
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, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant 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 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).



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)

Report of the Board of Directors for 2018
Report of the Board of Supervisors for 2018
Financial Report for 2018
Profits Distribution and Dividends Distribution Plan for 2018
Re-appointment of International Auditor and Domestic Auditor for 2019
Major and Continuing Connected Transaction – Renewal of
Continuing Connected Transactions with BAIC Group
Proposed Appointment of Non-executive Directors
Proposed Provision of Guarantee for BAIC SA
General Mandate for the Issuance of Debt Financing Instruments
General Mandate for the Issuance of Shares
and
General Mandate for the Repurchase of Shares

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders
Gram Capital Limited

A letter from the Board is set out on pages 7 to 53 of this circular.

The notices of the AGM and Shareholders Class Meetings to be held at 9:30 a.m. on Tuesday, June 18, 2019 together with the forms of proxy and reply slips have been despatched to the Shareholders on Tuesday, April 30, 2019. The supplemental notice and supplemental form of proxy for use at the AGM are also enclosed. Such supplemental notice and supplemental form of proxy of the AGM are also published on the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Whether or not you propose to attend the AGM and/or the Shareholders Class Meetings, holders of H Shares of the Company are requested to complete and return the form of proxy and supplemental form of proxy in accordance with the instruction printed thereon and return them 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, and for holders of Domestic Shares, the form of proxy and supplemental form of proxy shall be returned to the Board of Directors' Office of the Company at Room 3-069, 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 AGM, the Shareholders Class Meetings or any adjournment thereof. Completion and return of the form of proxy and supplemental form of proxy will not preclude the Shareholders from attending and voting in person at the AGM, the Shareholders Class Meetings or any adjournment thereof if they so wish.

In the event that you intend to attend or appoint a proxy to attend the AGM and/or Shareholders Class Meeting(s) 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 3-069, 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 Wednesday, May 29, 2019.

* *For identification purpose only*

May 24, 2019

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company for the year 2018 to be convened and held
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BAIC Finance”	BAIC Group Finance Co., Ltd. (北京汽車集團財務有限公司), a non-banking financial institution incorporated in the PRC, and a subsidiary of BAIC Group, the controlling Shareholder of the Company
“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, and 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
“Beijing Benz”	Beijing Benz Automotive Co., Ltd. (北京奔馳汽車有限公司)
“Beijing Motor”	the Company’s proprietary brand passenger (the Beijing brand) vehicles under Senova, BJ and Wevan
“Board” or “Board of Directors”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company

DEFINITIONS

“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會), which was merged with China Insurance Regulatory Commission (中國保險業監督管理委員會) and formed China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) according to the Notice of the State Council regarding the Establishment of Organizations (國務院關於機構設置的通知) (Guo Fa [2018] No. 6) issued by the State Council on March 24, 2018
“Company”	BAIC Motor Corporation Limited (北京汽車股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1958)
“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 connected person of the Company
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary shares in the Company’s share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“Domestic Shareholders Class Meeting”	the First Domestic Shareholders Class Meeting to be convened and held by the Company in 2019
“Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and BAIC Finance on December 2, 2014 and subsequently renewed by the parties on October 20, 2016, which was further renewed on March 27, 2019 for another term of three years expiring on December 31, 2022

DEFINITIONS

“General Mandate for the Issuance of Shares”	the general mandate granted to the Board to, independently or simultaneously, allot, issue and deal with the new Shares that shall not exceed 20% of Domestic Shares and/or overseas listed foreign invested shares (H Shares) of the Company respectively as at the date of the passing of relevant resolution, and make corresponding amendments to the Articles of Association as it thinks fit for allotment, issuance of and dealing with such Shares
“General Mandate for the Repurchase of Shares”	the general mandate granted to the Board to, independently or simultaneously, repurchase Shares that shall not exceed 10% of Domestic Shares and/or overseas listed foreign invested shares (H Shares) of the Company respectively as at the date of the passing of relevant resolution, and make corresponding amendments to the Articles of Association as it thinks fit for repurchasing and dealing with such Shares
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, to be subscribed for and traded in HK dollars and listed and traded on the Hong Kong Stock Exchange
“H Shareholders Class Meeting”	the First H Shareholders Class Meeting to be convened and held by the Company in 2019
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IDC”	The Industrial Development Corporation of South Africa Limited, a corporation duly established under the laws of South Africa

DEFINITIONS

- “Independent Board Committee” 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 (i) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder for the three financial years ending December 31, 2022; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder for the three financial years ending December 31, 2022; and (iii) renewal of Financial Services Framework Agreement and the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance thereunder for the three financial years ending December 31, 2022
- “Independent Financial Adviser”
or “Gram Capital” Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), who will be appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the (i) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder for the three financial years ending December 31, 2022; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder for the three financial years ending December 31, 2022; and (iii) renewal of Financial Services Framework Agreement and the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance thereunder for the three financial years ending December 31, 2022

DEFINITIONS

“Independent Shareholders”	Shareholders (other than BAIC Group and its associates) who are not required to abstain from voting on the resolutions to be proposed at the 2018 annual general meeting of the Company in relation to the (i) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder for the three financial years ending December 31, 2022; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder for the three financial years ending December 31, 2022; and (iii) renewal of Financial Services Framework Agreement and the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance thereunder for the three financial years ending December 31, 2022
“Investment Universe”	Investment Universe Co., Limited, a company incorporated in Hong Kong, an indirect wholly-owned subsidiary of BAIC Group
“Latest Practicable Date”	May 20, 2019
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PBOC”	The People’s Bank of China, the central bank in the PRC
“PRC” or “China”	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
“Products and Services Purchasing Framework Agreement”	the products and services purchasing framework agreement entered into between the Company and BAIC Group on December 2, 2014 and subsequently renewed by the parties on October 20, 2016, which was further renewed on March 27, 2019 for another term of three years expiring on December 31, 2022

DEFINITIONS

“Provision of Products and Services Framework Agreement”	the sale of products and services framework agreement entered into between the Company and BAIC Group on December 2, 2014 and subsequently renewed by the parties on October 20, 2016, which was further renewed on March 27, 2019 for another term of three years expiring on December 31, 2022
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the shareholder(s) of the Company
“Shareholders Class Meetings”	the H Shareholders Class Meeting and the Domestic Shareholders Class Meeting
“Shares”	Domestic Shares and H Shares
“South Africa”	the Republic of South Africa
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases, as amended from time to time
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	percentage

LETTER FROM THE BOARD



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*

Ms. Shang Yuanxian

Non-executive Director

Mr. Yan Xiaolei

Non-executive Director

Mr. Chen Hongliang

Executive Director

Mr. Xie Wei

Non-executive Director

Mr. Qiu Yinfu

Non-executive Director

Mr. Hubertus Troska

Non-executive Director

Ms. Jiao Ruifang

Non-executive Director

Mr. Lei Hai

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 101300
the PRC

Headquarter:

No. 99 Shuanghe Street
Renhe Town
Shunyi District
Beijing 101300
the PRC

*Principal place of
business in Hong Kong:*

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

May 24, 2019

To the Shareholders

Report of the Board of Directors for 2018
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and
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LETTER FROM THE BOARD

I. INTRODUCTION

The Company intends to hold the AGM and Shareholders Class Meetings at 9:30 a.m. on Tuesday, June 18, 2019 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.

The purpose of this circular is to provide you with details of the resolutions to be proposed by the Board, Board of Supervisors and the Shareholders for them to consider and approve as ordinary resolutions or special resolutions, as the case may be, at the AGM and Shareholders Class Meetings and provide all the information reasonably required to enable you to make an informed decision on whether to vote for or against or abstain from voting at those resolutions. Such resolutions and details are set out in the letter from the Board.

II. MATTERS TO BE RESOLVED AT THE AGM

ORDINARY RESOLUTIONS

1. Report of the Board of Directors for 2018

An ordinary resolution will be proposed at the AGM to approve the report of the Board of Directors for 2018, the full text of which is included in the annual report published by the Company on April 23, 2019 at the Company's website and the HKExnews website of the Hong Kong Stock Exchange.

2. Report of the Board of Supervisors for 2018

An ordinary resolution will be proposed at the AGM to approve the report of the Board of Supervisors for 2018, the full text of which is included in the annual report published by the Company on April 23, 2019 at the Company's website and the HKExnews website of the Hong Kong Stock Exchange.

3. Financial Report for 2018

An ordinary resolution will be proposed at the AGM to approve the financial report for 2018.

LETTER FROM THE BOARD

The financial report for 2018 prepared by the Company according to Chinese Accounting Standards is summarized as follows:

(1) Revenue and profit

In 2018, the Company's consolidated statements recorded revenue of RMB159,372 million, cost of sales and tax of RMB123,989 million. The net profit for the year was RMB14,271 million, of which RMB4,429 million was attributable to the equity holders of the Company.

