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**北京汽车**  
**BAIC MOTOR**

**北京汽車股份有限公司**

**BAIC MOTOR CORPORATION LIMITED\***

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

**(Stock Code: 1958)**

**CONNECTED TRANSACTION  
IN RELATION TO SUBSCRIPTION FOR  
ADDITIONAL REGISTERED CAPITAL OF BJEV**

**SUMMARY**

The Board is pleased to announce that on 20 July 2017, the Company entered into the Capital Increase Agreement with BJEV, pursuant to which, the Company subscribed for 223.6 million shares issued additionally by BJEV for a Consideration of RMB1,185.08 million in assets and cash in total. Upon completion of the Capital Increase, the Company will hold 7.8106% of BJEV's total equity interests, subject to the consideration and approval by shareholders at the general meeting of BJEV, for which the shareholding percentage registered for the change in industrial and administrative registration shall prevail.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, BAIC Group is the sole controlling shareholder of the Company and holds 44.98% of the total issued share capital of the Company, thus it is a connected person of the Company. BAIC Group holds 37.50% equity interests in BJEV, thus BJEV is an associate of BAIC Group. Accordingly, BJEV is a connected person of the Company, and the subscription by the Company for the additional registered capital of BJEV constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

## **CONFIRMATION OF THE DIRECTORS**

As Mr. Xu Heyi, Mr. Zhang Xiyong and Mr. Zhang Jianyong, all being the Directors of the Company, also hold office in BAIC Group, and Ms. Wang Jing, a Director of the Company, also holds office in BJEV, 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), have considered and approved the resolution of the Transaction. They considered that the Transaction is (i) on normal or better commercial terms; (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 20 July 2017, the Company entered into the Capital Increase Agreement with BJEV, pursuant to which, the Company subscribed for 223.6 million shares issued additionally by BJEV for a Consideration of RMB1,185.08 million in assets and cash in total. Upon completion of the Capital Increase, the Company will hold 7.8106% of BJEV's total equity interests, subject to the consideration and approval by shareholders at the general meeting of BJEV, for which the shareholding percentage registered for the change in industrial and administrative registration shall prevail.

### **II. CAPITAL INCREASE AGREEMENT**

Principal terms of the Capital Increase Agreement are set out below:

Parties:	BJEV as the new capital contributor The Company as the subscriber
Date of agreement:	20 July 2017
Target:	223.6 million shares issued additionally by BJEV and to be subscribed for by the Company for the Consideration of RMB1,185.08 million in assets and cash in total.
Consideration:	RMB1,185.08 million, which is determined with reference to the appraised value of BJEV's assets.
Terms of payment:	Upon the fulfilling of all precedent conditions, BJEV shall inform the Company immediately in written form to proceed the completion of the Transaction and provide the Company with the approvals relating to the internal decision-making of BJEV. The Company shall in its own name settle in full of the cash consideration regarding the capital increase to the account designated by BJEV through telegraphic transfer within three (3) working days upon the receipt of the approvals and the written notice. The completion of target assets shall be proceeded within ten (10) working days upon the receipt of the approvals and the written notice.

### III. BASIS OF CONSIDERATION

The Consideration of RMB1,185.08 million is determined by both parties by reference to the Valuation Report issued by PCAA on 10 December 2016. The date of valuation is 30 September 2016. Based on the BJEV's appraised price (BJEV's final appraised price is subject to the approval by Beijing SASAC) and negotiation by both parties, the subscription price shall be RMB5.3 per share.

### IV. SHAREHOLDING STRUCTURE OF BJEV BEFORE AND AFTER THE CAPITAL INCREASE

Prior to the Capital Increase, shareholders of BJEV are BAIC Group, the Company, and other shareholders. The Company holds 208 million shares or 6.50% of the share capital of BJEV.

The shareholding structure after the Capital Increase is subject to the approval by relevant government authorities, negotiations by the parties, and the consideration and approval by shareholders at the general meeting of BJEV. For this purpose, the final shareholding percentage of each party registered for the change in industrial and commercial registration shall prevail. Based on the current plan of the Capital Increase, the Company expects to hold 431.6 million shares or approximately 7.8106% of the share capital of BJEV. The number of shares to be subscribed for by and the final shareholding percentage of each of BAIC Group, the Company and other shareholders depend on their respective approval and negotiation.

### V. FINANCIAL INFORMATION OF BJEV

The table below sets forth the financial information of BJEV for the years ended 31 December 2015 and 2016, and the five months ended 31 May 2017 prepared under the China Accounting Standards for Business Enterprises:

	<b>For the year ended 31 December</b> <i>(RMB in ten thousand)</i>		
	<b>2015</b> <i>(Audited)</i>	<b>2016</b> <i>(Audited)</i>	<b>2017</b> <b>(January to May)</b> <i>(Unaudited)</i>
Net profit/(loss) before taxation	(19,389.01)	18,368.98	700.09
Net profit/(loss) after taxation	(19,402.13)	18,359.90	(2,537.53)
Net assets	176,734.52	502,294.42	499,756.89

