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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 BAIC SA

Reference is made to the announcement of the Company dated 7 November 2016 in relation to the entering into of subscription agreement and the shareholders' agreement by BAIC HK, a wholly-owned subsidiary of the Company, IDC, Investment Universe and BAIC SA with regard to the establishment of BAIC SA. Upon the establishment of BAIC SA, it would be held as to 20% by BAIC HK, 45% by Investment Universe and 35% by IDC.

The Board announces that on 12 April 2019, BAIC HK entered into the Subscription Agreement with Investment Universe, IDC and BAIC SA, pursuant to which, BAIC HK, Investment Universe and IDC agreed to contribute an aggregate amount of US\$75,420,000 to BAIC SA, by way of subscription of new shares of BAIC SA, in proportion to their respective original shareholdings, of which US\$15,084,000, US\$33,939,000 and US\$26,397,000 shall be contributed by BAIC HK, Investment Universe and IDC respectively to subscribe for 15,084,000 Subscription Shares, 33,939,000 Subscription Shares and 26,397,000 Subscription Shares of BAIC SA respectively. Upon completion of the Transaction, the proportion of capital contribution by BAIC HK to the capital (as increased) of BAIC SA will remain unchanged (i.e. 20%), representing a total capital contribution of US\$23,998,000.

As at the date of this announcement, BAIC Group is the sole controlling shareholder of the Company and holds 42.63% of the total issued share capital of the Company, thus it is a connected person of the Company. BAIC Group holds 45% equity interests in BAIC SA through its indirect wholly-owned subsidiary, Investment Universe, thus BAIC SA is an associate of BAIC Group. Therefore, BAIC SA is also a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the additional capital contribution to BAIC SA by BAIC HK, a wholly-owned subsidiary of the Company, constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios of the Transaction is more than 0.1% but less than 5%, the Transaction is only subject to the reporting and announcement requirements, but exempt from despatch of the circular and independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 7 November 2016 in relation to the entering into of subscription agreement and the shareholders' agreement by BAIC HK, a wholly-owned subsidiary of the Company, IDC, Investment Universe and BAIC SA with regard to the establishment of BAIC SA. Upon the establishment of BAIC SA, it would be held as to 20% by BAIC HK, 45% by Investment Universe and 35% by IDC.

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SUBSCRIPTION AGREEMENT

Principal terms of the Subscription Agreement are as follows:

- Parties:**
- BAIC HK
 - Investment Universe
 - IDC
 - BAIC SA
- Date:** 12 April 2019
- Effective Date:** The Subscription Agreement shall come into force on the signature date and be binding upon the parties.
- Conditions Precedent:** The subscription and issue of the Subscription Shares under the Subscription Agreement are subject to fulfillment and satisfaction of the following conditions precedent on or prior to 12 April 2019:
- (i) The board of directors of BAIC SA have passed resolutions in accordance with section 38 of the Companies Act approving the authorisation and issue of the Subscription Shares to the Subscribers in accordance with the Subscription Agreement; and
 - (ii) The BAIC SA Shareholders have passed special resolutions in accordance with sections 41(1) and (3) of the Companies Act approving the issue of the Subscription Shares to the Subscribers.

Subscription for and Issue of the Subscription Shares: As at the date of this announcement, the capital of BAIC SA is US\$44,570,000, of which US\$8,914,000, US\$20,056,500 and US\$15,599,500 are contributed by BAIC HK, Investment Universe and IDC respectively, accounting for 20%, 45% and 35% respectively.

