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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

**If you have sold or transferred** all your shares in BAIC Motor Corporation Limited, you should at once hand this circular and the accompanying proxy form to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)**

**DISCLOSEABLE AND CONNECTED TRANSACTION  
PROPOSED DISPOSAL OF ASSETS TO BEIJING BENZ**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**

**Gram Capital Limited**

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A letter from the Board is set out on pages 5 to 18 of this circular.

A notice of the EGM to be held at 9:30 a.m. on Monday, 16 April 2018 together with the form of proxy and reply slip have been despatched to the Shareholders on Thursday, 1 March 2018 in accordance with the Listing Rules.

Whether or not you propose to attend the EGM, holders of H Shares of the Company are requested to complete and return the form of proxy in accordance with the instruction printed thereon and return it to the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or to the Board of Directors' Office of the Company at Room 3-062, Tower A, Beijing Automotive Industry Research and Development Base, No. 99 Shuanghe Street, Renhe Town, Shunyi District, Beijing, the PRC (for holders of Domestic Shares) as soon as possible but in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

In the event that you intend to attend or appoint a proxy to attend the EGM in person, you are requested to complete and return the reply slip in accordance with the instruction printed thereon and return it to the Hong Kong H share registrar of the Company, Computershare Hong Kong Investor Services Limited (for holders of H Shares), or to the Board of Directors' Office of the Company at Room 3-062, Tower A, Beijing Automotive Industry Research and Development Base, No. 99 Shuanghe Street, Renhe Town, Shunyi District, Beijing, the PRC (for holders of Domestic Shares), on or Tuesday, 27 March 2018.

\* *For identification purpose only*

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“APA” or “Independent Valuer”	means Asia-Pacific Consulting and Appraisal Limited, the Independent Valuer appointed by the Company for the purpose of the valuation of the Property and Machinery and Equipment
“Articles of Association”	means the articles of association of the Company, as amended from time to time
“Asset Transfer Agreement” or “Agreement”	means the asset transfer agreement entered into between the Company and Beijing Benz on 23 February 2018, pursuant to which the Company agreed to dispose of, and Beijing Benz agreed to purchase the Transferred Assets of the Beijing Branch of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beijing Benz”	means 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 non wholly-owned subsidiary of the Company with 51.0% equity interest owned by the Company, 49.0% directly or indirectly owned by Daimler AG
“Beijing Branch”	means the Beijing Branch of the Company
“Beijing SASAC”	means the State-Owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality
“Board”	means the board of directors of the Company
“Closing Date”	means the date when the closing under the Asset Transfer Agreement occurs
“Company”	means BAIC Motor Corporation Limited (北京汽車股份有限公司), a company limited by shares duly incorporated and validly existing under the laws of the PRC, whose H shares are listed on the Hong Kong Stock Exchange

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## DEFINITIONS

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“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”	means Daimler AG, a company established in Germany in 1886, which is a substantial shareholder (holding 10.08% interest in the Company) and a connected person of the Company
“Director(s)”	means the director(s) of the Company
“Domestic Share(s)”	means ordinary share(s) in the capital of the Company, with a nominal value of RMB1.00 each, which is/are subscribed for and credited as fully paid up in RMB
“EGM”	means the 2018 first extraordinary general meeting of BAIC Motor Corporation Limited to be convened at Multi-purpose Hall, 1st Floor, the South Tower of Beijing Automotive Industry Research and Development Base, No. 99 Shuanghe Street, Renhe Town, Shunyi District, Beijing, the PRC at 9:30 a.m. on Monday, 16 April 2018
“Gram Capital” or “Independent Financial Adviser”	means Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, and being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Asset Transfer Agreement as well as the connected transaction of the Company contemplated thereunder
“Group”	means the Company and its subsidiaries
“H Share(s)”	means overseas-listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which is/are subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	means The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Independent Board Committee”	means an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Ge Songlin, Mr. Wong Lung Tak Patrick, Mr. Bao Robert Xiaochen, Mr. Zhao Fuquan and Mr. Liu Kaixiang, which was established to advise the Independent Shareholders in relation to the Asset Transfer Agreement as well as the connected transaction of the Company contemplated thereunder
“Independent Shareholders”	means Shareholders (other than Daimler AG and its associates) who are not required to abstain from voting on the resolution to be proposed at the EGM in relation to the Asset Transfer Agreement and the connected transaction of the Company contemplated thereunder
“Latest Practicable Date”	means 16 March 2018, being the latest practicable date prior to ascertaining certain information contained in this circular
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Machinery and Equipment”	means the machinery and equipment listed in the Machinery and Equipment Valuation Report issued by APA, the Independent Valuer, in respect of the Equipment among the Transferred Assets
“PCAA” or “PRC Appraiser”	means Beijing Pan-China Assets Appraisal Co., Ltd. (北京天健興業資產評估有限公司)
“PRC” or “China”	means The People’s Republic of China, for the purpose of this circular only, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“Property”	means the properties listed in the Property Valuation Report issued by APA, the Independent Valuer, which include the Property and Land, and parts of Construction in Progress as defined in the Asset Transfer Agreement
“Retained Assets”	means all assets, properties and rights of the Beijing Branch not included in the Transferred Assets and retained by the Company

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## DEFINITIONS

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“RMB”	means Renminbi, the lawful currency of the PRC
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	means the shareholder(s) of the Company
“Shares”	means Domestic Shares and H Shares
“sq.m”	means square meter
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	means the supervisor(s) of the Company
“Transferred Assets”	means the subject of the Asset Transfer Agreement, including, without limitation, all rights, title and interests in, to and under the assets located at the production base of the Beijing Branch at No. 19, Dongying Road, Zhaofeng Industry Base, Zhaoquanying Town, Shunyi District, Beijing as set out in the Agreement, and the Assigned Contracts as of the date of the Agreement and as may be further adjusted by the Parties as agreed in the Agreement
“Transaction”	means the relevant transaction contemplated under the Asset Transfer Agreement, which constitutes a discloseable and connected transaction of the Company
“Valuation Date”	means 31 December 2017
“VAT”	means value added tax
“%”	means percentage

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## LETTER FROM THE BOARD

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**北京汽车**  
**BAIC MOTOR**

**北京汽车股份有限公司**

**BAIC MOTOR CORPORATION LIMITED\***

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

**(Stock Code: 1958)**

*Directors:*

**Name**

**Position**

Mr. Xu Heyi

*Chairman of the Board and  
non-executive Director*

Mr. Zhang Xiyong

*Non-executive Director*

Mr. Zhang Jianyong

*Non-executive Director*

Mr. Chen Hongliang

*Executive Director*

Mr. Qiu Yinfu

*Non-executive Director*

Mr. Hubertus Troska

*Non-executive Director*

Mr. Bodo Uebber

*Non-executive Director*

Mr. Guo Xianpeng

*Non-executive Director*

Ms. Wang Jing

*Non-executive Director*

Mr. Zhu Baocheng

*Non-executive Director*

Mr. Ge Songlin

*Independent non-executive Director*

Mr. Wong Lung Tak Patrick

*Independent non-executive Director*

Mr. Bao Robert Xiaochen

*Independent non-executive Director*

Mr. Zhao Fuquan

*Independent non-executive Director*

Mr. Liu Kaixiang

*Independent non-executive Director*

*Registered Address:*

A5-061, Unit 101,  
5th Floor, Building No. 1,  
Courtyard No. 99,  
Shuanghe Street,  
Shunyi District,  
Beijing,  
the PRC

*Principal place of*

*business in Hong Kong:*  
36/F, Tower Two  
Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

21 March 2018

*To the Shareholders*

### **DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED DISPOSAL OF ASSETS TO BEIJING BENZ**

#### **I. INTRODUCTION**

Reference is made to the announcement of the Company dated 23 February 2018 (the “**Announcement**”) in relation to the proposed disposal of the Transferred Assets of Beijing Branch of the Company to Beijing Benz, which is a discloseable and connected transaction of the Company pursuant to the Listing Rules.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with further information relating to the proposed disposal of the Transferred Assets to Beijing Benz and the Asset Transfer Agreement, as well as to provide you with the letter from the Independent Board Committee, the letter of advice from Gram Capital to the Independent Board Committee and Independent Shareholders, the Property Valuation Report and the Equipment and Machinery Valuation Report from APA, and other information required under the Listing Rules to enable you to make an informed decision to vote on the relevant resolution at the EGM.

### II. ASSET TRANSFER AGREEMENT

As disclosed in the Announcement, the Company and Beijing Benz, a non wholly-owned subsidiary of the Company, entered into the Asset Transfer Agreement on 23 February 2018, pursuant to which the Company agreed to dispose of, and Beijing Benz agreed to purchase, the Transferred Assets of the Beijing Branch of the Company at a consideration of RMB5,836,765,124.01 (subject to the valuation determined in the appraisal report issued by the PRC Appraiser to be approved by Beijing SASAC).

Principal terms of the Asset Transfer Agreement are set out below:

- Parties:** the Company, as the Seller  
Beijing Benz, as the Purchaser
- Date:** 23 February 2018
- Transferred Assets:** On the terms and subject to the conditions of the Agreement, the Seller agrees to sell, transfer and deliver to the Purchaser, and the Purchaser agrees to acquire and accept from the Seller, free and clear of any encumbrances (except for the third party consent required under the Assigned Contracts), all rights, title and interests in, to and under the assets located at the production base of the Beijing Branch at No. 19, Dongying Road, Zhaofeng Industry Base, Zhaoquanying Town, Shunyi District, Beijing, and the Assigned Contracts as of the date of the Agreement and as may be further adjusted by the Parties as agreed in the Agreement (collectively, the “**Transferred Assets**”), including, without limitation, the following:
- (a) all self-owned real properties and land use rights and structures thereon (the “**Property and Land**”) as set out in Appendix 1 to the Agreement;



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## LETTER FROM THE BOARD

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- (b) all construction work in progress (the “**Construction in Progress**”) as set out in Appendix 1 to the Agreement;
- (c) all inventories and spare parts, and all machines, equipment, vehicles, fixtures, furniture, supplies and tools (the “**Inventory and Equipment**”) as set out in Appendix 1 to the Agreement;
- (d) all contracts relating to the Transferred Assets as listed in Appendix 2 to the Agreement (the “**Assigned Contracts**”);
- (e) to the extent transferrable to the Purchaser under the applicable laws, all permits held by the Seller which are necessary for the Purchaser’s possession or use of the Transferred Assets (the “**Permits**”);
- (f) all claims, deposits, prepayments, refunds, causes of action for past, present or future damages for breach, infringement or misappropriation of any Transferred Assets under the Assigned Contracts; and
- (g) all books, records and other documents, including without limitation fixed asset records, technical specifications, machinery and equipment maintenance files, architectural plans, drawings and specifications and other materials relating to the Transferred Assets (collectively, the “**Technical Documentation**”).

