance with the Shareholders' Agreement.

Board nomination Rights: The board of directors of BAIC SA shall have a minimum of one director and a maximum of seven directors, of which:

- BAIC HK is entitled to nominate one director;
- Investment Universe is entitled to nominate up to four directors; and
- IDC is entitled to nominate up to two directors.

each BAIC SA Shareholder shall indemnify BAIC SA against any claim, cost, damages, expense, judgment, liability, loss or penalty of any nature whatsoever which BAIC SA may incur, suffer or sustain as a result of any removal or resignation of the Director such BAIC SA Shareholder nominated.

Initial Loan Funding: Each of the BAIC SA Shareholders shall lend to BAIC SA, in their pro rata portions, amounts totalling not more than US\$50,250,000 in the aggregate from all BAIC SA Shareholders ("**Total Initial Loan Amount**").

BAIC SA Shareholders shall advance portions of the Total Initial Loan Amount to BAIC SA, in their pro rata portions, from time to time, within 10 Business Days after receipt by the BAIC SA Shareholders of a written notice signed by the chief executive office of BAIC SA calling for the advance of such amount from the BAIC SA Shareholders, pursuant to the financial requirements of BAIC SA, which shall be as follows:

BAIC HK – US\$10,050,000  
Investment Universe – US\$22,612,500  
IDC – US\$17,587,500

Any loans advanced according to the Shareholders' Agreement shall be interest free with no fixed repayment terms, but subject to availability of free cash and meeting senior lender covenants, proportional repayments shall be made to the BAIC SA Shareholders in their pro rata portions as and when the board of directors of BAIC SA so decides and any such loan may be converted into shares of the BAIC SA at the price of US\$1 per share according to the Shareholders' Agreement.

The above initial loan funding is subject to the completion of the first subscription under the Subscription Agreement, the relevant environmental authorization of the Department of Environmental Affairs as specified in the financing feasibility study, the appointment of an engineering, procurement and construction management contractor, land lease agreement over the concerned property with Coega Industrial Development Zone by BAIC SA and furnishing of certain documents relating to the intended development and construction of an automotive production plant in Port Elizabeth of BAIC SA to the BAIC SA Shareholders.

Unless otherwise approved in writing by the Shareholders, the Shareholders are not obliged to advance any money after June 30, 2018.

Initial Third Party Debt: BAIC SA will procure the funding of up to an amount of US\$56,089,100 (fifty six million eighty nine thousand and one hundred US Dollars) in the aggregate from external financiers directly or indirectly through any on-lending parties to BAIC SA, of which terms and conditions shall be agreed by BAIC SA directly or indirectly through any on-lending parties and the external financiers. All the shareholders will make their best efforts to help finding such funding resources for BAIC SA or the on-lending parties with preferential conditions in the global market; and if required by any external financiers, each shareholder shall, whether by itself or by its affiliate, provide any required guarantee for BAIC SA and/or the on-lending parties of such funding in their pro rata portions, with IDC's maximum liability limited to R720,000,000 (seven hundred and twenty million South African Rand).

The above mentioned on-lending funding and funding guarantee by BAIC HK shall only be effective upon approval of relevant authorities of BAIC HK or its affiliates in accordance with its respective internal approval procedures.

Distributions: BAIC SA undertakes to pay to BAIC SA Shareholders as distribution such after-tax profit for that year after making provision for tax on the distribution and any anticipated working capital, capital expenditure, cash flow requirements and debt obligations of BAIC SA.

Transfer Restrictions: For the period from the effective date of the Shareholders' Agreement to the fifth anniversary date, no BAIC SA Shareholder may dispose of or encumber its equity interests in BAIC SA without disposing of or encumbering in the same transaction the proportion of its interests in any loans advanced to BAIC SA pursuant to the Shareholders' Agreement.

*Pre-emptive Rights:*

A BAIC SA Shareholder is not entitled to dispose of any of its equity interests in BAIC SA unless such has first been offered to the other BAIC SA Shareholders.