On the fifth business day after the date on which the last of the conditions precedent is fulfilled or waived (the “**Closing Date**”), the Subscribers shall subscribe for relevant Subscription Shares, in proportion to their shareholdings in BAIC SA, at the following subscription prices, while BAIC SA shall, against compliance by each of the Subscribers with its payment obligations under the Subscription Agreement, allot and issue as fully paid the relevant Subscription Shares to the Subscribers. The details are as follows:

- (i) BAIC HK shall, at the price of US\$15,084,000, subscribe for 15,084,000 ordinary shares of BAIC SA, accounting for 20% of the issued shares of BAIC SA following the allotment and issue thereof;
- (ii) Investment Universe shall, at the price of US\$33,939,000, subscribe for 33,939,000 ordinary shares of BAIC SA, accounting for 45% of the issued shares of BAIC SA following the allotment and issue thereof; and
- (iii) IDC shall, at the price of US\$26,397,000, subscribe for 26,397,000 ordinary shares of BAIC SA, accounting for 35% of the issued shares of BAIC SA following the allotment and issue thereof.

The subscription for, and allotment and issue of, all Subscription Shares constitutes one indivisible transaction.

Upon completion of the Transaction, the capital of BAIC SA will be increased to US\$119,990,000, of which an aggregate amount of US\$23,998,000, US\$53,995,500 and US\$41,996,500 will be contributed by BAIC HK, Investment Universe and IDC respectively, still accounting for 20%, 45% and 35% respectively.

The above subscription prices are determined after arm’s length negotiations among the parties to the Subscription Agreement with reference to, among others, the capital needs of BAIC SA and shareholding proportions.

Payment Arrangements: On the Closing Date, the Subscribers shall pay the subscription price (converted into South African Rand) to BAIC SA by way of electronic funds transfer, without any deduction, set off or withholding of any nature whatsoever, into a South African bank account nominated in writing by BAIC SA for this purpose.

Closing: On the Closing Date, BAIC SA shall deliver to representatives of each of the Subscribers:

- (i) a new share certificate in respect of its Subscription Shares; and
- (ii) a certified copy of the securities register of BAIC SA, reflecting the allotment and issue of the Subscription Shares to each of the Subscribers.

SHAREHOLDING STRUCTURE OF BAIC SA PRIOR TO AND UPON COMPLETION OF THE TRANSACTION

The amount and proportion of the capital contribution of BAIC SA Shareholders to BAIC SA as at the date of this announcement and upon completion of the Transaction are as follows:

Name of Shareholders	As at the Date of This Announcement		Upon Completion of the Transaction	
	Contribution to BAIC SA (US\$)	Percentage (%)	Contribution to BAIC SA (US\$)	Percentage (%)
BAIC HK	8,914,000	20	23,998,000	20
Investment Universe	20,056,500	45	53,995,500	45
IDC	15,599,500	35	41,996,500	35
Total	44,570,000	100	119,990,000	100

FINANCIAL INFORMATION OF BAIC SA

The total assets of BAIC SA as at 31 December 2018 was US\$96,449,755.04. The following table sets out the financial information of BAIC SA for the three years ended 31 December 2018 prepared pursuant to the China Accounting Standards for Enterprises:

	For the year ended 31 December 2016 (US\$) (Audited)	For the year ended 31 December 2017 (US\$) (Audited)	For the year ended 31 December 2018 (US\$) (unaudited)
Net profit/(loss) before taxation and non-recurring items	0	0	0
Net profit/(loss) after taxation and non-recurring items	0	0	0

Note: As at the date of this announcement, BAIC SA is in the construction period and has not entered into production and operation stage.

REASONS AND BENEFITS OF THE TRANSACTION

BAIC SA is the Sino-South Africa project model under the Belt and Road Initiative of China and draws heightened attention of the two states, with the major events and progress of the project witnessed by the presidents of the two states for twice. The additional capital contribution is mainly used for the construction of painting workshops/CKD production preparation, and represents the key basis for the return under the APDP (Automotive Production and Development Programme) policy of South Africa and for ensuring the achievement of the stated economic target of the project. BAIC SA represents a key investment project for implementing the “international strategy” and “shifting production to overseas operations” of BAIC Group and is of landmark and strategic significance.