(2) Cash flows

In 2018, the net cash generated from operating activities in the Company's consolidated statements was RMB22,654 million. The net cash used in investing activities was RMB-9,248 million. The net cash used in financing activities was RMB-14,906 million. The net decrease of cash and cash equivalents was RMB-1,435 million.

(3) Assets and liabilities

As of December 31, 2018, the total assets in the consolidated statements of the Company were RMB172,034 million, of which total liabilities and total equity amounted to RMB102,796 million and RMB69,238 million.

The financial report for 2018 prepared by the Company according to International Financial Reporting Standards is summarized as follows:

(1) Revenue and profit

In 2018, the Company's consolidated statements recorded revenue of RMB151,920 million; cost of sales of RMB114,914 million and distribution and management costs of RMB17,002 million. The net profit for the year was RMB14,271 million, of which RMB4,429 million was attributable to the equity holders of the Company.

(2) Cash flows

In 2018, the net cash generated from operating activities in the Company's consolidated statements was RMB21,733 million. The net cash used in investing activities was RMB-9,532 million. The net cash from financing activities was RMB-13,700 million. The net decrease of cash and cash equivalents was RMB-1,499 million.

LETTER FROM THE BOARD

(3) Assets and liabilities

As of December 31, 2018, the total assets in the consolidated statements of the Company were RMB172,034 million. The total liabilities were RMB102,796 million. The total equity was RMB69,238 million, of which the total capital and reserves attributable to the equity holders of the Company were RMB48,415 million.

4. Profits Distribution and Dividends Distribution Plan for 2018

According to the Articles of Association, an ordinary resolution will be proposed at the AGM to approve Profits Distribution and Dividends Distribution Plan of the Company.

The Board proposed to distribute a final dividend of RMB0.19 per share (tax inclusive, with dividends on Domestic Shareholder(s) to be paid in Renminbi and dividends on H Shareholder(s) to be paid in Hong Kong dollars, the exchange rate of Hong Kong dollars shall be calculated on the basis of the average closing price of Hong Kong dollars to Renminbi as announced by the PBOC five working days prior to the declaration of distribution of dividends), totalling RMB1,522,914,254.58. The Board proposed to distribute final dividend for the year ended December 31, 2018 in cash to the Shareholders whose names appear on the register of members of the Company on Saturday, June 29, 2019. The above dividend is subject to the approval of Shareholders at the AGM to be held on Tuesday, June 18, 2019. The final dividend is expected to be distributed on Friday, September 13, 2019.

In case of any change in the total share capital of the Company due to the issue of new shares, placing and buy-back of shares and otherwise, the Company will, according to the actual conditions upon completion of the aforesaid work and the total share capital upon the completion of the issue of new shares, placing and buy-back of shares and otherwise, adjust the total amount to be actually distributed, subject to the consideration and approval of the aforesaid profit distribution plan at the AGM and an unchanged cash dividend of RMB0.19 per share.

Pursuant to the Enterprise Income Tax Law of People's Republic of China (《中華人民共和國企業所得稅法》) effective from January 1, 2008 and its implementation provisions and relevant regulations, the Company is obliged to withhold and pay enterprise income tax at a rate of 10% when it distributes the 2018 final dividend to the non-resident enterprise shareholders whose names are registered in the register of members of H Shares. Any shares which are registered in the name(s) of non-individual H Shareholder(s), including the HKSCC Nominees Limited, other agents or trustees, or other organizations and societies shall be deemed to be Shares held by non-resident enterprise shareholders, and therefore the PRC enterprise income tax shall be deducted from their dividends payable to such shareholders.

Pursuant to the provisions under Guoshui Han [2008] No. 897 and Guoshui Han [2008] No. 112 and relevant laws and regulations, the Company shall withhold and pay enterprise income tax on the dividends at the tax rate of 10% for overseas non-resident enterprise shareholders. Non-resident enterprise shareholders receiving the dividends may, or may entrust

LETTER FROM THE BOARD

a withholding agent or the Company to, apply to the competent tax authorities for the entitlement of tax treatment under the tax treaty (arrangements) by providing all the materials of the actual beneficial owner in compliance with the provisions of the tax treaty (arrangements). The difference of the tax shall be refunded by the competent tax authority upon audit.

Pursuant to the provisions under Caishui [2014] No. 81 and relevant laws and regulations, for domestic individual investors who receive dividend gains derived from investment via the Shanghai-Hong Kong Stock Connect, the Company shall withhold and pay individual income tax at the rate of 20% on their behalf in accordance with the register of individual domestic investor as provided by the China Securities Depository and Clearing Corporation Limited. For domestic securities investment funds receiving dividend gains derived from investment via the Shanghai-Hong Kong Stock Connect, the taxable personal income shall be in accordance with the aforesaid provisions.

The record date of equity of the southbound investors of Shanghai-Hong Kong Stock Connect and the date of distribution of cash dividends and time arrangements will be the same as those for H Shareholders of the Company.

Should the H Shareholders of the Company have any doubt in relation to the aforesaid arrangements, please consult their tax advisers for relevant tax impact in the Mainland China, Hong Kong (or Macau) and other countries (regions) on the possession and disposal of the H Shares of the Company.

5. Re-appointment of International Auditor and Domestic Auditor for 2019

An ordinary resolution will be proposed at the AGM to approve the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the international auditor and domestic auditor of the Company for 2019 respectively for a term of office until next annual general meeting, and authorize the management of the Company to determine their respective audit fees.

6. Major and Continuing Connected Transaction – Renewal of Continuing Connected Transactions with BAIC Group

Reference is made to the announcement of the Company dated March 27, 2019 (the “**Announcement**”) in relation to, among others, the renewal of continuing connected transactions with BAIC Group.

As disclosed in the Announcement, as the terms of each of (i) the Products and Services Purchasing Framework Agreement; (ii) the Provision of Products and Services Framework Agreement; and (iii) the Financial Services Framework Agreement, and the applicable annual caps for the continuing connected transactions thereunder are due to expire on December 31, 2019, on March 27, 2019, the Board resolved to renew each of the aforesaid framework agreements for a further term of three years from January 1, 2020 to December 31, 2022.

LETTER FROM THE BOARD

A. Renewal of the Products and Services Purchasing Framework Agreement

As the term of the existing Products and Services Purchasing Framework Agreement will expire on December 31, 2019, the Company and BAIC Group renewed such agreement on March 27, 2019 for a further term of three years from January 1, 2020 to December 31, 2022 and set the new annual caps for such continuing connected transactions for the next three years ending December 31, 2022.

(A) Renewed Products and Services Purchasing Framework Agreement

Details of the renewed Products and Services Purchasing Framework Agreement are summarized as follows:

Parties:	(i) BAIC Group (ii) the Company
Date:	March 27, 2019
Term:	The term of the renewed Products and Services Purchasing Framework Agreement will commence on January 1, 2020 and end on December 31, 2022, subject to the renewal through mutual consent by the parties.
Principal Terms:	According to the renewed Products and Services Purchasing Framework Agreement, BAIC Group and/or its associates will provide several types of products and services to the Company and/or its subsidiaries. These products will include automobile equipment, raw materials, components and parts and complete vehicles, and these services will include labor services, logistics services, transportation services and consultancy services.

Members of the Group and BAIC Group and its associates will enter into individual agreement for each of the specific transactions contemplated under the renewed Products and Services Purchasing Framework Agreement, provided that any such individual agreement shall be within the ambit of the renewed Products and Services Purchasing Framework Agreement.

LETTER FROM THE BOARD

The product prices and service fees shall be paid in accordance with the individual agreements to be signed by members of the Group and BAIC Group and its associates under the renewed Products and Services Purchasing Framework Agreement.

Pricing Policy:

General policy

In order to ensure that the terms of individual transaction in respect of the purchase of products and general services by the Group from BAIC Group are fair and reasonable and in line with market practices, the Group has adopted the following measures:

- (i) to have regular contact with the suppliers of the Group (including BAIC Group) to keep abreast of market developments and the price trend of general services;
- (ii) before placing an individual purchase order, to invite certain number of suppliers (including BAIC Group) from the approved list of suppliers of the Group to submit quotations or proposals; and
- (iii) to have the suppliers and pricing of products and general services determined by the collective decision of the Company's tender assessment board according to the Company's administrative measures for market quotations. Members of the tender assessment board include representatives from the components and parts development department, supplies management department, research and development department, compliance and supervision department, finance center and audit department. Procurement engineers, product engineers and supplier quality management engineers will also participate in the assessment to review and compare the quotations or proposals received and assess the same based on various factors such as pricing, flexibility, quality and after-sales service.