*Tag-along Rights:*

If a BAIC SA Shareholder intends to dispose of all of its equity interests in BAIC SA, and the remaining BAIC SA Shareholders also intend to dispose of their interests, such BAIC SA Shareholder would not be entitled to dispose its equity interests unless it has procured the intended purchaser to acquire on the same terms and conditions such interests offered for sale by the other BAIC SA Shareholders.

Obligations of BAIC HK and Investment Universe: In addition to their other responsibilities under the Shareholders' Agreement, Investment Universe and BAIC HK shall:

- (i) procure their Affiliated Companies to grant relevant technology license to BAIC SA in accordance with the terms and conditions of the relevant technology license agreement;
- (ii) procure their Affiliated Companies to grant relevant trademark license to BAIC SA in accordance with the terms and conditions of the relevant trademark license agreement;
- (iii) assist BAIC SA, if requested, in procuring from abroad equipment, machinery, raw materials and other supplies which are not otherwise available in South Africa or which BAIC SA wishes to import;
- (iv) assist BAIC SA in recruiting appropriate management and senior technical personnel; and
- (v) assist BAIC SA in providing training to its employees.



Obligations of IDC:

In addition to its other responsibilities under this Agreement, the IDC shall:

- (i) assist BAIC SA in obtaining all requisite regulatory approvals, license, consents and otherwise under the applicable laws of South Africa, including but not limited to those in connection with the land lease, construction of the plant and other facilities and the operations;
- (ii) assist BAIC SA, if requested, in handling procedures and obtaining all import licenses, approvals and reductions of and exemptions from customs duties and taxes for BAIC SA's imported raw materials, machinery, equipment, parts, vehicles and other supplies;
- (iii) assist foreign directors and foreign personnel of BAIC SA in obtaining all necessary entry visas, travel documents and work permits;
- (iv) assist BAIC SA in applying for, and use its best endeavours to assist BAIC SA in obtaining tax reductions, exemptions and any other investment incentives of any kind available to BAIC SA;
- (v) assist BAIC SA in its relation with local government authorities, Coega Development Corporation (Pty) Ltd and South African domestic companies including the customers and suppliers of BAIC SA;
- (vi) assist BAIC SA in obtaining adequate supplies of raw materials, local equipment, means of transportation, articles for office use and communication facilities; and
- (vii) assist BAIC SA in recruiting appropriate local employees.

Termination Clauses:

The Shareholders' Agreement shall be effective and binding for so long a Subscriber remains to be a shareholder of BAIC SA.

No party is entitled in any circumstances to cancel the Shareholders' Agreement without the prior written consent of all the Subscribers except in the event of completion or breach of the Shareholders' Agreement.

#### **IV. BASIS OF CONSIDERATION**

BAIC SA is to be established with an initial capital of US\$44,570,000, the initial loan funding of US\$50,250,000, and initial third party debt of US\$56,089,100, 20% of each would be provided by BAIC HK which is proportionate to the equity interests to be held by BAIC HK in BAIC SA. BAIC HK's contribution in capital and loan will be settled in cash and funded through own funds and reasonably appropriate financing arrangement.

The total amount of initial capital, initial loan funding and initial third party debt were determined with reference to the anticipated capital needs of BAIC SA arising from the construction of the automotive production plant as well as the planned development and operations of BAIC SA.

#### **V. REASON AND BENEFITS OF THE TRANSACTION**

Upon BAIC SA's establishment, it will, among others, import as well as manufacture the vehicles, parts and components of "BAIC"-branded in South Africa. This serves to introduce the Group's proprietary brand products to the market of South Africa, further materializing the Group's strategy to internationalize the "BAIC" -branded. Further, setting up an automotive production plant in South Africa serves as the first step and milestone of the Group in its plan to establish its network in Africa, opening up a wider market for the Group in terms of customer base, human resources and technological resources.

