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北京汽车
BAIC MOTOR

北京汽車股份有限公司

BAIC MOTOR CORPORATION LIMITED*

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

(Stock Code: 1958)

CONNECTED TRANSACTION IN RELATION TO THE CAPITAL INCREASE TO MBLC

The Board announces that, on 25 April 2018, the Company and DGRC entered into the Capital Increase Agreement, pursuant to which, the Company and DGRC agreed to contribute an aggregate amount of RMB1,500,000,000 to MBLC in proportion to their respective shareholding in MBLC. Of which, DGRC will contribute RMB975,000,000, representing 65% of the amount under the Capital Increase, while the Company will contribute RMB525,000,000, representing 35% of the amount under the Capital Increase. Upon completion of the Capital Increase, the registered capital of MBLC will be increased from RMB2,097,538,461.54 to RMB3,597,538,461.54.

As at the date of this announcement, Daimler AG holds 10.08% equity interests in the Company, and thus it is a substantial shareholder of the Company. Meanwhile, Daimler AG holds 100% equity interests in DGRC, and DGRC holds 65% equity interests in MBLC, and thus DGRC and MBLC are associates of Daimler AG. Therefore, DGRC and MBLC are connected persons of the Company under Chapter 14A of the Listing Rules. The contribution by the Company to the newly increased registered capital of MBLC constitutes a connected transaction of the Company.

According to the announcements of the Company dated 23 June 2017 and 10 November 2017 respectively, the Company and DGRC entered into the Agreement on Capital Increase in Mercedes-Benz Leasing Co., Ltd. on 23 June 2017 and 10 November 2017 respectively, pursuant to which, the Company contributed RMB175,000,000 and RMB140,000,000, successively to MBLC in proportion to its shareholding in MBLC. According to the requirements under Rule 14A.81 of the Listing Rules, the amount of the aforesaid capital increase shall be calculated in aggregate with the amount of this Capital Increase. As one or more of the applicable percentage ratios calculated after such aggregation is more than 0.1% but less than 5%, the Transaction is only subject to the reporting and announcement requirements, but exempted from dispatch of circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

INTRODUCTION

The Board announces that, on 25 April 2018, the Company and DGRC entered into the Capital Increase Agreement, pursuant to which, the Company and DGRC agreed to contribute an aggregate amount of RMB1,500,000,000 to MBLC in proportion to their respective shareholding in MBLC. Of which, DGRC will contribute RMB975,000,000, representing 65% of the amount under the Capital Increase, while the Company will contribute RMB525,000,000, representing 35% of the amount under the Capital Increase. Upon completion of the Capital Increase, the registered capital of MBLC will be increased from RMB2,097,538,461.54 to RMB3,597,538,461.54.

CAPITAL INCREASE AGREEMENT

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

Parties:	The Company DGRC
Date:	25 April 2018
Effective Date:	The Capital Increase Agreement shall come into force on the date when the duly authorized representatives of all parties sign and both parties chop hereon.
Capital Increase:	As at the date of the Capital Increase Agreement, the registered capital of MBLC is RMB2,097,538,461.54 and has been fully contributed. Each of DGRC and the Company holds respectively a 65% and a 35% equity interest in MBLC.

In light of the MBLC's operational needs, the Company and DGRC agree to increase the registered capital of MBLC by an amount of RMB1,500,000,000.

The parties agree that the Capital Increase is to be subscribed in cash respectively by DGRC and the Company *pro rata* per their shareholding in MBLC. DGRC shall subscribe in cash an amount of RMB975,000,000, representing 65% of the amount of the Capital Increase. The Company shall subscribe in cash an amount of RMB525,000,000, representing 35% of the amount of the Capital Increase.

As a result of the Capital Increase, the registered capital of MBLC shall be RMB3,597,538,461.54, of which:

- (i) DGRC shall hold 65%; and
- (ii) The Company shall hold 35%.

Payment Arrangements: DGRC shall pay the capital contribution to MBLC in two injections. DGRC shall contribute to MBLC an amount of RMB487,500,000 in RMB before 28 April 2018 and contribute to MBLC an amount of RMB487,500,000 in RMB before 31 August 2018.