**Consideration  
(Purchase Price):**

The aggregate consideration (“**Purchase Price**”) for the Transferred Assets is RMB5,836,765,124.01 (inclusive of VAT), subject to the valuation determined in the appraisal report to be approved by Beijing SASAC and shall be allocated among the Transferred Assets (the “**Itemized Purchase Price**”) as follows:

Property and Land:	RMB3,977,512,859.00
Construction in Progress:	RMB855,295,910.90
Inventory and Equipment:	<u>RMB1,003,956,354.11</u>
<b>Total:</b>	<u><u>RMB5,836,765,124.01</u></u>

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## LETTER FROM THE BOARD

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Such consideration was determined, in accordance with relevant regulatory requirements in the PRC, based on the exact appraised value of the Transferred Assets as at 31 October 2017, being RMB5,836,765,124.01, as set out in the *Valuation Report regarding the Proposed Disposal of Certain Assets by BAIC Motor Corporation Limited* (Tianxingpingbaozi (2017) No. 1440) issued by PAAC on 6 February 2018 based on the cost approach.

**Conditions Precedent:** The closing of the transaction contemplated under the Agreement shall occur no later than the thirtieth (30th) business day following the date when each of the conditions set out in a) through e) below is satisfied or waived by the Purchaser:

- a) the passing of resolution by the board of directors of Beijing Benz approving the execution of this Agreement, the purchase of the Transferred Assets, and any other related matters;
- b) the passing of resolutions by the shareholders' meeting and the board of directors of the Company approving the execution of this Agreement, the sale of the Transferred Assets, and any other related matters;
- c) the Seller's receipt of the Approval by Beijing SASAC of the asset appraisal report on the Transferred Assets (the "**SASAC Approval**");
- d) the issuance of the Real Property Certificates of the Property and Land registered under the name of the Purchaser;
- e) completion of relocation of the Retained Assets other than the stamping workshop rendering the Transferred Assets clean and tidy by the Seller;
- f) all representations and warranties made by the Seller in the Agreement being true and accurate in all material respects as of the date of the Agreement and as of the Closing Date; and
- g) no occurrence of a material adverse change since the date of the Agreement.

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## LETTER FROM THE BOARD

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The Seller shall be responsible for applying for and obtaining the approvals and permits from the government authorities as well as third party consents for the purpose of fulfilling the conditions precedent as set out in c) and d) above as soon as reasonably practicable after the date of the Agreement. Each Party shall provide utmost cooperation and assistance and provide in a timely manner any information and documents as required by relevant government authorities if reasonably requested by the other Party.

**Payment and Closing:**

- I. Once the Seller has received the SASAC Approval, it shall promptly notify the Purchaser in writing and provide the Purchaser with a scanned copy of the SASAC Approval. The Purchaser shall pay the Seller an amount of RMB1,752,000,000 within five (5) business days from the date of the Purchaser's receipt of the Seller's notification of the SASAC Approval.
  
- II. In the event that the Purchaser has received the real property certificates for all the Property and Land, it shall pay the Seller an amount of RMB2,685,000,000 within five (5) business days from the date when the Purchaser has received all the real property certificates. If the Purchaser has only received the real property certificates for part of the Property and Land and the Seller requests payment for the Land and Property in writing, the Purchaser shall only be obligated to pay the Seller an amount equal to RMB2,685,000,000 minus the aggregate consideration of the Property and Land for which the real property certificates have not been registered under the name of the Purchaser (excluding the structures on the Property and Land), which is calculated on the basis of the Itemized Purchase Price within five (5) business days from the date of the Purchaser's receipt of the Seller's written payment request.

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## LETTER FROM THE BOARD

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III. For the purpose of the closing, the Parties shall conduct a physical count and technical audit of the Inventory and Equipment prior to the closing and adjust the Purchase Price as follows:

- a) not less than fifteen (15) business days prior to the Closing Date, the Seller and the Purchaser shall jointly conduct a physical count and technical audit of the Inventory and Equipment and attach labels to the Inventory and Equipment to be delivered to the Purchaser on the Closing Date;
- b) the Purchaser shall provide a written technical audit report (“**Technical Report**”) to the Seller within five (5) business days after completion of the physical count and technical audit to identify the issues and deficiencies which may adversely affect the Purchaser’s use or operation of the Inventory and Equipment as well as the corrective measures that the Seller shall take as confirmed by the Parties through friendly discussions;
- c) after receipt of the Technical Report, the Seller may at its reasonable discretion decide whether to (i) take necessary corrective measures at its own cost according to the Technical Report as soon as practicable and to cure such deficiencies to the reasonable satisfaction of the Purchaser before the closing; or (ii) remove the relevant Inventory and Equipment from the scope of the Transferred Assets;
- d) following the completion of the corrective measures taken by the Seller (if any), the Purchaser shall carry out a final inspection of the Inventory and Equipment so cured by the Seller. If the Inventory and Equipment so cured by the Seller fails to meet the requirements under the Technical Report, the Purchaser shall have the right to refuse to accept such Inventory and Equipment, provided that such acceptance shall not be unreasonably withheld by the Purchaser. The relevant Inventory and Equipment so rejected by the Purchaser or removed by the Seller shall constitute part of the Retained Assets of the Seller; and

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## LETTER FROM THE BOARD

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- e) not less than two (2) business days prior to the Closing Date, the Seller and the Purchaser shall, based on the results of physical count, jointly determine the Inventory and Equipment handover list in writing. The Parties agree that the relevant Inventory and Equipment for which the Seller has not completed the corrective measures two (2) business days prior to the Closing Date shall be excluded from the Inventory and Equipment handover list and shall not constitute part of the Transferred Assets unless the Parties mutually agree otherwise. The Parties shall discuss in good faith how to deal with such excluded Inventory and Equipment after closing.
  
- f) With respect to the Property and Land which are not transferred from the Seller to the Purchaser pursuant to II above,
  - (i) if the Purchaser has received the real property certificates registered in the Purchaser's name in connection therewith two (2) business days prior to the Closing Date, the Purchaser shall make payment in the amount equal to the valuation of such Property and Land on the Closing Date; and
  
  - (ii) if the Purchaser has not received the real property certificates registered in the Purchaser's name two (2) business days prior to the Closing Date, the Seller shall continue to make its best efforts to complete the registration change after closing and the Purchaser shall make payment in the amount equal to the valuation of each Property and Land within five (5) days after the date when the Purchaser has received the relevant real property certificates registered in its name.

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## LETTER FROM THE BOARD

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- g) The purchase price payable by the Purchaser to the Seller at the Closing Date is RMB1,399,765,124.01 (x) minus the aggregate consideration of the Inventory and Equipment which are not accepted by or delivered to the Purchaser on the Inventory and Equipment handover list pursuant to III c), d) and e); (y) plus the aggregate consideration of the Property and Land for which the Purchaser has received the real property certificates registered in Purchaser's name two (2) business days prior to the Closing Date pursuant to III f) (i).

**Long Stop Date:** October 31, 2018, which may be extended for a period of three (3) months by mutual agreement of the Parties pursuant to the Agreement.

The Agreement may be terminated by either Party if the closing has not taken place on or before the long stop date due to the fault of the other Party.

**Liabilities and  
Risks during the  
Transition Period:**

The liabilities and risks in relation to the Transferred Assets and the operation of the business and the Transferred Assets shall remain with the Seller prior to the closing. To the extent that the ownership of the Transferred Assets has been transferred to the Purchaser prior to the closing, the liabilities and risks in relation to the possession and use of such Transferred Assets shall remain with the Seller, and other liabilities and risks in relation to such Transferred Assets shall be borne by the Purchaser. From the closing, the liabilities and risks in relation to the Transferred Assets and its operation shall be borne by the Purchaser.

### III. FINANCIAL INFORMATION OF THE TRANSFERRED ASSETS

To comply with relevant rules, regulations and regulatory requirements in the PRC in respect of the transfer of the State-owned assets, the Company has appointed PCAA, the PRC Appraiser, to make valuation on the whole Transferred Assets as defined in the Asset Transfer Agreement in accordance with the Basic Rules for Assets Appraisal issued by the Ministry of Finance of the PRC as well as the Code of Ethics for Asset Appraisal and Rules of Practicing for Asset Appraisal issued by China Appraisal Society.

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## LETTER FROM THE BOARD

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According to the valuation of the Transferred Assets made by PCAA based on the cost approach, the book value as well as the appraised value of the Transferred Assets as at the 31 October 2017 were as follows:

	<b>Book Value</b> <i>(RMB)</i> <i>(as at</i> <i>31 October 2017)</i>	<b>Appraised Value</b> <i>(RMB)</i> <i>(as at</i> <i>31 October 2017)</i>
<b>Property and Land</b>	2,982,353,378.88	3,977,512,859.00
<b>Construction in Progress</b>	1,102,000,891.19	855,295,910.90
<b>Inventory and Equipment</b>	<u>720,169,179.97</u>	<u>1,003,956,354.11</u>
<b>Total</b>	<u><b>4,804,523,450.04</b></u>	<u><b>5,836,765,124.01</b></u>

As at the date of the Asset Transfer Agreement, among the Transferred Assets, certain Property and Construction in Progress, Inventory and Equipment have been held by the Company for 12 months or less, the original acquisition cost (exclusive of tax) of which is RMB81.85 million, RMB27.41 million and RMB2.18 million, respectively.

#### IV. INFORMATION ON PROPERTY AND MACHINERY AND EQUIPMENT

Pursuant to the requirements of Rule 5.03 and 14A.70 (7) of the Listing Rules, the Company has appointed APA as the Independent Valuer to make valuation on the Property among the Transferred Assets, which include the Property and Land and parts of the Construction in Progress as defined in the Asset Transfer Agreement as well as the valuation report issued by the PRC Appraiser. The Property Valuation Report issued by APA in accordance with all requirements contained in Chapter 5 and Practice Note 12 of the Listing Rules and the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors, the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors as well as the International Valuation Standards published by the International Valuation Standards Council has been included in Appendix I to this circular.

According to the Property Valuation Report issued by APA, the Property comprises 2 parcels of land with a total site area of approximately 1,060,386.67 sq.m., 34 buildings and various ancillary structures erected thereon which were completed between 2013 to 2016. The buildings have a total gross floor area of approximately 384,364.32 sq.m. The buildings mainly include industrial plants, office buildings, storage houses, staff canteens, a gymnasium, a dormitory and ancillary buildings. The structures mainly include boundary walls, roads, bicycle shed, basketball court, car yards and gates. The land use rights of the Property have been granted for a term of 50 years with the expiry date of 21 May 2061 for industrial use.

Pursuant to the requirement of Rule 14A.70 (8) of the Listing Rules, as the primary significance of the Equipment among the Transferred Assets (i.e. the “Equipment” under “Inventory and Equipment” as defined in the Asset Transfer Agreement as well as the valuation

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## LETTER FROM THE BOARD

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report issued by the PRC Appraiser) is its capital value, the Company also appointed APA to make an independent valuation of such Equipment. The Equipment and Machinery Valuation Report issued by APA in accordance with the International Valuation Standards issued by the International Valuation Standards Committee and USPAP and the Uniform Standards of Professional Appraisal Practice issued by the Appraisal Standard Board (USA) has been included in Appendix II to this circular.

According to the Equipment and Machinery Valuation Report issued by APA, the Equipment mainly includes the machinery and equipment, motor vehicles, office equipment and work in progress, such as pressing machine, paint line, mechanical arm, assembly line and utilities equipment used in the manufacturing of motor vehicles. The chronological ages of the major machinery range from 1 to 6 years old. Most of major equipment were sourced and fabricated in China, Germany and Japan.