LETTER FROM THE BOARD

Where there are other independent suppliers, the Company and its subsidiaries will obtain quotations for comparable products or services that may be available from other independent suppliers in order to determine whether viable alternatives of comparable quality can be obtained in a timely manner and at the most competitive price. If alternatives are available, the Company and its subsidiaries will conduct a tender process before selecting suppliers for such alternatives. In such a tender process, the connected persons and their associates are treated no differently from any other independent suppliers. Consequently, the purchase of products and general services by the Company and its subsidiaries from the connected persons of the Company and their associates would not be made if the Company and its subsidiaries could obtain better terms from any other suppliers.

Raw materials and automobile parts and components

Raw materials (including steel and rubber) and automobile parts and components have historically been, and will continue to be, priced with reference to a combination of factors, including costs of materials, labor costs and employee benefit expenses, electricity and other utility costs, depreciation, machinery maintenance costs and selling and administrative expenses which are attributable to the procurement or production of such raw materials and components as well as automotive part products. Based on the above factors, each raw material, or finished automotive part product is ascribed a unit cost.

BAIC Group would then charge the Company a profit margin within the pre-agreed arm's length range over such unit cost. The prices of raw materials and automobile parts and components provided by BAIC Group and/or its associates are determined with reference to actual costs or reasonable costs (whichever is lower) incurred plus a profit margin within the pre-agreed arm's length range determined in the following order: (i) at prices not higher than the market prices; and (ii) if no comparable market price, at prices with reference to actual costs or reasonable costs (whichever is lower) incurred plus a profit margin within the pre-agreed arm's length range, usually in the range of 3% to 7%. When determining the profit margin, to the extent practicable, the Group will take into account factors including industry conditions, technological level, production efficiency and the rates of similar and comparable transactions entered into with independent third parties in the corresponding period for reference.

LETTER FROM THE BOARD

To monitor that the prices charged by BAIC Group are fair and reasonable, the Company has historically requested, prior to entering into individual supply agreements with BAIC Group, and will continue to request that BAIC Group provides a schedule of the costs being incurred by BAIC Group in respect of the raw materials and automotive parts and components being supplied by BAIC Group. Once such schedule is received, the Company has historically and will continue to (i) assess independently whether the costs incurred are fair and reasonable; (ii) request clarification and supporting documents from BAIC Group if the Company is of the view that the cost of items stated by BAIC Group are materially different from the costs that were quoted by BAIC Group historically; and (iii) verify that the profit margin on the total costs incurred by BAIC Group falls within the pre-agreed range of profit margins. To ensure that the price offered by BAIC Group and its subsidiaries will not be less favourable than those offered by independent service suppliers, the Company will seek for and refer to not less than two independent third-party suppliers after the arms-length negotiation. In addition, the purchasing department will also monitor automotive part and component prices and global commodity prices regularly to ensure that the price of automotive parts and components and raw materials purchased are fair and reasonable and in the interests of the Group and the Shareholders as a whole. If the Company and/or its subsidiaries, after taking into consideration all the above-mentioned factors, consider that the price offered by members of the BAIC Group is not in the best interest of the Company and its Shareholders as a whole, or is not fair and reasonable, they will make the decision not to purchase such products from the BAIC Group.

LETTER FROM THE BOARD

Automotive modules

Automotive modules such as modules for dashboards and chassis are customized products. Similar price determination process to raw materials and automobile parts and components as disclosed above is used for automotive modules. However, to ensure that the prices quoted by BAIC Group is fair and reasonable, similar to the case for raw materials and automobile parts and components, the Company have historically been and will continue to request for a schedule of costs for assessment of its reasonableness. In addition, the Company will also compare the prices against those prices charged by independent suppliers of customized automobile modules to ensure that the prices quoted by BAIC Group are no less favourable.

Logistics services

Logistics services provided by BAIC Group include transportation and storage services. The fees of logistics services are charged on the basis of the value of the complete vehicles, components and parts, custodial requirements, size and level of inventories, delivery and handling requirements and the number of vehicles. When determining the prices, the procurement department of the Group has made reference to the market prices charged for logistics services by other comparable automotive enterprises based on its extensive expertise and experience. The Company periodically ask for quotations from at least two independent third party logistic companies which provide the same services in the same area as Zhongdu Logistics Co., Ltd. (中都物流有限公司) (“**Zhongdu Logistics**”), a subsidiary of BAIC Group, to ensure prices quoted by Zhongdu Logistics are fair and reasonable. In the event that the quoted prices are lower than the existing prices for logistic services provided by Zhongdu Logistics, the Group will request Zhongdu Logistics to adjust the prices to a market reasonable level.

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Other services fees

Other services offered by BAIC Group and its associates mainly include advertisement and marketing, back-office support and training. The services fees for these services charged by BAIC Group and/or its associates are determined by arm's length negotiations between the relevant parties. The Group will make reference to the historical fees of such general services and will also refer to the comparable market prices, to ensure that the terms of services provided by BAIC Group are fair and reasonable to the Group. Comparable market prices are generally obtained through quotations provided by independent suppliers offering similar services. In the event that the service prices charged by BAIC Group are higher than the prices quoted by independent third parties, the Group will request BAIC Group to adjust the prices of connect transactions to a reasonable level.

Please also refer to the section headed "Internal Control Procedures for the Implementation of Continuing Connected Transactions" of this circular for details of the internal control procedures adopted by the Company.

Reasons and Benefits:

In the ordinary and usual course of business, the Group purchases products and services from BAIC Group and/or its associates. The Company has been using the products and services provided by BAIC Group and/or its associates for several years. BAIC Group has been providing the Group with a long-term stable supply. As a result, BAIC Group and its associates understand the Group's business and operational requirements well. It is crucial to maintain a stable and quality supply of products and general services for the Company's existing and future production and operation. With reference to the previous purchasing experience with BAIC Group and its associates, BAIC Group can efficiently fulfil the Company's requirements with stable and quality supply of products and general services.

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Automobile parts and components and raw materials

The Group is capable of carrying on its business independently of BAIC Group as it can procure the parts and components and raw materials supplied by BAIC Group and its associates from independent third parties. The purchases of automobile parts, components and raw materials from BAIC Group and its associates would benefit the Group for the following reasons:

- (i) the purchases from BAIC Group and its associates will be at competitive prices not less favourable than those that the Group can obtain from independent third parties;
- (ii) BAIC Group and its associates are familiar with the Group's specifications, standards and requirements on automobile parts and components and raw materials; and
- (iii) it is crucial for the Group to maintain the stability in supply and quality of automobile parts and components and raw materials for the existing and future production needs. In view of the product purchasing experience with BAIC Group and its associates, the Company is of the view that BAIC Group and its associates can effectively fulfil the Company's requirements in supply stability as well as quality.

Automotive modules

The Group sources certain automotive module systems, including systems for dashboards and chassis, from several subsidiaries of BAIC Group. The Group is capable of manufacturing automotive modules independently. In order to utilize its own resources more efficiently and focus on the core business, the Company has outsourced the production of automotive modules to BAIC Group and/or its associates.

The Group will continue this arrangement for the following reasons:

- (i) the production lines of these automotive module systems are specifically designed for a number of the Group's products, meeting the specific production requirements of such products of the Group;

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- (ii) BAIC Group has been providing the Group with a long-term stable supply and it is familiar with the Group's products and requirements;
- (iii) meanwhile, due to the geographical proximity between the subsidiaries of BAIC Group, which produce automotive modules for the Group, the transportation costs of products are low. The close cooperation with BAIC Group also facilitates the Group's quality control and management; and
- (iv) subsidiaries of BAIC Group produce high quality automotive modules for the Group and provide complete after-sales services for further improving the automotive module production lines based on the feedback of the Group.

Transportation services

Zhongdu Logistics provides logistics services for the whole vehicles, parts and components of the Group, including transportation and storage services. The purchase of logistics services from BAIC Group and its associates would benefit the Group for the following reasons:

- (i) Zhongdu Logistics has been providing the Group with long-term stable supply and consistent quality services, being familiar with the Group's special requirements on the transportation of complete vehicles and automobile parts and components;
- (ii) meanwhile, warehouse centers of Zhongdu Logistics are in geographical proximity to the Company's production plant, which facilitates the transportation of complete vehicles and parts and components, thereby lowering the logistics costs and shortening transportation time; and

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- (iii) the transportation service fees charged by Zhongdu Logistics are no less favourable than the fees charged to the Group by independent third parties.