#### **VI. LISTING RULES IMPLICATIONS**

As at the date of this announcement, BAIC Group is the controlling shareholder of the Company and holds 44.98% equity interests of the Company, thus it is a connected person of the Company. Investment Universe is an indirect wholly-owned subsidiary of BAIC Group, thus Investment Universe is an associate of BAIC Group. Accordingly, Investment Universe is a connected person of the Company. As the Transaction is conducted between BAIC HK, a wholly-owned subsidiary of the Company, and Investment Universe, a connected person of the Company, the Transaction constitutes a connected transaction under Chapter 14A of the Listing Rules.

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

#### **VII. CONFIRMATION OF THE DIRECTORS**

As Mr. Xu Heyi, Mr. Zhang Xiyong, Mr. Li Zhili, Mr. Li Feng and Mr. Ma Chuanqi, all being Directors of the Company, are also the directors of BAIC Group, 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.

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

## **VIII. GENERAL INFORMATION**

### **BAIC HK**

BAIC HK is a wholly-owned subsidiary of the Company established in 2009. Its principal business includes investing in commodity contracts, tax liens and venture capital companies.

### **Investment Universe**

Investment Universe is an indirect wholly-owned subsidiary of BAIC Group established in 2016. Its principal businesses include investment, asset management, entrepot and consultancy.

### **IDC**

IDC was established in 1940 by an Act of Parliament (Industrial Development Corporation Act, No. 22 of 1940) and is wholly-owned by the South African Government. IDC mainly provides financial support for industrial enterprises and projects. Scope of investments by IDC includes agriculture and agro-processing, automotive and transportation, metals and mining, chemical, pharmaceutical, garment and textile, heavy industry, industrial facilities, light industry and tourism, film and other media.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, neither of IDC nor its ultimate beneficial owners is a connected person of the Company or a third party connected with any of the connected persons of the Company.

## **IX. DEFINITION**

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

- “Affiliated Company(ies)”
- (i) each entity that directly or indirectly holds more than 20% of the issued shares or voting power of the specified entity;
  - (ii) each entity in which the specified entity directly or indirectly holds more than 20% of the issued shares or voting power; and
  - (iii) each entity that is directly or indirectly controlled by an entity referred to in either above item (i) or item (ii)

“associate”	has the meaning ascribed to it under the Listing Rules
“BAIC Group”	Beijing Automotive Group Co., Ltd.*, a state-owned enterprise incorporated in the PRC, the sole controlling shareholder of the Company
“BAIC HK”	BAIC Hong Kong Investment Corp. Limited, a company incorporated in Hong Kong, a wholly-owned subsidiary of the Company
“BAIC SA”	BAIC Automobile SA Proprietary Limited, a private company duly incorporated and registered in accordance with the laws of South Africa
“Board”	the board of Directors of the Company
“Business Day”	any day other than a Saturday, a Sunday or an official public holiday in China or South Africa
“Company”	BAIC Motor Corporation Limited*
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“IDC”	The Industrial Development Corporation of South Africa Limited, a corporation duly established under the laws of South Africa
“Investment Universe”	Investment Universe Co., Limited, a company incorporated in Hong Kong, an indirect wholly-owned subsidiary of BAIC Group
“Issue Price”	US\$1 per Issue Share
“Issue Shares”	the shares in BAIC SA to be issued to each Subscriber under the Subscription Agreement
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time
“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

“Shareholder(s)”	the shareholder(s) of the Company
“Shareholders’ Agreement”	the shareholders’ agreement dated November 7, 2016 in respect of BAIC SA entered into by BAIC HK, Investment Universe, IDC and BAIC SA
“South Africa”	the Republic of South Africa
“South African Rand”	the lawful currency of the Republic of South Africa
“Subscriber(s)” or “BAIC SA Shareholder(s)”	BAIC HK, Investment Universe and IDC
“Subscription Agreement”	the subscription agreement dated November 7, 2016 in respect of BAIC SA entered into by BAIC HK, Investment Universe, IDC and BAIC SA
“Transaction”	the connected transaction in relation to BAIC HK entering into the Subscription Agreement and the Shareholders’ Agreement for the establishment of BAIC SA
“US\$”	United States dollars, the lawful currency of the United States of America

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

Beijing, the PRC, November 7, 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*