According to the valuation of the Property and Machinery and Equipment made by APA based on both the cost and market approach (for the Property) and the cost approach (for Machinery and Equipment), the appraised value of the Property and Machinery and Equipment as at the Valuation Date (i.e. 31 December 2017) as set out in the Property Valuation Report and the Equipment and Machinery Valuation Report, respectively were as follows:

	<b>Appraised Value</b> (RMB) (as at 31 December 2017)
<b>Property</b>	3,894,760,000
<b>Machinery and Equipment</b>	<u>1,152,640,000</u>
<b>Total</b>	<u><u>5,047,400,000</u></u>

The difference between the appraised value of the Transferred Assets as at 31 October 2017 as set out in the valuation report issued by the PRC Appraiser and the aggregate appraised value of the Property and Machinery and Equipment as at the Valuation Date as set out in the Property Valuation Report and the Equipment and Machinery Valuation Report issued by APA is mainly due to the following factors:

- (i) Certain Inventory, which are listed as current asset in the accounts of the Beijing Branch, has been included in the scope of the valuation report issued by the PRC Appraiser, but not been included in the scope of the Equipment and Machinery Valuation Report issued by APA. The appraised value of such Inventory as set out in the valuation report issued by the PRC Appraiser is around RMB31 million;
- (ii) Among the Transferred Assets, there are 26 buildings with a total gross floor area of approximately 48,027.77 sq.m., for which the Company is still in process of applying for the relevant title certificates. Thus, APA has attributed no commercial



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## LETTER FROM THE BOARD

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value to such 26 buildings in the valuation of the Property. However, as stated in the Property Valuation Report issued by APA, the reference value of such 26 buildings (excluding land element) as at the Valuation Date would be around RMB347 million assuming all relevant title certificates have been obtained and they could be freely transferred; and

- (iii) The appraised value of the Transferred Assets as set out in the valuation report issued by the PRC Appraiser are inclusive of the applicable VAT (in an aggregate amount of RMB425 million, which is subject to the confirmation of relevant PRC tax authority) while the appraised value of the Property and Machinery and Equipment as set out in the Property Valuation Report and the Equipment and Machinery Valuation Report issued by APA is tax exclusive.

The Company considers that (a) the Inventory listed as current asset as mentioned in (i) above has not been covered by the Equipment and Machinery Valuation Report issued by APA; and (b) there is no significant difficulty or legal impediment for obtaining the title certificates of the above-mentioned 26 buildings, thus the appraised value of the Transferred Assets as at 31 October 2017 as set out in the valuation report issued by the PRC Appraiser is a fair basis for the determination of the consideration for the Transferred Assets.

Further details of the Property as well as the Equipment and Machinery are contained in the Property Valuation Report and the Equipment and Machinery Valuation Report issued by APA as set out in Appendix I and Appendix II to this circular, respectively.

### **V. FINANCIAL EFFECT OF THE PROPOSED DISPOSAL OF THE TRANSFERRED ASSETS**

As Beijing Benz is a non wholly-owned subsidiary of the Company whose accounts are consolidated into the accounts of the Group, gains of the Company from the Transaction to be realized on the Closing Date will be offset under the consolidated accounts of the Group. Therefore, it is expected that the Transaction will have no effect on the consolidated income statement of the Group.

The sale proceeds of the Company from the proposed Transaction are intended to be used to adjust product mix and improve brand recognition as well as replenish the liquidity of the Company.

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

The Company transfers certain assets of Beijing Branch mentioned above to Beijing Benz in order to adapt to the current market development requirements, which may enable Beijing Benz to rapidly achieve an effective capacity and enlarge the arrangement in the field of new energy automobiles, thus further strengthen the profitability of Beijing Benz and optimizing the capacity allocation in the Group. Meanwhile, the Group will take this opportunity to further enhance the strategic cooperation with Daimler AG, raise the level of cooperation between the Group and the foreign advanced automobile industries, and further improve the brand recognition and international influence of the Group in the automobile market.

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## LETTER FROM THE BOARD

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### VII. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Daimler AG is a substantial shareholder (holding 10.08% interest in the Company) and connected person of the Company. Since Daimler AG also directly and indirectly holds 49% interest in Beijing Benz, a non wholly-owned subsidiary of the Company, Beijing Benz is thus a connected subsidiary of the Company pursuant to Chapter 14A of the Listing Rules. Therefore, the transaction proposed to be conducted between the Company and Beijing Benz under the Asset Transfer Agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the transaction proposed to be conducted under the Asset Transfer Agreement is more than 5%, but are all less than 25%, such transaction will constitute a discloseable and connected transaction of the Company, which is subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14 & 14A of the Listing Rules.

At the meeting of the Board where the Transaction was considered, since Mr. Hubertus Troska and Mr. Bodo Uebber, each a Director of the Company, also hold office in Daimler AG, and Mr. Xu Heyi, Mr. Zhang Jianyong and Mr. Chen Hongliang, each a Director of the Company, also hold office in Beijing Benz, all of them were deemed to have material interests in the Transaction and have abstained from voting on the resolution in relation to the Transaction. Save for the above persons, none of the other Directors has any interest in the Transaction.

### VIII. GENERAL INFORMATION

#### Information on the Company

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

#### Information on Beijing Benz

Beijing Benz (previously known as Beijing Jeep Motor Co., Ltd. and Beijing Benz-Daimler Chrysler Automotive Co., Ltd.) is a company incorporated in the PRC on 1 July 1983, a non wholly-owned subsidiary of the Company with 51.0% equity interest owned by the Company, 49.0% directly or indirectly owned by Daimler AG. Its scope of business ranges from research and development, engines and complete vehicles production and sales and related services.

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## LETTER FROM THE BOARD

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### IX. VOTES BY WAY OF POLL

Pursuant to Rules 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, the resolution set out in the notice of the EGM shall be voted by poll. Votes may be given either personally or by proxy. Results of the poll voting will be posted on the HKEXnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk after the conclusion of the EGM.

In accordance with the Listing Rules, since Daimler AG is a substantial shareholder and connected person of the Company and Daimler AG also directly and indirectly holds 49% interest in Beijing Benz, a non wholly-owned subsidiary of the Company, it was deemed to have material interest in the Transaction. Therefore, Daimler AG and its associates shall abstain from voting on the resolution in relation to the Transaction at the EGM. As at the Latest Practicable Date, Daimler AG and its associates, directly and indirectly, hold 765,818,182 H Shares of the Company (representing approximately 10.08% of the total issued share capital of the Company) with voting right.

To the best knowledge of the Directors and having made all reasonable enquiries, other than Daimler AG and its associates, no other Shareholders have material interests in the Transaction and are required to abstain from voting on the relevant resolution to be proposed at the EGM.

### X. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Asset Transfer Agreement and the connected transaction of the Company contemplated thereunder; and (ii) the letter from Gram Capital set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Asset Transfer Agreement and the connected transaction of the Company contemplated thereunder, as well as the principal factors and reasons taken into account by Gram Capital in arriving at its advice.

The Directors considered that (i) the terms and conditions of the Asset Transfer Agreement are fair and reasonable; (ii) the Transaction is on normal commercial terms; and (iii) the Transaction is in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

### XI. THE EGM

The notice convening the EGM to be held at 9:30 a.m. on Monday, 16 April 2018 at Multi-purpose Hall, 1st Floor, the South Tower of Beijing Automotive Industry Research and Development Base, No. 99 Shuanghe Street, Renhe Town, Shunyi District, Beijing, the PRC, together with the form of proxy for use at the EGM and the reply slip have been despatched to the Shareholders on Thursday, 1 March 2018 in accordance with the Listing Rules. The notice of the EGM and the form of proxy were also published on the websites of the Hong Kong Stock Exchange and the Company.

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## LETTER FROM THE BOARD

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If you wish to attend the EGM (in person or by proxy), please complete and return the reply slip to the Hong Kong H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or the Board of Director's office of the Company at Room 3-062, Tower A, Beijing Automotive Industry Research and Development Base, No. 99 Shuanghe Street, Renhe Town, Shunyi District, Beijing, the PRC (for holders of Domestic Shares) on or before Tuesday, 27 March 2018. The Company will convene a general meeting if members intending to attend the meeting hold shares with voting rights exceeding half of the total number of shares with voting rights in the Company. If not, the Company will convene the meeting by informing the shareholders once again of the matters to be examined at the meeting as well as the date and place of the meeting in the form of a public announcement or other forms prescribed by the Articles of Association within five days.

Whether or not you propose to attend the EGM, holders of H Shares of the Company are requested to complete and return the form of proxy in accordance with the instruction printed thereon and return it to the Hong Kong H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and for holders of Domestic Shares, the form of proxy shall be returned to the Board's office of the Company at Room 3-062, Tower A, Beijing Automotive Industry Research and Development Base, No. 99 Shuanghe Street, Renhe Town, Shunyi District, Beijing, the PRC as soon as possible but in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

### **XII. CLOSURE OF REGISTER OF MEMBERS**

In order to ascertain the entitlements of the Shareholders to attend the EGM, the register of members of the Company will be closed from Saturday, 17 March 2018 to Monday, 16 April 2018 (both days inclusive), during which period no transfer of Shares of the Company will be effected. To be eligible to attend and vote at the EGM, all transfer documents must be lodged with the H Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H Shares no later than 4:30 p.m. on Friday, 16 March 2018 or China Securities Depository and Clearing Corporation Limited at No. 17 Tai Ping Qiao Street, Xicheng District, Beijing, the PRC for holders of Domestic Shares no later than 4:00 p.m. on Friday, 16 March 2018.

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



北京汽车  
BAIC MOTOR

北京汽车股份有限公司  
**BAIC MOTOR CORPORATION LIMITED\***

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 1958)**

21 March 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
PROPOSED DISPOSAL OF ASSETS TO BEIJING BENZ**

We refer to the circular of the Company dated 21 March, 2018 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders as to whether the Asset Transfer Agreement as well as the connected transaction of the Company contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Gram Capital, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Asset Transfer Agreement as well as the connected transaction of the Company contemplated thereunder are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. The text of the letter of advice from Gram Capital containing their recommendations and the principal factors they have taken into account in arriving at their recommendations is set out on pages 21 to 34 of this circular.

Independent Shareholders are recommended to read the letter of advice from Gram Capital, the letter from the Board contained in the Circular as well as the additional information set out in the Appendix I, Appendix II and Appendix III to the Circular.

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms and conditions of the Asset Transfer Agreement as well as the connected transaction of the Company contemplated thereunder, the interests of the Independent Shareholders and the advice of Gram Capital, we are of the opinion that the Asset Transfer Agreement was entered into after arm's length negotiation and is on normal commercial terms, and the terms of the connected transaction of the Company contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favor of the relevant resolution to be proposed at the EGM to approve the Asset Transfer Agreement and the connected transaction of the Company contemplated thereunder.