## **VI. REASONS FOR AND BENEFITS OF THE TRANSACTION**

In order to adapt to the fast business development, BJEV implemented the first round of financing in April 2016 after reorganization. Since its first round of financing, BJEV has made rapid progress on manufacturing system, quality system, industrial chain system construction, marketing service system, research and development system. It also achieved good results on the whole value chain business system and new energy automobile eco-system construction. As the new energy policy benefits unleashed, major traditional car companies have vigorously carried out new energy automotive business. Many non-auto companies in the Internet industry and the upper industry chain have also set foot in the new energy automotive field subsequently. Competition is growing in the industry. BJEV must enhance its comprehensive strength in all aspects, in order to keep itself on the cutting edge amid the intense competition. Against this background, BJEV plans to launch a second round of financing, and aims to expand investment to the research and development of the “three power” core technology, components and products continuously. BJEV also aims to build competitiveness on its core business, such as products, technology, manufacturing and core components, thus reinforcing its strength and maintaining a leading position in the industry.

BJEV is an industry leader of the new energy automobile companies in the PRC. It currently shows a broad development space where growth prospects are strong. Participating in the Capital Increase enables the Company to enhance its overall profitability by sharing BJEV’s operation results and investment gains in the future, thus ultimately maximize the interests of Shareholders.

## **VII. LISTING RULES IMPLICATIONS**

As at the date of this announcement, BAIC Group is the sole controlling shareholder of the Company and holds 44.98% of the total issued share capital of the Company, thus it is a connected person of the Company. BAIC Group holds 37.50% equity interests in BJEV, thus BJEV is an associate of BAIC Group. BJEV is a connected person of the Company, and the subscription by the Company for the additional registered capital of BJEV constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

## **VIII. CONFIRMATION OF THE DIRECTORS**

As Mr. Xu Heyi, Mr. Zhang Xiyong and Mr. Zhang Jianyong, all being the Directors of the Company, also hold office in BAIC Group, and Ms. Wang Jing, a Director of the Company, also holds office in BJEV, 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), have considered and approved the resolution of the Transaction. They considered that the Transaction is (i) on normal or better commercial terms; (ii) on fair and reasonable terms and conditions; and (iii) in the interests of the Company and its Shareholders as a whole.

## **IX. GENERAL INFORMATION**

### **The Company**

The Company is a leading manufacturer of passenger vehicles in China. It engages in the design, research and development, manufacture and sale of an extensive and diversified portfolio of passenger vehicle models, and related services in China. It offers a variety of passenger vehicle models, including medium-to large-size sedan, medium-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's 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.

### **BJEV**

BJEV is mainly engaged in the installment of power modules for new energy automobiles (specifically including the installment of electric-machinery systems, battery systems and electric-control systems for power modules); the production of passenger electric vehicle; the sale of charging facilities for new energy automobiles, automobiles, remote supervisory and control equipment for new energy automobiles as well as power modules systems parts for new energy automobiles; and preparatory manufacturing projects for complete new energy automobiles and hybrid vehicles.

## **X. DEFINITION**

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

“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
“Beijing SASAC”	the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality
“BJEV”	Beijing Electric Vehicle Co., Ltd., a joint stock company incorporated in the PRC with limited liability, a subsidiary of BAIC Group

“Board”	the board of directors of the Company
“Capital Increase Agreement”	the agreement entered into between the Company and BJEV on 20 July 2017 in relation to the subscription by the Company for approximately 7.8106% of the enlarged registered capital of BJEV following the Capital Increase (the final shareholding percentage is subject to the consideration and approval by shareholders at the general meeting of BJEV, for which the shareholding percentage registered for change in industrial and commercial registration shall prevail)
“Capital Increase”	the subscription by the Company for 223.6 million shares issued by BJEV at the price of RMB5.3 per share (the final appraised value is subject to the approval by Beijing SASAC and relevant authorities) for a consideration of RMB1,185.08 million, representing approximately 7.8106% of the enlarged registered capital of BJEV following the Capital Increase (the final shareholding percentage is subject to the consideration and approval by shareholders at the general meeting of BJEV, for which the shareholding percentage registered for the change in industrial and commercial registration shall prevail)
“Company”	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
“Consideration”	RMB1,185.08 million, being the amount payable to subscribe for 223.6 million shares of BJEV
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time
“PCAA”	Beijing Pan-China Assets Appraisal Co., Ltd., an independent asset valuation company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company

“Transaction”	the transaction entered into by the Company and BJEV under the Capital Increase Agreement
“Valuation Report”	the Project Valuation Report on the Proposed Capital Increase and Share Issue by Beijing Electric Vehicle Co., Ltd. (Tian Xing Ping Bao Zi (2016) No. 1285) issued by PCAA on 10 December 2016
“%”	percentage

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

Beijing, the PRC, 20 July 2017

*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 and Mr. Zhang Jianyong, as non-executive Directors; Mr. Chen Hongliang, as executive Director; Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Bodo Uebber, Mr. Guo Xianpeng, Ms. Wang Jing and Mr. Zhu Baocheng, as non-executive Directors; and Mr. Ge Songlin, 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*