Back-office services

The purchases of ancillary administrative and back-office services from BAIC Group and/or its associates would benefit the Group for the following reasons:

- (i) BAIC Group and/or its associates have been providing the Group with long-term stable ancillary administrative and back-office services for certain office premises of the Group in Beijing, the PRC, including meeting facilities and services, catering services and information technology services;
- (ii) as the relevant services are of consistent quality, cost efficiency and localization convenience, it is in the best interests of the Group to continue to procure such services from BAIC Group and/or its associates; and
- (iii) the relevant back-office service fees charged by BAIC Group and/or its associates are no less favourable than the fees charged to the Group by independent third parties.

(B) Existing Annual Caps and Historical Transaction Amounts

Set out below is a breakdown of the annual caps in respect of the continuing connected transactions between the Group and BAIC Group and/or its associates under the Products and Services Purchasing Framework Agreement for the four financial years ended December 31, 2019:

	Annual cap for the year ended December 31			
	2016	2017	2018	2019
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Purchase of products	26,458.6	41,532.7	61,954.4	72,821.3
Purchase of services	7,687.0	7,755.0	8,265.5	8,632.2

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Set out below is a breakdown of the historical transaction amount in respect of the continuing connected transactions between the Group and BAIC Group and/or its associates under the renewed Products and Services Purchasing Framework Agreement for the preceding three financial years ended December 31, 2018:

	Approximate historical transaction amounts for the year ended December 31		
	2016	2017	2018
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Purchase of products	26,103.4	25,910.5	27,185.9
Purchase of services	2,967.9	2,698.1	3,215.5

As at the Latest Practicable Date, the annual caps in respect of the continuing connected transactions between the Group and BAIC Group and/or its associates under the Products and Services Purchasing Framework Agreement for the year ended December 31, 2019 have not been exceeded.

(C) Proposed Annual Caps for the Three Financial Years Ending December 31, 2022

The Company estimates the annual caps for the continuing connected transactions between the Group and BAIC Group and/or its associates under the renewed Products and Services Purchasing Framework Agreement for the next three financial years ending December 31, 2022 as follows:

	Proposed annual caps for the year ending December 31		
	2020	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Purchase of products	50,346.0	52,920.8	55,603.1
Purchase of services	5,036.4	4,990.2	5,194.6

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(D) Basis of Determination of the Proposed Annual Caps

The above proposed annual caps were estimated on the basis of:

- (i) the estimated sales volume of passenger vehicles by taking into account, among others, macroeconomic conditions as well as the development strategies and business expansion plan of the Group. The sales volume of the Group's products under Beijing Motor and Beijing Benz has a positive correlation with the Group's demand of products and services under the renewed Products and Services Purchasing Framework Agreement. To be specific:
- Beijing Motor: In 2018, the Group recorded an increase of 94.2% in the sales volume of new energy passenger vehicles as compared with that in 2017. According to the Status of Vehicles Industry for 2018 (2018年汽車工業經濟運行情況) published by China Association of Automobile Manufacturers (中國汽車工業協會) in January 2019, in 2018, the production and sales volume of new energy vehicles in China reached 1.27 million units and 1.256 million units respectively, representing a year-on-year increase of 59.9% and 61.7% respectively. Among which, the production and sales volume of pure electric vehicles reached 0.986 million units and 0.984 million units respectively, representing a year-on-year increase of 47.9% and 50.8% respectively; and the production and sales volume of plug-in hybrid electric vehicles reached 0.283 million units and 0.271 million units respectively, representing a year-on-year increase of 122% and 118% respectively. It is estimated that the sales volume of products under Beijing Motor in 2019 will increase by more than 50% as compared with that in 2018, primarily owing to the vigorous growth of demand in the new energy vehicles market and launch of 2.0 upgraded vehicle models of Senova series of the Group. The sales volume is expected to maintain steady growth for the three years ended December 31, 2022; and
 - Beijing Benz: it is estimated that the sales volume of products under Beijing Benz in 2019 will keep fairly rapid growth as compared with that in 2018 resulting from a continuous and rapid increase in market demand of products under Beijing Benz in 2019 and launch of new vehicle models. The sales volume is expected to maintain steady growth for the three years ended December 31, 2022;
- (ii) the unit purchase cost for each vehicle model of the Group in 2018 and the expected market condition and general cost inflation for the relevant period;

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- (iii) the expected annual value of the connected transactions between Beijing Benz and BAIC Group and its associates;
- (iv) the expected increase in the total costs and expenses, which is ultimately driven by the business expansion plan of the Group. The Group plans to launch and manufacture various new models in the next three years, which is expected to result in increases as appropriate in the total costs and expenses for such years. In addition, the expected sales volume of existing models will continue to rise driven by the continued demand growth in their respective segments, which will also result in the increase in the total costs and expenses (cost of sales, selling and distribution expenses, and general and administrative expenses);
- (v) the expected demand for higher quality premium new products will require the purchase of better and more sophisticated new raw materials, automotive modules, automotive parts and components from BAIC Group and/or its associates which will be comparatively more expensive than the costs of existing raw materials, automotive modules, automotive parts and components purchased from BAIC Group and/or its associates for existing products; and
- (vi) a buffer of approximately 20% applied on the demands of products and services under the renewed Products and Services Purchasing Framework Agreement for each of the three years ending December 31, 2022 so as to accommodate any unexpected sales fluctuation resulting from uncertainties including inflation, price fluctuation of raw materials and market changes etc. For example, the average selling price of cold rolled sheets (冷軋鋼板), one of the major raw materials for productions of vehicles, has experienced an average annual growth rate of 22% from 2016 to 2018 and may vary in the next three years. In addition, a moderate estimated annual growth in the sales volume of products under Beijing Benz for the three years ending December 31, 2022 was applied since the products under Beijing Benz are entering into an upgrading stage, while the sales volume of products under Beijing Benz recorded a year-on-year increase of approximately 15% in 2018 as compared with that in 2017.

As a result, it is expected that the total procurement costs for these raw materials, automotive modules, automotive parts and components for the production of new premium products will be increased.

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B. Renewal of the Provision of Products and Services Framework Agreement

As the term of the existing Provision of Products and Services Framework Agreement will expire on December 31, 2019, the Company and BAIC Group renewed such agreement on March 27, 2019 for a further term of three years from January 1, 2020 to December 31, 2022 and set the new annual caps for such continuing connected transactions for the next three years ending December 31, 2022.

(A) Renewed Provision of Products and Services Framework Agreement

Details of the renewed Provision of Products and Services Framework Agreement are summarized as follows:

Parties:	(i) BAIC Group (ii) the Company
Date:	March 27, 2019
Term:	The term of the renewed Provision of Products and Services Framework Agreement will commence on January 1, 2020 and end on December 31, 2022, subject to the renewal through mutual consent by the parties.
Principal Terms:	According to the renewed Provision of Products and Services Framework Agreement, BAIC Group and/or its associates will purchase the following types of products (including products such as facilities, raw materials, components and part and complete vehicles etc., relevant technologies, and derivatives derived from such products including but not limited to average fuel consumption quota of new energy vehicles etc.) and services (including sales agency, processing agency, labour, logistic, transportation and consultancy etc.) from the Company and/or its subsidiaries. It is expected that the Group will mainly sell complete vehicles and provide relevant automotive parts and components to BAIC Group.

Members of the Group and BAIC Group and its associates will enter into individual agreement for each of the specific transactions contemplated under the renewed Provision of Products and Services Framework Agreement, provided that any such individual agreement shall be within the ambit of the renewed Provision of Products and Services Framework Agreement.

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The product prices and service fees shall be paid in accordance with the individual agreements to be signed by members of the Group and BAIC Group and its associates under the renewed Provision of Products and Services Framework Agreement.

The Group would not provide a member of BAIC Group with the same kind of product or service as the one purchased from it:

In terms of the products, the major product suppliers of the Group under the renewed Products and Services Purchasing Framework Agreement are expected to be manufacturers of whole vehicles, parts and components under BAIC Group. It is expected that the products to be purchased by the Group would mainly include (i) equipment, raw material, parts and components and modules used for research and development, assembling and tooling for production of whole vehicles purchased from the manufacturers; and (ii) whole vehicles under “BJ” series produced by BAIC Group Off-road Vehicle Co., Ltd. (北京汽車集團越野車有限公司) (formerly known as the Off-road Vehicle Branch of BAIC Group) and sold externally by the Company (For details of the above arrangement, see the section headed “Relationship with BAIC Group” in the prospectus of the Company published on December 9, 2014.). While the main product buyers of the Group under the renewed Provision of Products and Services Framework Agreement are expected to be distributors under BAIC Group. The products to be provided by the Group would mainly include (i) whole vehicles produced by the Group and sold to Beijing Beiqi Pengyuan Automobile Sales & Service Co., Ltd. (北京北汽鵬元汽車銷售服務有限公司) and Beijing Electric Vehicle Co., Ltd. (北京新能源汽車股份有限公司); (ii) automotive parts and components for after-sale services sold to distributors; (iii) powertrains and connecting robs sold to certain whole vehicle manufactures of BAIC Group; and (iv) waste and other residual raw materials.