Yours faithfully,  
For and on behalf of  
Independent Board Committee

**Mr. Ge Songlin**  
*Independent*  
*non-executive Director*

**Mr. Wong Lung Tak Patrick**  
*Independent*  
*non-executive Director*

**Mr. Bao Robert Xiaochen**  
*Independent*  
*non-executive Director*

**Mr. Zhao Fuquan**  
*Independent*  
*non-executive Director*

**Mr. Liu Kaixiang**  
*Independent*  
*non-executive Director*

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## LETTER FROM GRAM CAPITAL

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*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Asset Transfer Agreement and the transactions contemplated thereunder for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

21 March 2018

*To: The independent board committee and the independent shareholders  
of BAIC Motor Corporation Limited\**

Dear Sir/Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED DISPOSAL OF ASSETS TO BEIJING BENZ**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Asset Transfer Agreement and the transactions contemplated thereunder (i.e. the Transaction), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 21 March 2018 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 23 February 2018, the Company and Beijing Benz (being a non-wholly owned subsidiary of the Company) entered into the Asset Transfer Agreement. Pursuant to the Asset Transfer Agreement, the Company agreed to dispose of, and Beijing Benz agreed to purchase, the Transferred Assets of the Beijing Branch of the Company at a consideration of RMB5,836,765,124.01, subject to adjustment(s).

With reference to the Board Letter, the Transaction constitutes a discloseable and connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules respectively and are therefore subject to reporting, announcement, and Independent Shareholders’ approval requirements under the Listing Rules.

The Independent Board Committee comprising Mr. Ge Songlin, Mr. Wong Lung Tak Patrick, Mr. Bao Robert Xiaochen, Mr. Zhao Fuquan and Mr. Liu Kaixiang (all being independent non-executive Directors) has been established to advise the Independent

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## LETTER FROM GRAM CAPITAL

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Shareholders on (i) whether the terms of the Asset Transfer Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Transaction is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Asset Transfer Agreement and the transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Asset Transfer Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group and the Transferred Assets, and we have not been furnished with any such evaluation or appraisal, save as and except for (i) the asset valuation report on the Transferred Assets (the "**Asset Valuation Report**"); (ii) the valuation report on Property (the "**Property Valuation Report**"); and (iii) the valuation report on machinery and equipment (the "**M&E Valuation Report**", together with the Asset Valuation Report and the Property Valuation Report, the "**Valuation Reports**"). The Asset Valuation Report was prepared by Beijing Pan-China Assets



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## LETTER FROM GRAM CAPITAL

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Appraisal Co., Ltd., an independent valuer (the “**PRC Valuer**”). The Property Valuation Report and M&E Valuation Report were prepared by Asia-Pacific Consulting and Appraisal Limited, an independent valuer (the “**HK Valuer**”, collectively with PRC Valuer, the “**Valuers**”). Since we are not experts in the valuation of land, properties and/or assets, we have relied solely upon the Asset Valuation Report for the value of Transferred Assets as at 31 October 2017 (the “**Asset Appraised Value**”). We also reviewed the Property Valuation Report and M&E Valuation Report for the market value of the Property as at 31 December 2017 (the “**Property Valuation**”) and the market value of machinery and equipment as at 31 December 2017 (the “**M&E Valuation**”) for reference. In addition, we performed various works to assess bases and assumptions for each of the Valuation Reports as prepared by the PRC Valuer and the HK Valuer respectively, details of which are set out under the sub-section headed “Purchase Price and valuation” below.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Beijing Benz, Beijing Branch, Daimler AG or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transaction. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Transaction, we have taken into consideration the following principal factors and reasons:

#### **1. Background of and reasons for the Transaction**

##### *Business overview of the Group*

With reference to the Board Letter, the Company is a company limited by shares incorporated in China and is a leading manufacturer of passenger vehicles in China. The Company is engaged in the design, research and development, manufacture and sale of an

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## LETTER FROM GRAM CAPITAL

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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.

Set out below are the consolidated financial information of the Group for the six months ended 30 June 2017 and the two years ended 31 December 2016 as extracted from the interim report of the Company for the six months ended 30 June 2017 (the “**2017 Interim Report**”) and the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”):

	<b>For the six months ended 30 June 2017</b>	<b>For the year ended 31 December 2016</b>	<b>For the year ended 31 December 2015</b>	<b>Change from 2015 to 2016</b>
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)	%
Revenue	66,737,077	116,198,983	84,111,526	38.1
Profit attributable to equity holders of the Company for the period/year	985,701	6,366,930	3,318,601	91.9

As illustrated in the above table, the Group recorded a substantial increase in revenue of approximately 38.1% for the year ended 31 December 2016 (“**FY2016**”) as compared to that for the year ended 31 December 2015 (“**FY2015**”). With reference to the 2016 Annual Report, the aforesaid increase in revenue was mainly attributable to the increase in revenue from both Beijing Benz and consolidated business of the Group excluding Beijing Benz (the “**Beijing Brand**”). We also noted that the increase in revenue from Beijing Benz was mainly attributable to (i) a year-on-year increase of 26.7% in sales volume of Beijing Benz; and (ii) the increase in sales volume of models with relatively higher selling price, while the increase in revenue from Beijing Brand was mainly attributable to (i) a year-on-year increase of 35.6% in sales volume of Beijing Brand; and (ii) increased proportion of sales volume of higher price of SUV products. The Group also recorded a substantial increase in profit attributable to equity holders of the Company for FY2016 as compared to that for FY2015.

With reference to the 2017 Interim Report, the Group’s revenue was approximately RMB66,737.1 million for the six months ended 30 June 2017 and approximately RMB49,038.8 million for the corresponding period in 2016. The aforesaid increase in revenue was mainly contributed by the increase in the revenue of Beijing Benz for the six months ended 30 June 2017. Despite the increase in revenue for the six months ended 30 June 2017, the Group’s net profit attributable to equity holders of the Company decreased by approximately 59.1% as compared to that for the corresponding period in 2016.

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## LETTER FROM GRAM CAPITAL

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With reference to a profit warning announcement of the Company dated 13 February 2018, based on the preliminary review of the management accounts of the Group for the year ended 31 December 2017, the net profit attributable to the equity holders of the Company for the year ended 31 December 2017 is expected to decrease by approximately 65% as compared with the corresponding period in 2016. Please refer to the profit warning announcement for details.

### *Information on the Beijing Benz*

With reference to the Board Letter, Beijing Benz (previously known as Beijing Jeep Motor Co., Ltd. and Beijing Benz-Daimler Chrysler Automotive Co., Ltd.) is a company incorporated in the PRC on 1 July 1983. As at the Latest Practicable Date, Beijing Benz, being a subsidiary of the Company, is owned as to 51.0% by the Company and 49.0% by Daimler AG (directly and indirectly). Its scope of business ranges from research and development, engines and complete vehicles production and sales and related services.

As advised by the Directors, Beijing Benz is an important subsidiary to the Company. According to 2017 Interim Report and 2016 Annual Report, revenue derived from Beijing Benz represented approximately 87.4% and 73.4% for the six months ended 30 June 2017 and the year ended 31 December 2016 respectively.

### *Reasons for and benefits of the Disposal*

With reference to the announcement of the Company dated 5 July 2017, the Company entered into a framework agreement regarding the further investment in Beijing Benz to introduce pure electric vehicle products (the “**Framework Agreement**”) with Daimler AG. Pursuant to the Framework Agreement, for the purpose of allowing Beijing Benz to introduce pure electric vehicle products from Daimler, and setting up the production and research and development capacity of locally adapted batteries for new energy vehicles, the Company, Daimler and Daimler Greater China Limited intended to jointly increase their investments in Beijing Benz.

China is currently the world’s largest manufacturer and distributor of electric vehicles. The Chinese Government attaches great importance to the industry development of new energy vehicles. In view of the promising development prospects the new energy vehicle industry has in China, based on adequate market research and expert advice, the Company and Daimler have decided to commence cooperation for the project. The cooperation will further deepen the strategic cooperation between the Company and Daimler, and complement both of their strengths, thereby laying a strong foundation for Beijing Benz to become an important production base for pure electric vehicles in China.

As further advised by the Directors and with reference to Daimler AG’s 2017 annual report, as part of the Framework Agreement, Daimler and the Company are to prepare for the local production of battery-electric vehicles at Beijing Benz by 2020. The partners also intended to provide the infrastructure needed for the local production of battery cells in China, as well as the required research and development capacities.

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## LETTER FROM GRAM CAPITAL

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With reference to the announcement of Company dated 23 February 2018, the Company and Daimler plan to co-invest to build the new production base of high-quality premium automobile of their joint venture (i.e. Beijing Benz)(“**Plan**”). According to the Plan, the new factory will manufacture various Mercedes-Benz products in China including new energy electric vehicles, and will be equipped with the complete high-quality premium automobile manufacturing system to further improve the overall production capacity of Beijing Benz.

As such, the Directors consider that the Transaction is deemed as part of the cooperation/Plan.

With reference to the Board Letter, the Company transfers certain assets of Beijing Branch to Beijing Benz in order to adapt to the current market development requirements, which may enable Beijing Benz to rapidly achieve an effective capacity and enlarge the arrangement in the field of new energy automobiles, thus further strengthen the profitability of Beijing Benz and optimizing the capacity allocation in the Group. Meanwhile, the Group will take this opportunity to further enhance the strategic cooperation with Daimler AG, raise the level of cooperation between the Group and the foreign advanced automobile industries, and further improve the brand recognition and international influence of the Group in the automobile market.

We conducted our independent research on new energy vehicle industry and noted the followings:

In July 2014, the State Council of the PRC published 《國務院辦公廳關於加快新能源汽車推廣應用的指導意見》(The general office of the State Council’s guide on expediting the promotion and application of new energy automobile\*, the “**Guide**”) to provide detail plans and guidance on how and what the government should perform to expedite the promotion of new energy automobile, which include, among other things: (i) speeding up the construction of charging facilities for electric vehicles; (ii) encouraging enterprises to explore innovative business models in providing relevant services to new energy vehicles; (iii) improving the policy system (e.g. policies regarding subsidies, taxation, financing, vehicle registration and etc.) in supporting the development of the industry; and (iv) reinforcing technological innovation through state science and technology planning and improving national quality inspection system to ensure the safety as well as quality of new energy vehicles. Following the Guide, the Ministry of Finance of the PRC (“**MOF**”), Ministry of Science and Technology of the PRC (“**MOST**”), Ministry of Industry and Information Technology of the PRC (“**MIIT**”) and National Development and Reform Commission of the PRC (“**NDRC**”) jointly published a series of notices to optimise the policies regarding the provision of financial subsidies in the promotion of new energy automobile.

In April 2017, MIIT, NDRC and MOST jointly released 《汽車產業中長期發展規劃》(Automobile industry medium to long-term development plan\*, the “**Development Plan**”), which aims to make China a “strong” auto power within ten years by various measures. New energy vehicle is one of the key fields in leading the industrial transformation and upgrade of the automobile industry under the Development Plan. Pursuant to the Development Plan, the production and sales volume of new energy vehicles is targeted to reach 2 million in 2020.

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## LETTER FROM GRAM CAPITAL

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According to an article published by Xinhua News Agency in January 2018, the Minister (部長) of MIIT indicated the production and sales volume of new energy vehicle of the PRC reached approximately 794,000 and approximately 777,000 respectively in 2017, which ranked the first place globally for three consecutive years throughout 2015-2017. In addition, the new energy vehicle number (保有量) of the PRC amounted 1.8 million in 2017, which took up more than 50% of global new energy vehicle number (保有量).