The Company shall pay the capital contribution to MBLC in two injections. The Company shall contribute to MBLC an amount of RMB262,500,000 in RMB before 28 April 2018 and contribute to MBLC an amount of RMB262,500,000 in RMB before 31 August 2018.

In accordance with the relevant PRC laws and regulations, the Parties shall, after going through the filing procedures with the competent authority, fully pay up the total amount subscribed by them to the Capital Increase before the dates stipulated in the above, and MBLC shall apply to the State Administration for Industry and Commerce of the PRC or its local counterpart for the registration of the Capital Increase and a new business license reflecting the total amount of the registered capital of MBLC following the Capital Increase.

SHAREHOLDING STRUCTURE OF MBLC PRIOR TO AND UPON COMPLETION OF THE CAPITAL INCREASE

The capital contributions by respective shareholders of MBLC and their proportions in the registered capital of MBLC as at the date of the announcement and upon completion of the Capital Increase are set out as follows:

Name of Shareholders	As at the Date of the Announcement		Upon Completion of the Capital Increase	
	Contribution to the Registered Capital (RMB)	Proportion (%)	Contribution to the Registered Capital (RMB)	Proportion (%)
DGRC	1,363,400,000.00	65	2,338,400,000.00	65
The Company	734,138,461.54	35	1,259,138,461.54	35
Total	<u>2,097,538,461.54</u>	<u>100</u>	<u>3,597,538,461.54</u>	<u>100</u>

Meanwhile, the board of directors and management of MBLC will remain unchanged.

FINANCIAL INFORMATION OF MBLC

As at 31 December 2017, the total assets of MBLC amounted to RMB22,513,203,227.17. The table below sets forth the financial information of MBLC for the years ended 31 December 2016 and 2017, which was prepared in accordance with the China Accounting Standards for Business Enterprises:

	For the year ended 31 December 2016 <i>(RMB)</i> <i>(Audited)</i>	For the year ended 31 December 2017 <i>(RMB)</i> <i>(Audited)</i>
Net profit/(loss) before taxation and non-recurring items	91,387,982.13	435,760,512.13
Net profit/(loss) after taxation and non-recurring items	113,763,391.03	297,382,050.01

REASONS FOR AND BENEFITS OF THE TRANSACTION

According to the business plans of MBLC, the Company expects that MBLC will enter into the stage of rapid development in the next few years, and thus outstanding loans will continue to grow. As the expansion of the business scale, it is expected that the revenue of the MBLC will increase rapidly and profitability of the MBLC will be significantly improved.

Meanwhile, according to the relevant regulations of the Administration Measures of Supervision on Financial Leasing Enterprises issued by the Ministry of Commerce of the PRC, a financial leasing enterprise's risk assets shall not exceed ten times of its total net assets. With the increase of sales of the passenger vehicle of the brand of Mercedes-Benz and improvement of the penetration rate of financial leasing products, the volume of new contracts and the outstanding loans of MBLC's "Enjoy First, Select After" leaseback business have increased significantly and the risk assets are continually increasing. Therefore, to meet the supervision requirements of the Ministry of Commerce, it is necessary to increase capital to MBLC in 2018.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Daimler AG holds 10.08% equity interests in the Company, and thus it is a substantial shareholder of the Company. Meanwhile, Daimler AG holds 100% equity interests in DGRC, and DGRC holds 65% equity interests in MBLC, and thus DGRC and MBLC are associates of Daimler AG. Therefore, DGRC and MBLC are connected persons of the Company under Chapter 14A of the Listing Rules. The contribution by the Company to the newly increased registered capital of MBLC constitutes a connected transaction of the Company.