In terms of the services, BAIC Group and/or its associates are expected to mainly offer logistics services, transportation services and storage services to the Group; while the Group is expected to mainly provide technology consultancy services to BAIC Group and/or its associates.

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Pricing Policy:

General policy

To ensure that the terms of the transactions contemplated under the renewed Provision of Products and Services Framework Agreement are on terms no less favourable than those entered into between the Group and independent third parties, the renewed Provision of Products and Services Framework Agreement specifically provides that terms of transactions contemplated thereunder are to be on terms no less favourable than those entered into between the Company and independent third parties.

The service fees charged to BAIC Group by the Group are to be determined on the basis of arm's length negotiations between the relevant parties. The Company will make reference to the applicable historical prices of products and services and will base such on the principle of cost plus a reasonable margin, to ensure that the terms of supplying products and services to BAIC Group are fair and reasonable.

Complete vehicles

The Group formulates various selling prices based on factors such as depreciation of raw materials and equipment for producing different vehicle models, technology amortization, employee compensation as well as water and electricity costs, and also formulates various promotions level based on the popularization of various vehicle models, and updates the promotion levels in accordance with the latest market situation in a timely manner. The complete vehicle price is determined by the selling price and promotion level together. For both connected person customers and independent third-party customers, the Group apply the above pricing policies when selling completing vehicles. In such case, both connected person customers and independent third-party customers enjoy the same price when purchasing completing vehicles; connected person customers will not be offered any price that is more favourable than the price of other customers.

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Automobile parts and components and raw materials

The Group formulates selling prices on a profit margin within the pre-agreed arm's length range over the unit cost of automobile parts and components and raw materials. The unit cost mainly refers to the factors including depreciation of consumed materials and equipment for production and staff wages. The Group obtains a profit margin in the range of approximately 3% to 7%, which is determined by taking into consideration various factors, including but not limited to industry conditions, cost of material and labour, complexity of production procedures, technological level and production efficiency. For both connected person customers and independent third-party customers, same pricing rule shall apply. In such case, both connected person customers and independent third-party customers enjoy the same price when purchasing automobile parts and components and raw materials; connected person customers will not be offered any price that is more favourable than the price of other customers.

Services

The services provided by the Group to BAIC Group and its associates are mainly customized services or individualized services which mainly include complete vehicles technology consulting service and research and development service which are sensitive in nature. Market prices of such are not readily available. In determining the prices of these services, the Group adopts a cost-plus profit method. Costs taken into account include depreciation, salary, costs of raw materials and management fees. On this basis, the Group obtains a profit in the range of approximately 10% to 15%. To ensure that the prices charged by the Group are fair and reasonable, the Group will also make reference to the profit margin of transactions where the Group offered similar services to independent third parties.

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Please also refer to the section headed “Internal Control Procedures for the Implementation of Continuing Connected Transactions” of this circular for details of the internal control procedures adopted by the Company.

Reasons and Benefits:

In the ordinary and usual course of business, the Group provides various products and general services to BAIC Group and/or its associates. The Company considers that the Provision of Products and General Services to BAIC Group would benefit the Group for the following reasons:

- (i) BAIC Group and/or its associates can benefit from the professional sales team of the Group which has a solid understanding of China’s automobile market and diversified sales channels thereby reducing their sales cost;
- (ii) subsidiaries of BAIC Group operating dealership outlets purchase vehicles manufactured and assembled by Beijing Benz and vehicles under the proprietary brand of the Company for resale in its dealership outlets. The Company and those subsidiaries of BAIC Group have established a long-term relationship and understand the business plan, quality control and other special requirements of each other;
- (iii) BAIC Group and/or its associates purchase automobile components, such as automobile engines, from a subsidiary of the Company, BAIC Motor Powertrain Co., Ltd. (北京汽車動力總成有限公司), for their daily production; and
- (iv) prices and terms for the products and general services provided by the Group to BAIC Group are not less favourable than those offered to independent third parties.

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(B) Existing Annual Caps and Historical Transaction Amounts

Set out below is a breakdown of the annual caps in respect of the sales of products transactions between the Group and BAIC Group and/or its associates under the Provision of Products and Services Framework Agreement for the four financial years ended December 31, 2019:

	Annual cap for the year ended December 31			
	2016	2017	2018	2019
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Sale of products	22,925.4	32,473.3	43,017.6	46,445.6

Set out below is a breakdown of the historical transaction amount in respect of the sales of products transactions between the Group and BAIC Group and/or its associates under the renewed Provision of Products and Services Framework Agreement for the preceding three financial years ended December 31, 2018:

	Approximate historical transaction amounts for the year ended December 31		
	2016	2017	2018
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Sale of products	11,170.5	13,909.2	16,877.9

(C) Proposed Annual Caps for the Three Financial Years Ending December 31, 2022

The Company estimates the annual caps for the sales of products transactions between the Group and BAIC Group and/or its associates under the renewed Provision of Products and Services Framework Agreement for the next three financial years ending December 31, 2022 as follows:

	Proposed annual caps for the year ending December 31		
	2020	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Sale of products	29,726.4	31,250.5	32,836.9

As at the Latest Practicable Date, the annual cap in respect of the sale of products transactions between the Group and BAIC Group and/or its associates under the Provision of Products and Services Framework Agreement for the year ended December 31, 2019 has not been exceeded.

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(D) Basis of Determination of the Proposed Annual Caps

The above proposed annual caps were estimated on the basis of:

- (i) the growth on future sales of complete vehicles to be manufactured and assembled by Beijing Benz and Beijing Motor by taking into account, among others, macroeconomic conditions as well as the development strategies and business expansion plan of the Group. The growth of transaction amount of sale of products under the renewed Provision of Products and Services Framework Agreement is generally in line with the change in the estimated sale volume of vehicles under Beijing Motor and Beijing Benz for the three years ending December 31, 2022, details of which are set out under the above section headed “A. Renewal of the Products and Services Purchasing Framework Agreement – (D) Basis of Determination of the Proposed Annual Caps”;
- (ii) the percentage of the sales to the dealership outlets operated by the associates of BAIC Group in the future, which is determined with reference to the historical percentage of the sales of complete vehicles manufactured and assembled by Beijing Benz and Beijing Motor to the dealership outlets operated by the associates of BAIC Group;
- (iii) the expected annual value of the connected transactions between Beijing Benz and BAIC Group and its associates;
- (iv) expected increase of the revenues, which is ultimately driven by the business expansion plan of the Company;
- (v) the expected demand for higher quality premium new products will require the purchase of better and more sophisticated new raw materials, automotive modules, automotive parts and components from BAIC Group and/or its associates which will be comparatively more expensive than the costs of existing raw materials, automotive modules, automotive parts and components purchased from BAIC Group and/or its associates for existing products. As a result, it is expected that the total procurement costs for these raw materials, automotive modules, automotive parts and components for the production of new premium products will be increased; and
- (vi) a buffer of approximately 20% applied on the estimated sales volume of products under the renewed Provision of Products and Services Framework Agreement for each of the three years ending December 31, 2022 so as to accommodate any unexpected sales fluctuation resulting from uncertainties including inflation, price fluctuation of raw materials and market changes etc. For example, the average selling price of cold

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rolled sheets, one of the major raw materials for productions of vehicles, has experienced an average annual growth rate of 22% from 2016 to 2018 and may vary in the next three years. In addition, a moderate estimated annual growth in the sales volume of products under Beijing Benz for the three years ending December 31, 2022 was applied since the products under Beijing Benz are entering into an upgrading stage, while the sales volume of products under Beijing Benz recorded a year-on-year increase of approximately 15% in 2018 as compared with that in 2017.

(E) Exempted Transactions under the Renewed Provision of Products and Services Framework Agreement

As the highest of the applicable percentage ratio in respect of the annual caps for the provision of services transactions provided by the Group to BAIC Group is more than 0.1% but less than 5%, according to the relevant requirements under the Listing Rules, the provision of services transactions under the renewed Provision of Products and Services Framework Agreement are exempt from the Independent Shareholders' approval requirement. For detailed information, please refer to the announcement of the Company dated March 27, 2019.

C. Renewal of the Financial Services Framework Agreement

As the term of the existing Financial Services Framework Agreement will expire on December 31, 2019, the Company and BAIC Group renewed such agreement on March 27, 2019 for a further term of three years from January 1, 2020 to December 31, 2022 and set the new maximum daily balance and annual caps for such continuing connected transactions for the next three years ending December 31, 2022.