According to the information published on eBeijing (首都之窗), the official website of the People's Government of Beijing Municipality, the scale of the new energy automobile industry of Beijing is in the leading position in the domestic market. In order to promote the development of new energy automobile industry, Beijing established 新能源汽車技術創新中心 (New Energy Automobile Technology Innovation Centre\*, the “**Innovation Centre**”) in December 2017. The Innovation Centre will establish experiment platform, research services platform and incubation platform for the technologies in relation to new energy vehicle in 2018. The above indicate that both the central government of the PRC and the Beijing local government supports the development of new energy vehicle industry.

Based on the above, we concur with the Directors that the future prospects of new energy vehicle to be positive.

With reference to the Board Letter, the sale proceeds of the Company from the Transaction are intended to be used to adjust product mix and improve brand recognition as well as replenish the liquidity of the Company.

In light of the above factors, we concur with the Directors that although the Transaction is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

### **2. Principal terms of the Asset Transfer Agreement**

**Date:** 23 February 2018

**Parties:** (a) The Seller: the Company; and  
(b) The Purchaser: Beijing Benz

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## LETTER FROM GRAM CAPITAL

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**Transferred  
Assets:**

On the terms and subject to the conditions of the Asset Transfer Agreement, the Seller agrees to sell, transfer and deliver to the Purchaser, and the Purchaser agrees to acquire and accept from the Seller, free and clear of any encumbrances (except for the third party consent required under the Assigned Contracts), all rights, title and interests in, to and under the assets located at the production base of the Beijing Branch at No. 19, Dongying Road, Zhaofeng Industry Base, Zhaoquanying Town, Shunyi District, Beijing, and the Assigned Contracts as of the date of the Asset Transfer Agreement and as may be further adjusted by the Parties as agreed in the Asset Transfer Agreement (collectively, the “**Transferred Assets**”), including, without limitation, the following:

- (i) all self-owned real properties and land use rights and structures thereon (the “**Property and Land**”) as set out in Appendix 1 to the Asset Transfer Agreement;
- (ii) all construction work in progress (the “**Construction in Progress**”) as set out in Appendix 1 to the Asset Transfer Agreement;
- (iii) all inventories and spare parts, and all machines, equipment, vehicles, fixtures, furniture, supplies and tools (the “**Inventory and Equipment**”) as set out in Appendix 1 to the Asset Transfer Agreement;
- (iv) all contracts relating to the Transferred Assets as listed in Appendix 2 to the Asset Transfer Agreement (the “**Assigned Contracts**”);
- (v) to the extent transferrable to the Purchaser under the applicable laws, all permits held by the Seller which are necessary for the Purchaser’s possession or use of the Transferred Assets (the “**Permits**”);
- (vi) all claims, deposits, prepayments, refunds, causes of action for past, present or future damages for breach, infringement or misappropriation of any Transferred Assets under the Assigned Contracts; and

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## LETTER FROM GRAM CAPITAL

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(vii) all books, records and other documents, including without limitation fixed asset records, technical specifications, machinery and equipment maintenance files, architectural plans, drawings and specifications and other materials relating to the Transferred Assets (collectively, the “**Technical Documentation**”).

**Consideration:** The aggregate consideration (“**Purchase Price**”) for the Transferred Assets is RMB5,836,765,124.01 (inclusive of VAT), subject to the valuation determined in the appraisal report to be approved by Beijing SASAC and shall be allocated among the Transferred Assets (the “**Itemized Purchase Price**”) as follows:

Property and Land:	RMB3,977,512,859.00
Construction in Progress:	RMB855,295,910.90
Inventory and Equipment:	RMB1,003,956,354.11
<b>Total:</b>	<b>RMB5,836,765,124.01</b>

For detailed terms of the Asset Transfer Agreement, please refer to the sectioned headed “Asset Transfer Agreement” of the Board Letter.

### *Purchase Price and valuation*

#### *(A) Asset Appraised Value*

With reference to the Board Letter, the consideration (i.e. the Purchase Price) was determined, in accordance with relevant regulatory requirements in the PRC, based on the exact appraised value on the Transferred Assets as at 31 October 2017, being RMB5,836,765,124.01, as set out in the Asset Valuation Report (Tianxingpingbaozi (2017) No.1440) issued by PRC Valuer on 6 February 2018 base on the cost approach.

According to the Asset Valuation Report, the Asset Appraised Value as at 31 October 2017 was RMB5,836,765,124.01, of which appraised value for (i) Property and Land was RMB3,977,512,859.00; (ii) Construction in Progress was RMB855,295,910.90; and (iii) Inventory and Equipment was RMB1,003,956,354.11. In preparing the Asset Valuation Report, PRC Valuer selected the cost approach to arrive at the Asset Appraised Value. The Purchase Price equals to the Asset Appraised Value.

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the PRC Valuer with the Company; (ii) the PRC Valuer’s qualification and experience in relation to the preparation of the Asset Valuation Report; and (iii) the steps and due diligence measures taken by the PRC Valuer for conducting the Asset Appraised Value. From the mandate letter and other relevant information provided by the PRC Valuer and based on our interview with them, we are satisfied with the terms of engagement of the PRC Valuer as well as their qualification and experience for preparation of the Asset Valuation Report. The PRC Valuer has also confirmed that they are independent to the Group, Beijing Benz, Daimler AG and their associates.

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## LETTER FROM GRAM CAPITAL

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We have further reviewed and enquired into PRC Valuer on the methodology adopted and the basis and assumptions adopted in arriving at the Asset Appraised Value in order for us to understand the Asset Valuation Report. As confirmed by the PRC Valuer, the cost approach is one of the commonly adopted approaches for valuation of assets and is also consistent with normal market practice.

During our discussion with PRC Valuer, we have not identified any major factors which caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the Asset Appraised Value.

We also noted from the Asset Valuation Report that, among other things,

- (i) the Asset Valuation Report was prepared by the PRC Valuer in accordance with various requirements/standards, including 《資產評估準則–基本準則》 (Asset Evaluation Standards – Basic Standards\*) which was issued by MOF; and
- (ii) principal reasons for the difference between book value and appraised value of Transferred Assets as at 31 October 2017.

However, Shareholders should note that valuation of assets or companies usually involves assumptions and therefore the Asset Appraised Value may or may not reflect the value of Transferred Assets as at 31 October 2017 accurately.

### *(B) Valuation of Property*

With reference to the Board Letter, to comply with the Listing Rules requirements, the Company has also engaged Asia-Pacific Consulting and Appraisal Limited as an independent valuer to perform an independent valuation of Property. According to the Property Valuation Report, the valuation of Property was valued at RMB3,894,760,000 as at 31 December 2017 (i.e. the Property Valuation).

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the HK Valuer with the Company; (ii) the HK Valuer's qualification and experience in relation to the preparation of the Property Valuation Report; and (iii) the steps and due diligence measures taken by the HK Valuer for conducting the Property Valuation. From the mandate letter and other relevant information provided by the HK Valuer and based on our interview with them, we are satisfied with the terms of engagement of the HK Valuer as well as their qualification and experience for preparation of the Property Valuation Report. The HK Valuer has also confirmed that they are independent to the Group, Beijing Benz, Daimler AG and their associates.



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## LETTER FROM GRAM CAPITAL

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With reference to the Property Valuation Report, due to the nature of the buildings and structures of the property and the particular location in which they are situated, there are unlikely relevant market comparable/sales comparables readily available. Therefore, the buildings and structures of the property has been valued by the cost approach with reference to its depreciated replacement cost, while the land portion of the property has been valued by market approach with reference of sales comparables.

We have further reviewed and enquired into the HK Valuer on the methodologies adopted and the basis and assumptions adopted in arriving at the Property Valuation in order for us to understand the Property Valuation. As confirmed by the HK Valuer, both the cost approach and market approach are commonly adopted approaches for valuation of properties and is also consistent with normal market practice.

The Property Valuation Report is set out in Appendix I to the Circular. During our discussion with the HK Valuer, we have not identified any major factors which caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the Property Valuation. However, Shareholders should note that valuation of assets usually involves assumptions and therefore the Property Valuation may or may not reflect the value of Property as at 31 December 2017 accurately.

### *(C) Valuation of machinery and equipment*

With reference to the Board Letter, to comply with the Listing Rules requirements, the Company has also engaged Asia-Pacific Consulting and Appraisal Limited as an independent valuer to perform an independent valuation of machinery and equipment. According to the M&E Valuation Report, the valuation of machinery and equipment was valued at RMB1,152,640,000 as at 31 December 2017 (i.e. the M&E Valuation).

For our due diligence purpose, we have reviewed and enquired into (i) the terms of engagement of the HK Valuer with the Company; (ii) the HK Valuer's qualification and experience in relation to the preparation of the M&E Valuation Report; and (iii) the steps and due diligence measures taken by the HK Valuer for conducting the M&E Valuation. From the mandate letter and other relevant information provided by the HK Valuer and based on our interview with them, we are satisfied with the terms of engagement of the HK Valuer as well as their qualification and experience for preparation of the M&E Valuation Report. The HK Valuer has also confirmed that they are independent to the Group, Beijing Benz, Daimler AG and their associates.

With reference to the M&E Valuation Report and as advised by the HK Valuer, due to insufficient financial data being available and limited active secondary market, the HK Valuer adopted cost approach to arrive the M&E Valuation.

We have further reviewed and enquired into the HK Valuer on the methodologies adopted and the basis and assumptions adopted in arriving at the M&E Valuation in order for us to understand the M&E Valuation. As confirmed by the HK Valuer, the cost approach is one of the commonly adopted approaches for valuation of machinery and equipment and is also consistent with normal market practice.

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## LETTER FROM GRAM CAPITAL

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The M&E Valuation Report is set out in Appendix II to the Circular. During our discussion with the HK Valuer, we have not identified any major factors which caused us to doubt the fairness and reasonableness of the principal bases and assumptions adopted for the M&E Valuation. However, Shareholders should note that valuation of assets usually involves assumptions and therefore the M&E Valuation may or may not reflect the value of Machinery and Equipment as at 31 December 2017 accurately.

*(D) Difference between the appraised values*

With reference to the Board Letter, the difference between (i) the Asset Appraised Value as at 31 October 2017; and (ii) the aggregate Property Valuation and M&E Valuation as at 31 December 2017 is mainly due to the following factors:

- (i) certain Inventory, which are listed as current asset in the accounts of the Beijing Branch, has been included in the scope of the Asset Valuation Report, but not been included in the scope of the M&E Valuation Report;
- (ii) among the Transferred Assets, there are 26 buildings with a total gross floor area of approximately 48,027.77 sq.m., for which the Company is still in process of applying for the relevant title certificates. Thus, the HK Valuer has attributed no commercial value to such 26 buildings in the valuation of the Property; and
- (iii) the Asset Appraised Value as set out in the Asset Valuation Report are inclusive of the applicable VAT, while the appraised value of the Property Valuation and M&E Valuation as set out in the Property Valuation Report and the M&E Valuation Report are tax exclusive.

We consider that we performed sufficient work to assess bases and assumptions for each of Valuation Reports as prepared by the PRC Valuer and the HK Valuer respectively, including (i) discussion with the Company and each of the Valuers regarding the background of the Transferred Assets; (ii) discussion with and understand from the Valuers regarding bases for the adoption of relevant approach for valuations; (iii) assessment of qualification and experience of the Valuers; (iv) review book values of items, enquire into and understand from Valuers the difference between the valuation and book value of such items; and (v) understand difference between valuation results of Valuation Reports prepared by each of the Valuers.