According to the announcements of the Company dated 23 June 2017 and 10 November 2017 respectively, the Company and DGRC entered into the Agreement on Capital Increase in Mercedes-Benz Leasing Co., Ltd. on 23 June 2017 and 10 November 2017 respectively, pursuant to which, the Company contributed RMB175,000,000 and RMB140,000,000, successively to MBLC in proportion to its shareholding in MBLC. According to the requirements under Rule 14A.81 of the Listing Rules, the amount of the aforesaid capital increase shall be calculated in aggregate with the amount of this Capital Increase. As one or more of the applicable percentage ratios calculated after such aggregation is more than 0.1% but less than 5%, the Transaction is only subject to the reporting and announcement requirements, but exempted from dispatch of circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

OPINION OF THE DIRECTORS

The Directors of the Company (including the independent non-executive Directors) considered that (i) the terms and conditions of the Transaction are fair and reasonable; (ii) the Transaction is on normal commercial terms and in the ordinary and usual course of business of the Company; and (iii) the Transaction is in the interests of the Company and its Shareholders as a whole.

At the meeting of the Board where the Transaction was considered, since Mr. Hubertus Troska and Mr. Bodo Uebber, both being the Directors of the Company, also hold office in Daimler AG, they 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.

GENERAL INFORMATION

Information on the Company

The Company is a company limited by shares incorporated in China. The Company is a leading manufacturer of passenger vehicles in China. The Company 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. The Company offers a variety of passenger vehicle models, including mid- to large-size sedan, mid-size sedan, compact sedan, small-size sedan, SUV, MPV and CUV products to satisfy customer demands for different types of vehicles.

Information on MBLC

MBLC is a company with limited liability duly incorporated in the PRC. MBLC is principally engaged in the provision of finance leasing and relevant leasing services in respect of automobiles under the brand of Mercedes-Benz to individuals and enterprises.

Information on DGRC

DGRC is a company duly incorporated in the PRC. DGRC is previously known as Daimler Northeast Asia Ltd, established in January 2001 in Beijing, a wholly-owned subsidiary of Daimler AG and hence a connected person of the Company. Daimler AG is a company established in Germany in 1886. It is mainly engaged in the manufacturing of luxury vehicles, trucks, light commercial vehicles and passenger cars, as well as provide tailored services for those products.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Capital Increase”	the Company and DGRC agreed to contribute an aggregate of RMB1,500,000,000 to MBLC in proportion to their respective shareholding in MBLC. Of which, DGRC and the Company will contribute RMB975,000,000 and RMB525,000,000 respectively
“Capital Increase Agreement”	the Agreement on Capital Increase in Mercedes-Benz Leasing Co., Ltd. dated 25 April 2018 entered into by the Company and DGRC in respect of the contribution by the Company and DGRC to the newly increased registered capital in proportion to their respective shareholding in MBLC
“Company”	BAIC Motor Corporation Ltd., 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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Daimler AG”	Daimler AG, a company established in Germany in 1886 which is a substantial shareholder and a connected person of the Company
“DGRC”	Daimler Greater China Ltd., a company incorporated and existing under the laws of the PRC
“Director(s)”	the directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“MBLC”	Mercedes-Benz Leasing Co., Ltd.
“Mercedes-Benz”	the brand of Daimler AG, and the subsidiary of the Company, Beijing Benz Automotive Co., Ltd., is endorsed to use the brand

“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Transaction”	the connected transaction in relation to the entering into of the Capital Increase Agreement by the Company and DGRC
“%”	percentage

By order of the Board
BAIC Motor Corporation Limited
Gu Xin
Secretary to the Board and Company Secretary

Beijing, the PRC, 25 April 2018

As at the date of this announcement, the Board comprises Mr. Xu Heyi, as Chairman of the Board and non-executive Director; Mr. Zhang Xiyong and Mr. Zhang Jianyong, as non-executive Directors; Mr. Chen Hongliang, as executive Director; Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Bodo Uebber, Mr. Guo Xianpeng, Ms. Wang Jing and Mr. Zhu Baocheng, as non-executive Directors; and Mr. Ge Songlin, Mr. Wong Lung Tak Patrick, Mr. Bao Robert Xiaochen, Mr. Zhao Fuquan and Mr. Liu Kaixiang, as independent non-executive Directors.

* *For identification purpose only*