(A) Renewed Financial Services Framework Agreement

Details of the renewed Financial Services Framework Agreement are summarized as follows:

Parties:	(i) BAIC Group (ii) the Company
Date:	March 27, 2019
Term:	The term of the renewed Financial Services Framework Agreement will commence on January 1, 2020 and end on December 31, 2022, subject to renewal through mutual consent by the parties.

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Principal Terms: According to the renewed Financial Services Framework Agreement, BAIC Finance will provide financial services to the Company, and such financial services primarily include (i) deposits; (ii) loans and entrusted loan; (iii) other financial services including discounted notes and acceptance service, finance lease, settlement and entrusted loan agency; and (iv) other services subject to obtaining relevant approvals from CBRC.

Members of the Group and BAIC Group and its associates will enter into individual agreement for each of the specific transactions contemplated under the renewed Financial Services Framework Agreement, provided that any such individual agreement shall be within the ambit of the renewed Financial Services Framework Agreement.

Pricing Policy: The renewed Financial Services Framework Agreement provides for the following pricing principles:

- (i) *Deposit services.* Interest rates for the deposits placed by the Group with BAIC Finance will not be lower than: (a) the minimum interest rate published by the PBOC for deposits of a similar type for the same period; (b) the interest rate for deposits of a similar type for the same period placed by the subsidiaries of BAIC Group other than the Group; or (c) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to the Company and its subsidiaries.
- (ii) *Loans services.* Interest rates on the loans to be advanced by BAIC Finance to the Group will not be higher than: (a) the maximum loan interest rate, if any, published by the PBOC for loans of a similar type for the same period; (b) the interest rate for comparable loans offered by BAIC Finance to other subsidiaries of BAIC Group other than the Group; or (c) the interest rate for loans of a similar type offered for the same period by independent commercial banks to the Company and its subsidiaries.

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- (iii) *Other Financial Services.* The interest rates or services fees will be: (a) subject to the benchmark fee (if applicable) for similar types of financial services published by PBOC or CBRC from time to time; (b) comparable to, or no less favourable to the Group than, the interest rates or fees charged by independent commercial banks or financial institutions for similar types of financial services; and (c) comparable to, or no less favourable to the Group than, fees charged by BAIC Finance to the subsidiaries of BAIC Group other than the Group for similar financial services.

**Reasons and
Benefits:**

The main reasons for the Company to renew the Financial Services Framework Agreement with BAIC Finance are as follows:

- (i) as all members of the BAIC Group and the Group are entitled to utilize deposit services, loan services and other financial services, the Financial Services Framework Agreement would allow for the provision of intra-group loans amongst members of the Group, thus opening another channel for the Group to raise loans and providing the Group with an alternative to raising loans from other financial institutions, which would in turn promote funding liquidity among the Group, enhance the overall ability of the Group to repay debts, and assist with monitoring and controlling financial risks;
- (ii) the use of BAIC Finance as a platform to manage the funds of the Group would facilitate a more efficient deployment of funds of the Group;
- (iii) the interest rates on the deposit services and loan services offered, and the service fees in connection with the other financial services charged by BAIC Finance to the Group will be no less favourable than, on a case-by-case basis, those offered to the Group by any independent third party;

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- (iv) as BAIC Finance only provides financial services to members of the BAIC Group, it has acquired extensive knowledge of the Company's industry for several years. At the same time, BAIC Finance is familiar with the Company's capital structure, business operations, funding needs and cash flow patterns, which enables it to better anticipate the business needs of the Company. BAIC Finance is well-positioned in providing the Group with customized services;
- (v) the arrangements under the renewed Financial Services Framework Agreement would save financial costs, and accordingly increase the profitability of the Group accordingly;
- (vi) the arrangements under the renewed Financial Services Framework Agreement would allow the Group to centralize the Group's deposited funds to a certain degree (limited by the proposed deposit annual caps), which would expedite the monitoring of the use and application of funds within the Group, and would provide the Group with higher bargaining power (than when the deposited sum was split between financial institutions) with regard to the terms and interest rates of the deposit services;
- (vii) by virtue of the Company's indirect equity interests in BAIC Finance, the expansion of the business of BAIC Finance will bring economic benefits to the Company; and
- (viii) BAIC Finance is regulated by PBOC and CBRC, and as such its services provided must be in accordance with and in compliance with the rules and operational requirements of such regulatory authorities.

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(B) Existing Annual Caps and Historical Transaction Amounts

Set out below is a breakdown of the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance for the four financial years ended December 31, 2019:

	Annual cap for the year ended December 31			
	2016	2017	2018	2019
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Maximum daily balance of deposits placed by the Group with BAIC Finance	11,000.0	12,500.0	16,000.0	16,000.0
Interest income from deposits placed by the Group with BAIC Finance	170.0	193.2	292.8	292.8

Set out below is a breakdown of the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance for the preceding three financial years ended December 31, 2018:

	Approximate historical transaction amounts for the year ended December 31		
	2016	2017	2018
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Maximum daily balance of deposits placed by the Group with BAIC Finance	10,873.1	12,389.6	12,478.0
Interest income from deposits placed by the Group with BAIC Finance	97.3	134.8	210.5

As at the Latest Practicable Date, the maximum daily balance of and annual cap for interest income from deposits placed by the Group with BAIC Finance for the year ended December 31, 2019 has not been exceeded.

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(C) Proposed Annual Caps for the Three Financial Years Ending December 31, 2022

The Company estimates the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance under the renewed Financial Services Framework Agreement for the next three financial years ending December 31, 2022 as follows:

	Proposed annual caps for the year ending		
	December 31		
	2020	2021	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Maximum daily balance of deposits placed by the Group with BAIC Finance	16,000.0	16,000.0	16,000.0
Interest income from deposits placed by the Group with BAIC Finance	292.8	292.8	292.8

(D) Basis of Determination of the Proposed Annual Caps

In determining the maximum daily balance of deposits placed by the Group with BAIC Finance under the renewed Financial Services Framework Agreement mentioned above, the Company mainly considers the following factors:

- (i) Historical and expected sales income of the Group: part of the sales income received by the Group is usually represented by the Company's deposits in banks and BAIC Finance. The increase in sales income will directly affect the Group's deposit balances in banks and BAIC Finance. In 2018, the Group recorded an increase of 13.2% in sales income as compared with that in 2017, of which Beijing Benz continued to grow rapidly with total sales of 0.485 million whole vehicles, representing a year-on-year increase of 14.8%. The revenue related to Beijing Benz increased from RMB116,772.9 million in 2017 to RMB135,415.2 million in 2018, representing a year-on-year increase of 16.0%. It is expected that the sales income of the Group will continue to increase at a certain degree in the next three years in view of the estimated growth in the sales volume of products under Beijing Motor and Beijing Benz, details of which are set out under the above section headed "A. Renewal of the Products and Services Purchasing Framework Agreement – (D) Basis of Determination of the Proposed Annual Caps, and the estimated proportion of sales income to be deposited in other commercial banks for the sake of risk control; and

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- (ii) Although the Group expects a growth in future sales revenues, the Group pays attention to the control of deposit size placed with BAIC Finance to avoid potential risks in connection with over-concentration of capital.

In determining the annual caps for interest income from deposits placed by the Group with BAIC Finance under the renewed Financial Services Framework Agreement mentioned above, the Company mainly considers the following factors:

- (i) the maximum daily balance of deposits placed by the Group with BAIC Finance under the renewed Financial Services Framework Agreement for the three years ending December 31, 2022; and
- (ii) main type of deposits placed by the Group with BAIC Finance in the past and corresponding interest rates: the interest rates of main type of deposits placed by the Group with BAIC Finance in 2018 ranged from approximately 1.5% to 2.0%.

(E) Exempted Transactions under the Renewed Financial Services Framework Agreement

Since the loans service provided by BAIC Finance to the Group are on normal commercial terms and on terms that are no less favourable to the Group than those offered by independent third parties for comparable services in the PRC, and that no security over the assets of the Group would be granted in respect of the loans service, loans service transactions under the renewed Financial Services Framework Agreement are exempt from reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

As all applicable percentage ratios for the annual caps in respect of the other financial services provided by BAIC Finance to the Group under the renewed Financial Services Framework Agreement are expected to be less than 0.1%, according to the relevant requirements under the Listing Rules, the other financial services transactions are exempted from the reporting, announcement and Independent Shareholders' approval requirements.

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(F) Internal Control and Corporate Governance Measures Targeted for Transactions under the Renewed Financial Services Framework Agreement

The Company has put in place targeted internal control and corporate governance measures for transactions under the Financial Services Framework Agreement in order to further safeguard the interests of the Independent Shareholders:

(i) Independent financial system

The Group has established a comprehensive financial management system for the management of financial services which targets (a) capital financing management; (b) specialized budget management; and (c) specialized capital management.