According to both 《企業國有資產評估管理暫行辦法》(Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises\*) and 《北京市企業國有資產評估管理暫行辦法》(Interim Measures for the Administration of Assessment of Beijing Municipal State-owned Assets of Enterprises\*) regarding assets assessment for asset(s) of state-owned/Beijing state-owned enterprise (the “**Measures**”), when an enterprise (i.e. state-owned/Beijing state-owned enterprise according to the Measures) conducts an economic act corresponding to the assets assessment, it shall base the pricing on the approved or filed assets assessment result (the “**Requirement for Transactions regarding SOA**”).

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## LETTER FROM GRAM CAPITAL

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Having considered the following factors,

- (i) the scope of valuation under the Asset Valuation Report covered all the Transferred Assets, while the scope of valuation under Property Valuation Report and M&E Valuation Report covered majority of the Transferred Assets;
- (ii) as confirmed by the PRC Valuer, the PRC Valuer complied with all relevant valuation standards/requirements in arriving at the Asset Appraised Value; and
- (iii) as the Asset Valuation Report was filed with Beijing SASAC to seek its approval, the Purchase Price being determined based on the Asset Appraised Value was in compliance with the Requirement for Transactions regarding SOA,

we concur with the Directors that the Purchase Price to be based on the Asset Appraised Value to be reasonable.

In light of (i) the Purchase Price equals to the Asset Appraised Value; and (ii) our work to assess bases and assumptions for each of the Valuation Reports as mentioned above, we are of the view that the Purchase Price is fair and reasonable so far as the Independent Shareholders are concerned.

### *Possible adjustment to the Purchase Price*

As mentioned above, the aggregate consideration for the Transferred Assets is RMB5,836,765,124.01 (inclusive of VAT), subject to the valuation determined in the appraisal report to be approved by Beijing SASAC (the “**Approved Valuation Results**”). As confirmed by the Directors, if there is any discrepancy between the preliminary Asset Appraised Value and Beijing SASAC approved valuation results, the Purchase Price shall be adjusted to the Approved Valuation Results.

For the purpose of the closing, the Parties shall conduct a physical count and technical audit of the Inventory and Equipment prior to the closing and adjust the Purchase Price. Details of the procedures and relevant adjustment are set out under the sub-section headed “Payment and closing” of the Board Letter.

Having considered that the possible adjustment will be made in accordance with (i) Approved Valuation Results; (ii) the Inventory and Equipment which are not accepted by or delivered to the Purchaser after the physical count and technical audit (the “**Excluded Inventory and Equipment**”) (if this being the case, the Excluded Inventory and Equipment will be removed from the scope of Transferred Assets); and (iii) Property and Land for which the real property certificates have not been registered under the name of the Purchaser (excluding the structures on the Property and Land) and such amount will be settled by Purchaser after such certificates being registered in Purchaser’s name, we do not doubt the reasonableness of the possible adjustments as set out under the sub-section headed “Payment and closing” of the Board Letter.

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## LETTER FROM GRAM CAPITAL

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Taking into account the above factors and having reviewed the principal terms of the Asset Transfer Agreement, we consider that the terms of the Asset Transfer Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### 3. Possible financial effects of the Transaction

With reference to the Board Letter and as confirmed by the Directors, as Beijing Benz is a non-wholly owned subsidiary of the Company whose accounts are consolidated into the accounts of the Group, gains of the Company from the Transaction to be realized on the Closing Date will be offset under the consolidated accounts of the Group. Therefore, it is expected that the Transaction will have no effect on the consolidated income statement of the Group.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Transaction.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Asset Transfer Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Transaction is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Asset Transfer Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

\* *For identification purpose only*

*The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Asia-Pacific Consulting and Appraisal Limited, an independent valuer, in connection with its valuation as at 31 December 2017 of the property interest of the Group.*



**亚太评估**

Asia-Pacific Consulting and Appraisal Limited  
Room 1501(112), 15F, SPA Centre,  
53-55 Lockhart Road,  
Wanchai Hong Kong

21 March 2018

The Board of Directors  
BAIC Motor Corporation Limited  
A5-061, Unit 101, 5th Floor, Building No. 1,  
Courtyard No. 99, Shuanghe Street,  
Shunyi District, Beijing,  
the PRC

Dear Sirs,

#### **Instructions, Purpose and Date of Valuation**

Asia-Pacific Consulting and Appraisal Limited (“APA” or “we”) is instructed by BAIC Motor Corporation Limited (the “Company”) to provide valuation service on one property located in Beijing of the People’s Republic of China (the “PRC”) for disclosure purpose. The property is held by BAIC Motor Corporation Limited (北京汽車股份有限公司), a company limited by shares duly incorporated and validly existing under the laws of the PRC, whose H shares are listed on the Hong Kong Stock Exchange. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing our opinion of the market value of the property interest as at 31 December 2017 (the “valuation date”).

#### **Basis of Valuation**

Our valuation of the property interest represents the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

**Methods of Valuation**

Due to the nature of the buildings and structures of the property and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interest has been valued by the cost approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

**Valuation Assumptions**

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

**Valuation Standards**

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

**Source of Information**

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure and all other relevant matters. Dimensions and measurements are based on the copies of documents collected from the Company and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also been advised by the Company that no material factors have been omitted from the information to reach an informed view and we have had no reason to suspect that any material information has been withheld.

#### **Document and Title Investigation**

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and other title documents relating to the property interest and have made relevant enquiries. However, we have not searched the original documents to verify the ownership or to ascertain any amendment. We have relied to a very considerable extent on the information given by the Company, and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

#### **Area Measurement and Inspection**

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 24 January 2018 by Ms. Jasper Jia, a member of RICS and has over 9 years' experience in property valuation in the PRC; and Ms. Sophia Xi who has 3 years' experience in property valuation in the PRC.

#### **Currency**

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached.

Yours faithfully,  
for and on behalf of  
**Asia-Pacific Consulting and Appraisal Limited**  
**David G.D. Cheng**  
*MRICS*  
*Executive Director*

*Note:* David G.D. Cheng is a Chartered Surveyor who has 17 years' experience in the valuation of assets in the PRC, Hong Kong and the Asia-Pacific region.

## VALUATION CERTIFICATE

## Property interest held by the Company for owner occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2017 RMB
2 parcels of land, 34 buildings and various structures located at No. 19 Dongying Road, Zhaofeng Industry Base, Zhaokuanying Town, Shunyi District, Beijing, the PRC	<p>The property comprises 2 parcels of land with a total site area of approximately 1,060,386.67 sq.m., 34 buildings and various ancillary structures erected thereon which were completed between 2013 to 2016. The locality is well served with public transportation at the moment and there are some public facilities nearby. Besides, there are some industrial and residential buildings in the surrounding area with retail facilities.</p> <p>The buildings have a total gross floor area of approximately 384,364.32 sq.m.</p> <p>The buildings mainly include industrial plants, office buildings, storage houses, staff canteens, a gymnasium, a dormitory and ancillary buildings.</p> <p>The structures mainly include boundary walls, roads, bicycle shed, basketball court, car yards and gates.</p> <p>The land use rights of the property have been granted for a term of 50 years with the expiry date of 21 May 2061 for industrial use.</p>	The property is currently occupied by the Company for industrial purpose.	3,894,760,000

*Notes:*

1. Pursuant to 2 State-owned Land Use Rights Certificates – Jing Shun Guo Yong (2011 Chu) Nos. 00095 and 00096 dated on 29 August 2011 issued by The People’s Government of Beijing Municipality Shunyi District, the land use rights of the 2 parcels of land with a total site area of approximately 1,060,386.67 sq.m. have been granted to BAIC Motor Corporation Limited for industrial use for a term expiring on 21 May 2061.
2. Pursuant to a Building Ownership Certificate – X Jing Fang Quan Zheng Shun Zi Di No. 307079, 8 buildings with a total gross floor area approximately 336,336.55 sq.m. are owned by BAIC Motor Corporation Limited.
3. For the remaining 26 buildings with a total gross floor area of approximately 48,027.77 sq.m., we have not been provided with any title certificates except for the following documents:
  - a. Pursuant to 2 Construction Work Planning Permits – Jian Zi Di Nos. 110113201200014 and 110113201700088 in favour of BAIC Motor Corporation Limited, the 26 buildings of the property have been approved for construction.
  - b. Pursuant to 5 Construction Work Commencement Permits – Nos. [2012] Shi Jian Zi 0639, 0640 and 1051, [2013] Shi Jian Zi 0876, [2014] Shi Jian Zi 0098 in favour of BAIC Motor Corporation Limited, permission by the relevant local authority was given to commence the construction work of 24 buildings of the property with a total gross floor area of approximately 47,145.77 sq.m..
4. As advised by the Company, the Company is in process of applying for the relevant title certificates for the 26 buildings mentioned in note 3.



5. In the valuation of this property, we have attributed no commercial value to the 26 buildings of the property mentioned in note 3 which have not been obtained any proper title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding land element) as at the valuation date would be RMB346,920,000 assuming all relevant title certificates have been obtained and they could be freely transferred.
  
6. A summary of major certificates/approvals is shown as follows:
  - a. State-owned Land Use Rights Certificates            Yes
  - b. Building Ownership Certificates                        Yes
  - c. Construction Work Planning Permit                    Yes
  - d. Construction Work Commencement Permit            Portion

*The following is the text of a letter and summary of values prepared for the purpose of incorporation in this circular received from Asia-Pacific Consulting and Appraisal Limited, an independent valuer, in connection with its valuation as at 31 December 2017 of the machinery and equipment interests to be disposed by the Company.*



**亚太评估**

Asia-Pacific Consulting and Appraisal Limited  
Room 1501(112), 15F, SPA Centre,  
53-55 Lockhart Road,  
Wanchai Hong Kong

21 March 2018

The Board of Directors  
BAIC Motor Corporation Limited  
A5-061, Unit 101, 5th Floor, Building No.1,  
Courtyard No. 99, Shuanghe Street,  
Shunyi District, Beijing  
The PRC

Dear Sirs,

In accordance with your instructions, we have undertaken a retrospective valuation to determine the values of machinery & equipment, motor vehicles, office equipment and work in progress belonging to BAIC Motor Corporation Limited Beijing Branch (Beijing Branch), which is located in Shunyi District, Beijing City, the PRC.

The purpose of the appraisal is to estimate the Market Value as of 31 December 2017 and it is our understanding that these values will be utilized for circular reference.

This valuation report outlines our latest findings and conclusion. Based on the results of our investigations outlined in the report which follows, it is our opinion that the valuation of the above asset is:–

**RMB1,152,640,000 (RENMINBI ONE BILLION ONE HUNDRED AND FIFTY-TWO MILLION SIX HUNDRED AND FORTY THOUSAND)**, which fairly represents the market value of the machinery and equipment as at 31 December 2017.

This report is issued subject to our limiting conditions as attached.

Yours faithfully,  
for and on behalf of  
**Asia-Pacific Consulting and Appraisal Limited**  
**Jack Wenjie. Li**  
*MBA MRICS CFA*  
*Executive Director*

*Note:* Jack Wenjie. Li is a Chartered Surveyor who has 12 years' experience in the valuation of assets in the PRC, Hong Kong and the Asia-Pacific region.