LISTING RULES IMPLICATIONS

As at the date of this announcement, BAIC Group is the sole controlling shareholder of the Company and holds 42.63% of the total issued share capital of the Company, thus it is a connected person of the Company. BAIC Group holds 45% equity interests in BAIC SA through its indirect wholly-owned subsidiary, Investment Universe, thus BAIC SA is an associate of BAIC Group. Therefore, BAIC SA is also a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the additional capital contribution to BAIC SA by BAIC HK, a wholly-owned subsidiary of the Company, constitutes a connected transaction of the Company.

As one or more of the applicable percentage ratios of the Transaction is more than 0.1% but less than 5%, the Transaction is only subject to the reporting and announcement requirements, but exempt from despatch of the 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 in the ordinary and usual course of business of the Company and on normal commercial terms; and (iii) the Transaction is in the interests of the Company and its Shareholders as a whole.

At the meeting of the Board at which the Transaction was considered, since Mr. Xu Heyi, Ms. Shang Yuanxian, Mr. Yan Xiaolei and Mr. Xie Wei, each being a Director of the Company, also held office in BAIC Group and its subsidiaries, 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

BAIC HK

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

Investment Universe

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

Investment Universe is an associate of BAIC Group, the controlling shareholder and a connected person of the Company. Accordingly, Investment Universe is a connected person of the Company.

IDC

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

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

BAIC SA

BAIC SA is a joint venture jointly established by BAIC HK, a wholly-owned subsidiary of the Company, IDC and Investment Universe. Its principal businesses include import and manufacturing of "BAIC"-branded vehicles, components and parts in South Africa.

DEFINITION

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

"associate"	has the meaning ascribed to it under the Listing Rules
"BAIC Group"	Beijing Automotive Group Co., Ltd.* (北京汽車集團有限公司), a state-owned enterprise incorporated in the PRC, the sole controlling shareholder of the Company
"BAIC HK"	BAIC Hong Kong Investment Corp. Limited, a company incorporated in Hong Kong, a wholly-owned subsidiary of the Company
"BAIC SA"	BAIC Automobile SA Proprietary Limited, a private company duly incorporated and registered in accordance with the laws of South Africa
"Board"	the board of Directors of the Company

“Company”	BAIC Motor Corporation Ltd.* (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 Stock Exchange of Hong Kong Limited
“Companies Act”	the Companies Act of South Africa, No. 71 of 2008
“connected person”	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
“Director(s)”	the director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IDC”	The Industrial Development Corporation of South Africa Limited, a corporation duly established under the laws of South Africa
“Investment Universe”	Investment Universe Co., Limited, a company incorporated in Hong Kong, an indirect wholly-owned subsidiary of BAIC Group
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“South Africa”	the Republic of South Africa
“South African Rand”	the lawful currency of the Republic of South Africa
“Subscribers” or “BAIC SA Shareholders”	BAIC HK, Investment Universe and IDC
“Subscription Agreement”	the subscription agreement entered into by BAIC HK, Investment Universe, IDC and BAIC SA on 12 April 2019, in relation to the capital increase to BAIC SA by BAIC HK, Investment Universe and IDC, by way of subscription of Subscription Shares of BAIC SA, in proportion to their respective original shareholdings

“Subscription Shares”	a total of 75,420,000 ordinary shares of BAIC SA to be issued to BAIC HK, IDC and Investment Universe under the Subscription Agreement
“Transaction”	the connected transaction in relation to the entering into of the Subscription Agreement by BAIC HK, a wholly-owned subsidiary of the Company, Investment Universe, IDC and BAIC SA
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	percentage

By order of the Board
BAIC Motor Corporation Limited
Wang Jianhui
Secretary to the Board and Company Secretary

Beijing, the PRC, 12 April 2019

As at the date of this announcement, the Board comprises Mr. Xu Heyi, as Chairman of the Board and non-executive Director; Ms. Shang Yuanxian and Mr. Yan Xiaolei, as non-executive Directors; Mr. Chen Hongliang, as executive Director; Mr. Xie Wei, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Bodo Uebber, Ms. Jiao Ruifang and Mr. Lei Hai, 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*