- (a) the Group has set up relevant system for capital financing management, including the management of bank accounts, cash and bank deposits and debt financing, to ensure independent capital operation and maximize capital efficiency, and is in the interests of the Shareholders as a whole.
- (b) the Group has set up a specialized budget management department, with enterprise development strategies as the start, with reaching target profit as the aim, with future sales as the preparation basis, to prepare annual budgets for operation and investment, determine annual financing plan and formulate financing proposals based on such annual budgets.
- (c) the Group has established a specialized capital management team for exercising daily capital and loan management, setting up specialized positions for daily deposit supervision and conducting comparison of the deposit rates among various financial institutions, to ensure that the total deposits of the Group would not exceed the annual cap and the deposit rates are in line with the requirement under the renewed Financial Services Framework Agreement.

The Group has also set up a stringent and efficient audit system. The independent internal audit team established by the Company is composed of members with years of experience in auditing and finance. The internal audit team conducts internal audit work on the Company's capital position on a regular basis every year as well as independent and objective supervision and evaluation on the Company's capital management.

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The audit team consists of 18 members, of whom 1 is audit department chief, 1 is deputy department chief and 2 are section chiefs. Most of the members have over 5 years of experience in auditing, including experience of auditing in accounting firms and enterprises. 2 of the members performed audit work in big four CPA. In addition to seniority, the selection of members for the audit team also considers their industry background. Most of the members have relevant experience in automotive industry, which facilitate better understanding of various business of the Group and thus providing high-quality audit results. In order to ensure diversification of industry background of the team, some of the members also have industry background in finance/sales/information system/manufacturing etc., which facilitate multi-angle and omni-directional examination on the potential risks of the Group.

In the meantime, the Company's Audit Committee is mainly responsible for handling external auditing matters, supervising the Company's internal audit system and implementation, conducting audit on the Company's financial information, reviewing and supervising the Company's financial reports, risk management and effectiveness of the internal control system. It is also responsible for evaluating the effectiveness of the Company's internal control and the reliability of financial reports in an independent, fair and effective way and report to the Board and Shareholders' general meeting.

The Company also maintain accounts with independent banks. BAIC Group does not share any bank account with the Company nor does it control the use of any of bank accounts of the Company. The Company have independent tax registrations and have paid tax independently pursuant to applicable PRC laws and regulations.

(ii) Risk management measures

BAIC Finance and BAIC Group will provide sufficient information including various financial indicators (as well as annual and interim financial statements) at the end of every quarter to enable the Company to monitor and review the financial condition of BAIC Finance and BAIC Group. BAIC Finance and BAIC Group shall notify the Company, subject to compliance with applicable laws and regulations, should any of them be subject to any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on the financial condition of any of them. If the Company considers that there is any material adverse change in the financial condition of any of the BAIC Finance and BAIC Group, the Company will take appropriate measures (including early withdrawal of deposits and a moratorium on further deposits) to protect the financial position.

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In addition to the internal monitoring, BAIC Finance is also required to monitor the maximum daily balance of the deposits and loans on a daily basis to ensure that the aggregate outstanding amounts do not exceed the applicable annual caps. BAIC Finance will provide the Company with a periodic report on the status of deposits and loans so as to enable the Company to monitor and ensure the relevant annual caps under the renewed Financial Services Framework Agreement have not been exceeded. Should the balance at the end of any day exceed the maximum daily balance of deposits and annual caps for interest income prevailing at that time, the excess funds will be transferred to the Company's designated bank accounts with an independent commercial bank. The Company shall also be notified immediately once the daily balance exceeds the maximum daily balance limit.

The Company will, from time to time, at its sole discretion, request that the deposits with BAIC Finance be withdrawn or terminated early (either in full or in part) to assess and ensure the liquidity and safety of deposits of the Group.

(iii) Internal control measures

The Company has formulated internal control policies and the finance center of the Company is responsible for implementation of such policies. All cash inflow and outflow of the Group should be considered under a unified budget system. In addition, the Company's vice president who is in charge of finance affairs and his/her team will be responsible for closely monitoring such continuing connected transactions.

To ensure that the pricing terms of transactions under the renewed Financial Services Framework Agreement are normal commercial terms, the Company has applied and fully implemented the internal control policies for each transaction. In accordance with the policies of the People's Bank of China, various banks and BAIC Finance, the Group's capital management team will update the statement of deposit rates of various financial institutions on a monthly basis and prioritize the institutions with the most favourable rate for deposit. In addition, according to relevant internal control requirements, capital management team, the financial department, audit department, legal department and other relevant departments will conduct review based on the transaction type and corresponding approved amount of each transaction to ensure that the pricing terms of transactions under Financial Services Framework Agreement are on normal commercial terms.

The Group's capital management team compile statistics of the daily balance deposited with BAIC Finance to ensure compliance with regulatory requirements. In addition, the capital management team conducts analysis and produce monthly supervision and control reports on the deposits placed with various financial institutions.

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The management of the Company will prepare periodic risk assessment reports of the funds deposited with BAIC Finance. The contents of such risk assessment reports will include the maximum daily balance of the deposits during the reporting period and the deposits with BAIC Finance during the reporting period.

The independent non-executive Directors will, on an annual basis, specially review implementation and execution of transactions under the renewed Financial Services Framework Agreement independently. If the independent non-executive Directors are of the opinion that the decrease in deposits with BAIC Finance is in the interest of the Company, the Company will take appropriate measures to implement the decisions of the independent non-executive Directors. Any material findings in the risk assessment reports, the views of the independent non-executive Directors on the deposits under the renewed Financial Services Framework Agreement (including their views on how to comply with the terms of the renewed Financial Services Framework Agreement), and their decisions on any matters in relation thereto, will be disclosed in the Company's annual and interim reports.

During the annual audit of the Company, the Company would engage its auditors to audit connected transactions between the Company and BAIC Group to ensure that the transactions under the renewed Financial Services Framework Agreement have been conducted in accordance with the Listing Rules and the relevant disclosure requirements have been complied with.

D. Internal Control Procedures for the Implementation of Continuing Connected Transactions

The Company has adopted the following internal control procedures to ensure that the above-mentioned continuing connected transactions of the Company are fair and reasonable and on normal commercial terms:

- (A) the Company has adopted and implemented a management system on connected transactions. Under this system, the Company's finance center is responsible for conducting reviews on compliance with relevant laws, regulations, company policies and Listing Rules in respect of the continuing connected transactions of the Company. In addition, the finance center, procurement center, legal affairs department and other relevant operation departments of the Company are jointly responsible for evaluating the transaction terms under the agreements for continuing connected transactions of the Company, in particular, the fairness of the pricing terms under each agreement; and
- (B) the independent non-executive Directors will review the agreements for the continuing connected transactions of the Company to ensure such agreements, where available, are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements. The auditor of the Company will also conduct an annual review on the pricing and annual caps of such agreements.

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In order to ensure that the pricing terms under the agreements for the continuing connected transactions of the Company are fair and reasonable, the Company's finance center and other relevant operation departments will review the proposed price provided by the vendor in the following manner:

- (A) if a comparable market price is available, the proposed price will be compared with the market price to ensure that such proposed price is not higher than the selling price of the part or product with similar specifications, technology and quality requirements provided by any other manufacturers in the market;
- (B) the Company has established a stringent market price inquiry system:
 - (i) For selection of potential suppliers, the Group has developed standards for selection of suppliers based on different purchase needs. Such standards include, but not limit to, the scale of business, industry recognition, experience of supplying same types of products and services, technological level, financial conditions etc. Same standards are applicable to both connected person and independent third-party suppliers. The Company does not give preferential treatment to connected persons for the selection of potential suppliers. The selection of suppliers shall be determined by the collective decision of a tender assessment board with members from the components and parts development department, suppliers management department, research and development department, compliance and supervision department, finance center and audit department as well as procurement engineers, product engineers and suppliers' quality management engineers. Tenders will be sought from various suppliers and assessed internally over several rounds before a decision is made on the basis of pricing, quality, technology, product risks and after-sales services;
 - (ii) For price inquiry procedures, the Company requires at least three potential suppliers participating in the same purchase and there shall be at least two independent third-party suppliers. Price inquiry procedures that fails to meet the above requirements will be void. Price inquiry procedures are conducted in strict accordance with the above model and the entire process is under the supervision of financial department, audit department and discipline inspection department. Any violations of those measures will be recorded. The result of price inquiry will undergo a final review by the Company's management. The winner of the price inquiry procedure will enter into a written agreement with us. If there is any evidence of frauds or irregularities of the supplier during the procedure, the Company will terminate cooperation and pursue legal responsibility, regardless of whether such supplier is connected person of the Company. All of the written documents involved in the price inquiry procedure shall be kept for at least ten years. In case the parties involving in the price inquiry procedure have any reasonable doubt about the result of price inquiry, they may check relevant documents upon the Company's approval.