## 1.0 INTRODUCTION

This report has been prepared in accordance with instructions from BAIC Motor Corporation Limited (the Company) to express an independent opinion on the market value of machinery and equipment (the “Assets”) belonging to BAIC Motor Corporation Limited Beijing Branch as at 31 December 2017 (the “Valuation Date”). The report dated 21 March 2018 (the “Report Date”) follows:

### 1.1 Purpose of Valuation

This report is to express an independent opinion on the market value of the Machinery and Equipment Assets as at the Valuation Date.

The purpose of the appraisal is to estimate the Market Value as of 31 December 2017 and it is our understanding that these values will be utilized for circular reference.

The scope of this assignment included physical inspection of the manufacturing facility located in Shunyi District, Beijing City, the PRC.

## 2.0 BASIS OF VALUE

We have adopted the **Market Value In Continued Use** as being the most appropriate, in accordance with the following definition:–

**Market Value** is defined herein as “the estimated amount at which the subject assets should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing where in the parties had each acted knowledgeably, prudently, and without compulsion.”

**Market Value In Continued Use** is further defined as amount of money at which a given property would change hands between a willing buyer and a willing seller, in an appropriate marketplace, when neither is acting under compulsion and when both have reasonable knowledge of relevant facts, including installation and other turnkey costs and assumes that earnings support the value reported. (*source: American Society of Appraisers*)

**Market Value In Continued Use** does not represent the amount that might be realised in the event of piecemeal disposition of the assets in the open market or from any alternative use to which they may be put.

### **3.0 BASIS OF OPINION**

We have conducted our valuation in accordance with the International Valuation Standards issued by the International Valuation Standards Committee and USPAP, the Uniform Standards of Professional Appraisal Practice issued by the Appraisal Standard Board (USA). The valuation procedures employed include the review of physical and economic condition of the subject asset, an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the subject asset. All matters we consider essential to the proper understanding of the valuation will be disclosed in the valuation report.

We planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that the valuation procedures we employed provide a reasonable basis for our opinion.

This investigation is concerned solely with the values of the appraised machinery and equipment and our opinion of value is not related to the earning capacity of the business. It is assumed that prospective earnings are adequate to support the concluded value of the machinery and equipment plus the value of other assets not included in this valuation, and sufficient net working capital. It does not attempt to arrive at the value of Beijing Branch as a total business entity.

### **4.0 VALUATION METHODOLOGY**

There are three generally accepted approaches to value, namely:

#### **4.1 The Market Approach**

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised machinery and equipment relative to the market comparative. Assets for which there is an established used market may be appraised by this approach.

#### **4.2 The Income Approach**

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets.

#### **4.3 The Cost Approach**

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence present (physical, functional or economical), taking into consideration past and present maintenance policy and rebuilding history. The cost approach generally furnishes the most reliable indication of value for assets without a known used market.

*Reproduction Cost New* – is the estimated amount of money needed to acquire in like kind and in new condition an asset or group of assets taking into consideration current prices of materials, manufactured equipment, labour, contractor’s overhead, profit and fees, and all other attendant costs associated with its acquisition, but without provision for overtime or bonuses for labour and premium for materials.

*Replacement Cost New* – is the amount required to replace property with a modern new unit utilizing the most current technology and construction materials that will duplicate the product capacity and utility of an existing unit at current market prices for materials, labour and manufactured equipment, contractor’s overhead and profit, and fees, but without provision for overtime or bonuses for labour and premiums for material or equipment based upon replacing the entire property at one time.

*Physical Depreciation* – the loss in value or usefulness of a property due to the using up or expiration of its useful life caused by wear and tear, deterioration, exposure to various elements, physical stresses, and similar factors.

*Functional Obsolescence* – the loss in value or usefulness of a property caused by inefficiencies or inadequacies of the property itself, when compared to a more efficient or less costly replacement property than new technology has developed.

*Economic Obsolescence* – the loss in value or usefulness of a property caused by factors external to the assets. These factors include increased cost of raw materials, labour or utilities, reduced demand for the product; increased competition; environmental or other regulation; or similar factors.

## 5.0 ANALYSIS

In accordance to valuation procedures, all valuation approaches must be considered, as one or more approaches may be applicable to the subject asset. In certain situations, elements of the three approaches may be combined to reach a value conclusion. However, the relative strength, applicability, and significance of the approaches and their resulting values must be analysed and reconciled.

In estimating the value of the assets, the market approach was primarily utilized for those assets where an active secondary market exists. Verified market comparables is the best proof of transacted value as it reflects the dynamics of secondary market. Factors such as the availability and desirability of particular types of machines are vital consideration, as supply and demand is an influencing factor on the transactions.

For all other assets without active secondary market, we relied on the cost approach, where an estimate is made on the cost of reproduction new or replacement cost, less allowance for depreciation or loss of value arising from condition, utility, age, wear and tear, and obsolescence, taking into consideration past and present maintenance policy, and rebuilding history, if any, and current utilization.

In situation where we can identify and collect sufficient data on certain equipment that has direct contribution to the revenue generation, the income approach will be applied as part of the cross-checking procedure with the result from the cost approach and the market approach in arriving at our conclusion of value.

### 5.1 Valuation Procedure

The assets appraised in this report include machinery and equipment, motor vehicles, office equipment and work in progress.

We have not included in this appraisal raw materials, finished and in-process products, equipment under operating leases, or the property of others.

Our procedure began with an inspection of the subject assets located in Shunyi District, Beijing City, the PRC.

The machinery and equipment were investigated in detail at the time of physical inspection and recorded not only the specification of the assets but also noted the age, condition, degree of functional utility, current use, and the accessory equipment which form part of the assets.

Upon completion of the physical inspection, we discuss with plant maintenance personnel to determine maintenance procedures adopted at the facility, modifications which may have occurred to the equipment over its years of use, unusual operating conditions, the manufacturing processes and changes in technology which could have an impact on the obsolescence, and any other information available which may be relevant to the valuation process.

Information concerning special machinery which was built in-house by plant personnel or constructed by outside contractors to the specific requirements of the manufacturing process was also obtained from the subject company.

We began the valuation phase by considering the various approaches of valuation.

Where assets being appraised have active secondary markets, with comparables readily available in the marketplace, we have utilized the *market approach* for our value conclusion. To arrive at the *market value in continued use* from the market approach, we must consider additional costs that are typical in the industry. These costs may include many of the same costs that are properly capitalized for new assets, such as electrical wiring, piping, foundations, support structures, insulation, and finishes; direct costs, such as sales taxes, import duty, crating, and freight and handling charges; installation costs; modification or overhaul costs; general contractors' costs; and indirect costs, such as engineering, design, and purchasing costs.

Where active secondary market does not exist, we have valued the assets by using the *cost approach*. We began by developing current *replacement cost new* for similar or equivalent units according to prices we obtained from the manufacturer, its authorized dealers, or our in-house database. To arrive at the fully installed *replacement cost new*, we combined it with estimates of any additional material costs, such as electrical wiring, piping, foundations, support structures, and insulation and finishes; direct costs, including import duty, and freight and handling charges; installation costs; general contractors' costs; and indirect costs, such as engineering, design, and purchasing.

We have valued the non-inspected assets by using original costs which were indexed using appropriate equipment cost trend multipliers. These multipliers are based on statistical information from government and private industry and we applied it to the original cost to obtain replacement/reproduction cost new.

The next step in the *cost approach* is to assess the physical deterioration of the assets by determining its *effective age*. In determining the effective age of the equipment, we have considered the observed condition in relation to its chronological age; whether or not maintenance was adequate for the period of use; and the effects of any technological changes on the equipment's life expectancy. *Effective age* is the number of years of apparent age, based on the observed condition and the amount of wear and tear experienced during its life.

Decrease in useful life is normally quantified through an *age-life analysis* which measures the loss in value due to the reduction in normal useful life, which is the first cause in measuring physical depreciation. Normal useful life ranges are adopted from data published by the China Appraisal Society and expected life tables developed in the USA. Considering both the reduced useful life and the decline in utility enables us to quantify the physical depreciation of the asset.

Apart from measuring depreciation of physical characteristics, we must consider other forms of depreciation in arriving at an overall depreciation, namely *functional* and *economic* obsolescence.

*Functional obsolescence* is the impairment of functional capacity or efficiency caused by factors inherent in the property. These factors include but are not limited to such items as changes in current technology, discovery of new and improved materials, improved manufacturing processes, under-or over-capacities, production rates, and highest and best use.

*Economic obsolescence* is the loss in value or usefulness of a property caused by factors external to the assets. These factors include increased cost of raw materials, labour or utilities, reduced demand for the product; increased competition; environmental or other regulation; or similar factors.

The final step in the *cost approach* is to deduct the physical depreciation, functional and economic obsolescence from the *replacement cost new* to conclude at the *market value in continued use*.



For this exercise, we have considered and excluded the income approach due to insufficient financial data being available, and we have considered and excluded the market approach due to lack of active secondary market for the assets. We have used the cost approach in arriving at our estimate of *market value in continued use*.

## 6.0 BACKGROUND

As disclosed in the announcement of BAIC Motor Corporation Limited, BAIC and Beijing Benz, a non wholly-owned subsidiary of BAIC, entered into an asset transfer agreement, pursuant to which BAIC agreed to dispose of certain assets of its Beijing Branch to Beijing Benz.

The subject company, BAIC Motor Corporation Limited Beijing Branch was established in December 2010. The plant is located at Zhaoquanying County, Shunyi District, Beijing, the PRC. Its scope of business ranges from research and development, engines and complete vehicles production and sales and related services.

Beijing Benz (previously known as Beijing Jeep Motor Co., Ltd. and Beijing Benz-Daimler Chrysler Automotive Co., Ltd.) is a company incorporated in the PRC on 1 July 1983, a subsidiary of BAIC with 51.0% equity interest owned by BAIC, 49% directly or indirectly owned by Daimler AG. Its scope of business ranges from research and development, engines and complete vehicles production and sales and related services.

## 7.0 ASSETS REVIEWED

The assets under review comprise mainly of machinery and equipment such as pressing machine, paint line, mechanical arm, assembly line and utilities equipment used in the manufacturing of motor vehicles.



**Pressing machines**



**Paint line**



**Mechanical arms**



**Assembly line**

The chronological ages of the major machinery range from 1 to 6 years old. Most of major equipment were sourced and fabricated in China, Germany and Japan. Our inspection reveals that the machinery and equipment are mostly of standard manufacture.

## **8.0 FINDINGS**

### **8.1 Inspection**

We have carried out inspection of the assets from 24 to 26 January 2018 in Beijing, the PRC. During our inspection, we have been provided with a listing of the machinery & equipment. We have relied considerably on this plus on other information such as equipment specifications and other documents provided to us. We have not carried out a full mechanical survey, nor have inspected other machinery and equipment, which are covered, unexposed or inaccessible, and our assessments on these non-inspected assets are based on the premise that these items are in a condition that commensurate with age and usage.

### **8.2 Conditions of the Equipment**

We have inspected the major machinery and based on our observation found that most of them were in use and in fair operational condition. Review of the mechanical and internal conditions of the equipment with company personnel revealed that there were no items reported to us as having any mechanical problems.

We also found that the equipment in the plant were adequately maintained under a preventive maintenance policy. Review of standard operating and maintenance procedures show that the maintenance staff has the documentation, general information and procedures in place for the maintenance of each major unit.

In arriving at our valuation, we have not investigated the title nor any liabilities affecting the equipment. No consideration was made for any outstanding amount owed under financing agreements, if any.

### 8.3 Exclusion

We have excluded in this valuation: land, buildings, other land improvements, spare parts, stocks, company records or any current or intangible assets.

### 9.0 OPINION OF VALUE

Based on the results of our inspection and findings, it is our opinion that

**RMB1,152,640,000 (RENMINBI ONE BILLION ONE HUNDRED AND FIFTY-TWO MILLION SIX HUNDRED AND FORTY THOUSAND)**, fairly represents the market value of the machinery and equipment as at 31 December 2017.

A breakdown is shown in the attached schedule of assets.

#### Limiting conditions

This report is subject to our standard Limiting Conditions as attached.

We have made no investigation of, and assume no responsibility for titles to, or liabilities against the property appraised.

WE HEREBY CERTIFY that we have neither present nor prospective interest in the property appraised, or in the values reported.

Yours faithfully,  
for and on behalf of  
**Asia-Pacific Consulting and Appraisal Limited**  
**Jack Wenjie. Li**  
*MBA MRICS CFA*  
*Executive Director*

*Note:* Jack Wenjie. Li is a Chartered Surveyor who has 12 years' experience in the valuation of assets in the PRC, Hong Kong and the Asia-Pacific region.

## 10.0 SUMMARY OF VALUES

## SUMMARY OF VALUES

**Valuation Date:** 31 December 2017

**Subject Company:** BAIC Motor Corporation Limited Beijing Branch

	Acq. Cost	NBV	Market Value
	(RMB)	(RMB)	(RMB) (VAT excluded)
Machinery & Equipment	1,211,151,672.96	651,485,239.79	792,998,000
Motor Vehicles	21,671,142.85	12,624,230.63	16,516,000
Office Equipment	20,425,371.09	6,204,424.22	8,162,000
Work in Progress	–	356,977,256.95	334,967,000
Total	<u><u>1,253,248,186.90</u></u>	<u><u>1,029,291,151.60</u></u>	<u><u>1,152,643,000</u></u>

Rounded to **1,152,640,000**

## 11.0 LIMITING CONDITIONS

1. We have disregarded any existing liabilities, liens and encumbrances against or titles to the property appraised and assume no responsibility for these matters.
2. In the inventory, machinery and/or equipment were listed as complete units and were meant to include all parts and accessories normally comprising the unit.
3. We have totally disregarded such items that, in our opinion, have no practical take-up value or are normally charged as operating expenses.
4. Our conclusions assume continuation of prudent management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions after the Valuation Date.
5. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information give a true and fair view and have been prepared in accordance with the relevant companies ordinance.
6. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

7. The management of the Company has reviewed and agreed on the valuation report and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.
8. Asia-Pacific Consulting and Appraisal Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation, with reference to the project described herein unless prior arrangements have been made.
9. No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers.
10. The use of and/or the reliance of the valuation report is subject to the terms of engagement letter/proposal and the full settlement of the fees.
11. This valuation report has been prepared solely for the use of the directors. The valuation report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent. We shall not under any circumstances whatsoever be liable to any third party except where we specifically agreed in writing to accept such liability.
12. This report is confidential to the client and the opinion of value expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the valuation date. In accordance with our standard practice, we must state that this report and valuation exercise is for the use only by the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.
13. Where a distinct and definite representation has been made to us by party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation if such investigation is beyond the scope of normal business valuation work.
14. We are not environmental consultants or auditors, and we take no responsibility for any actual or potential environmental liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional environmental assessment. We do not conduct or provide environmental assessments and have not performed one for the subject property.
15. This report and the conclusion of value arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusion of value are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusion of value represents the consideration, based on information furnished by the Company and other sources.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, and to the best knowledge of the Directors, the following entities/persons (except for the Directors, Supervisors and senior management) have interests or short positions in the Shares or underlying shares which are required to be disclosed to the Company according to Divisions 2 and 3 in Part XV of SFO or recorded in the register required to be kept under section 336 of the SFO, or who were directly and/or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings:

Name of Shareholder	Type of Share	Amount of share/ relevant share amount <sup>(Note 1)</sup>	Percentages to relevant share capital types (%) <sup>(Note 2)</sup>	Percentages to the total share capital (%)
BAIC Group	Domestic Shares	3,416,659,704 (L)	62.18	44.98
Beijing Shougang Company Limited (北京首鋼股份有限公司)	Domestic Shares	1,028,748,707 (L)	18.72	13.54
Shenzhen Benyuan Jinghong Equity Investment Fund (Limited Partner) (深圳市本源晶鴻股權投資 基金企業(有限合夥))	Domestic Shares	342,138,918 (L)	6.23	4.50
Daimler AG	H Share	765,818,182 (L)	36.46	10.08

- (L) – Long position, (S) – Short position;
- The percentage is calculated by the amount of shares held by relevant person/the amount of relevant types of shares issued as at the Latest Practicable Date.

### **3. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES**

As at the Latest Practicable Date, none of the Directors, the Supervisors or the chief executive had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were: (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 in Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO); or (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Hong Kong Stock.

### **4. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS AND/OR CONTRACTS**

As at the Latest Practicable Date, none of the Directors or the Supervisors had any direct or indirect interest in any assets which have been, since 31 December 2016, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or the Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

### **5. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

The Company has entered into service contracts with all of the Directors and the Supervisors. As at the Latest Practicable Date, none of the Directors or the Supervisors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

## 6. DIRECTORS' AND SUPERVISORS' POSITIONS IN SUBSTANTIAL SHAREHOLDERS

Save as disclosed in "9. COMPETING INTERESTS" in Appendix II to this circular, as at the Latest Practicable Date, the following Directors and the Supervisors were in the employment of those companies which had interests or short positions in the shares or underlying shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of the Director/ Supervisor	Position in the specific company
Mr. Qiu Yinfu	Director of Beijing Shougang Company Limited
Mr. Hubertus Troska	Member of the board of management of Daimler AG
Mr. Bodo Uebber	Member of the board of management of Daimler AG

## 7. LITIGATION

As at the Latest Practicable Date, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against our Company.

## 8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited accounts of the Company were made up.

## 9. COMPETING INTERESTS

The chart below summarizes the information of the Directors and Supervisors serving in BAIC Group and its subsidiaries as at the Latest Practicable Date.

Name	Major positions in the Group	Major positions within BAIC Group and its subsidiaries
Mr. Xu Heyi	<ul style="list-style-type: none"> <li>• Chairman of the Board and non-executive Director of the Company</li> <li>• Chairman of the board of directors of Beijing Benz</li> <li>• Chairman of the board of directors of Fujian Benz Automotive Co., Ltd. (福建奔馳汽車有限公司)</li> </ul>	<ul style="list-style-type: none"> <li>• Chairman of the board of directors of BAIC Group</li> <li>• Chairman of the board of directors of Beijing Electric Vehicle Co., Ltd. (北京新能源汽車股份有限公司)</li> </ul>



Name	Major positions in the Group	Major positions within BAIC Group and its subsidiaries
Mr. Zhang Xiyong	<ul style="list-style-type: none"> <li>• Non-executive Director of the Company</li> </ul>	<ul style="list-style-type: none"> <li>• Director and general manager of BAIC Group</li> <li>• Chairman of the board of directors of Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司)</li> </ul>
Mr. Zhang Jianyong	<ul style="list-style-type: none"> <li>• Non-executive Director of the Company</li> <li>• Director of Beijing Benz</li> </ul>	<ul style="list-style-type: none"> <li>• Deputy general manager of BAIC Group</li> <li>• Director of Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司)</li> <li>• Chairman of the board of directors of BAIC Group Finance Co., Ltd. (北京汽車集團財務有限公司)</li> <li>• Executive director of BAIC Group Industrial Investment Co., Ltd. (北京汽車集團產業投資有限公司)</li> <li>• Director of Bank of Jiujiang (九江銀行)</li> </ul>
Mr. Qiu Yinfu	<ul style="list-style-type: none"> <li>• Non-executive Director of the Company</li> <li>• Director of BAIC Investment Co., Ltd. (北京汽車投資有限公司)</li> </ul>	<ul style="list-style-type: none"> <li>• Director of Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司)</li> </ul>
Ms. Wang Jing	<ul style="list-style-type: none"> <li>• Non-executive Director of the Company</li> </ul>	<ul style="list-style-type: none"> <li>• Director of Beijing Electric Vehicle Co., Ltd. (北京新能源汽車股份有限公司)</li> </ul>
Mr. Wang Min	<ul style="list-style-type: none"> <li>• Supervisor of the Company</li> </ul>	<ul style="list-style-type: none"> <li>• Supervisor of BAIC Asset Operation and Management Co., Ltd. (北京汽車資產經營管理有限公司)</li> </ul>

Name	Major positions in the Group	Major positions within BAIC Group and its subsidiaries
Mr. Jiang Dali	<ul style="list-style-type: none"> <li>• Supervisor of the Company</li> </ul>	<ul style="list-style-type: none"> <li>• Director of Beijing Electric Vehicle Co., Ltd. (北京新能源汽车股份有限公司)</li> <li>• Director of Beijing Hainachuan Automobile Components Corporation Limited (北京海納川汽車部件股份有限公司)</li> </ul>

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the Supervisors or their respective close associates was interested in any business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the business of the Group.

#### 10. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualifications of the experts who have given advice or recommendations, which are contained in this circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
APA	Independent Valuer

At the Latest Practicable Date, each of Gram Capital and APA has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

#### 11. EXPERT'S INTERESTS

At the Latest Practicable Date, neither Gram Capital nor APA:

- (1) had any direct or indirect interest in any assets which have been, since 31 December 2016, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (2) had any shareholding in any member of the Group or the rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities in any member of the Group.

**12. MISCELLANEOUS**

- (1) Ms. Mok Ming Wai from TMF Hong Kong Limited, external service provider, has been engaged by the Company as the assistant to Company Secretary of the Company. The primary contact person of the Company is Mr. Gu Xin, Secretary to the Board and Company Secretary of the Company.
- (2) The registered address of the Company is A5-061, Unit 101, 5th Floor, Building No.1, Courtyard No.99, Shuanghe Street, Shunyi District, Beijing, the PRC. The Group is principally engaged in the manufacturing and sales of passenger vehicles, engines and auto parts in the PRC.
- (3) The H share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited located at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (4) The English version of the circular shall prevail over the Chinese version in the event of inconsistency.

**13. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 36/F, Tower two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the EGM:

- (1) the Asset Transfer Agreement;
- (2) the letter from the Independent Board Committee, the text of which is set out on pages 19 to 20 of this circular;
- (3) the letter from Gram Capital, the Independent Financial Adviser, the text of which is set out on pages 21 to 34 of this circular;
- (4) the Property Valuation Report issued by APA, the Independent Valuer, the text of which is set out on pages 35 to 39 of this circular;
- (5) the Equipment and Machinery Valuation Report issued by APA, the Independent Valuer, the text of which is set out on pages 40 to 51 of this circular;
- (6) written consents issued by Gram Capital and APA referred to in the paragraph headed "Expert's Qualification and Consent" above; and
- (7) this circular.