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- (C) if no comparable market price is available, the fairness and reasonableness of the proposed price will be determined with reference to the total cost of the part or product, which is estimated with reference to (i) the market price of the raw materials or semi-finished products forming the part or product; and (ii) the cost estimated to be required for manufacturing such part or product with reference to requirements in relation to its nature, functionality, technology and quality standards etc., plus a profit margin of not more than the maximum profit margin level as stipulated under the relevant agreement, depending on the complexity of technologies and quality control procedures involved; and
- (D) the proposed price will be reviewed to ensure that it is in line with the pricing terms of the relevant agreement and that the terms provided to the Company are no less favourable than those offered by the supplier to independent third parties.

E. Listing Rules Implications

As at the Latest Practicable Date, 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. The transactions contemplated between the Company and BAIC Group under the renewed Products and Services Purchasing Framework Agreement and the renewed Provision of Products and Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As BAIC Group holds 56.00% of the equity interest of BAIC Finance, BAIC Finance is an associate of BAIC Group. Therefore, BAIC Finance is a connected person of the Company and the transactions contemplated between the Company and BAIC Finance under the renewed Financial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of each of (i) the proposed annual caps for the continuing connected transactions contemplated under the renewed Products and Services Purchasing Framework Agreement; and (ii) the proposed annual caps for the sale of products transactions contemplated under the renewed Provision of Products and Services Framework Agreement is more than 5%, such continuing connected transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance under the renewed Financial Services Framework Agreement is more than 25%, such transactions constitute major transactions and continuing connected transactions of the Company and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

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The following Directors, being Mr. Xu Heyi, Ms. Shang Yuanxian, Mr. Yan Xiaolei and Mr. Xie Wei, also hold office in BAIC Group. Therefore, they were deemed to have material interests in the above-mentioned continuing connected transactions contemplated under the renewed Products and Services Purchasing Framework Agreement, the renewed Provision of Products and Services Framework Agreement and the renewed Financial Services Framework Agreement and thus have abstained from voting on the relevant resolutions at the Board meeting. Save for the above persons, none of the other Directors has any interest in such transactions.

F. General Information

Information on the Company

The Company is a company limited by shares incorporated in the PRC. It is a leading manufacturer of passenger vehicles in the PRC. The Company is engaged in the design, research and development, manufacture and sales of an extensive and diversified portfolio of passenger vehicle models, and the provision of related services in the PRC. 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's demands for different types of vehicles.

Information on BAIC Group

BAIC Group is a state-owned enterprise established on June 30, 1994. BAIC Group's principal businesses include manufacturing and sales of vehicles and spare parts, operation and management of state-owned assets, investment and investment management, technology development, service and consultancy, and real property development and sales.

Information on BAIC Finance

BAIC Finance is a non-banking financial institution incorporated in November 2011 in the PRC, which is subject to the Administrative Measures on Financial Companies of Group Enterprises (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by the People's Bank of China and CBRC. The main scope of business of BAIC Finance includes: providing financial and financing consultancy, credit certification and related consultancy and agency services; assisting with settlement; conducting approved insurance agency business; providing guarantees; processing entrusted loans; providing bill acceptance and discount; processing the settlement of internal transfers between accounts and formulating plans for relevant settlement and clearing; taking deposits; processing loans and finance leasing; conducting inter-borrowings; underwriting corporate bonds of its members; providing consumption loans for products of its members, loans to purchasers and finance leasing; and investing in fix income securities. The

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registered capital of BAIC Finance is RMB2.5 billion for the time being, which is owned as to 56% by BAIC Group, as to 20% by BAIC Investment Co., Ltd. (北京汽車投資有限公司), as to 14% by Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司) and as to 10% by Beijing Hainachuan Automotive Parts Stock Co., Ltd. (北京海納川汽車部件股份有限公司).

7. Proposed Appointment of Mr. Jin Wei as Non-executive Director

Reference is made to the announcement of the Company dated March 27, 2019 in relation to the proposed change of non-executive Director and member of remuneration committee.

On March 27, 2019, the Board resolved to propose to appoint Mr. Jin Wei as the non-executive Director and a member of the remuneration committee under the Board (“**Remuneration Committee**”) of the Company for a term commencing from the date of approval at the AGM until the expiration of the term of the third session of the Board.

Due to other job assignment, from the effective date of the above appointment of Mr. Jin Wei as the Director of the Company, Ms. Jiao Ruifang will cease to be the non-executive Director and member of the Remuneration Committee. Ms. Jiao Ruifang confirmed that she has no disagreement with the Board in any respect and there are no other matters relating to her resignation that need to be brought to the attention of the Shareholders.

The biographical details of Mr. Jin Wei which are discloseable pursuant to Rule 13.51(2) of the Listing Rules are as follows:

Mr. Jin Wei, aged 46, holds a master’s degree in management, and currently serves as the general manager of the first investment management department at Beijing State-owned Capital Operation and Management Center (北京國有資本經營管理中心).

Mr. Jin Wei has nearly twenty years of experience of corporate management, and successively served as the industry research director of Beijing Guofu Investment Management Company Limited (北京國富投資管理有限公司), the capital operation director of the investment banking department and the deputy manager of the planning and finance department at Beijing International Power Development and Investment Corporation (北京國際電力開發投資公司), the deputy manager of the property management department at Beijing Energy (Group) Co., Ltd. (北京京能(集團)有限公司), the deputy director and deputy general manager of the preparatory office at the asset management branch of Beijing Energy (Group) Co., Ltd., the deputy general manager of the financing management department and the equity management department at Beijing State-owned Capital Operation and Management Center. From April 2017 to January 2019, Mr. Jin Wei served as the assistant to the head of the General Affairs Department (Department of Policies and Regulations) of the State Administration of Foreign Exchange. Since February 2014, Mr. Jin has served as the general manager of the first investment management department at Beijing State-owned Capital Operation and Management Center.

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Save as disclosed above, Mr. Jin Wei confirmed that, (1) he does not hold any other positions in the Company or any of its subsidiaries and also has not served as a director nor a supervisor in any other listed companies in the past three years; (2) he does not have any relationship with any other directors, supervisors, senior management or substantial or controlling shareholders of the Company or any of its subsidiaries; and (3) he does not have any interest in any shares of the Company within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Save as disclosed above, Mr. Jin Wei confirmed that, there is no other information that needs to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules, and there are no other matters concerning the appointment of Mr. Jin Wei as the non-executive Director of the Company that need to be brought to the attention of the Shareholders.

If the proposed appointment of Mr. Jin Wei as the non-executive Director of the Company is approved at the AGM, the Company will enter into relevant Director's service contract with him as soon as possible. Mr. Jin Wei will not receive any remuneration from the Company for his role as a non-executive Director.

8. Proposed Provision of Guarantee for BAIC SA

Reference is made to the announcement of the Company dated November 7, 2016 in relation to the Subscription Agreement and the Shareholders' Agreement ("**Shareholders' Agreement**") entered into by BAIC HK, a wholly-owned subsidiary of the Company, IDC, Investment Universe and BAIC SA in respect of the establishment of BAIC SA. BAIC SA has been held as to 20% by BAIC HK, 45% by Investment Universe and 35% by IDC. It was registered in Johannesburg, South Africa and is currently under construction.

According to the Shareholder Agreement and the progress of the project, BAIC HK shall provide guarantee for 20% of the five-year loan in total of US\$56.0891 million granted to BAIC SA based on its shareholding ratio in BAIC SA (i.e. 20%), with the total guarantee amount of US\$11.2178 million. Due to the insufficient guarantee capability of BAIC HK (as a platform company), it cannot meet the requirement of providing guarantee for BAIC SA directly, thus the above guarantee scheme has been revised to: the Company shall provide guarantee for the loan in total of US\$11.2178 million granted to BAIC HK, then BAIC HK shall provide guarantee for BAIC SA based on its shareholding ratio in BAIC SA (i.e. 20%) by the funds from the loan.

BAIC Group holds 45% equity interests in BAIC SA through its wholly-owned subsidiary, Investment Universe, thus BAIC SA is an associate of BAIC Group and a connected person of the Company. According to Chapter 14A of the Listing Rules, the provision of guarantees by BAIC HK, a wholly-owned subsidiary of the Company, to BAIC SA constitutes a connected transaction of the Company. However, such guarantees are provided to BAIC SA on normal commercial terms based on the shareholding ratio held by BAIC HK in BAIC SA (i.e. 20%), and are therefore fully exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.89 of the Listing Rules.

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According to Article 64 of the Articles of Association, the provision of guarantees to any Shareholders, de facto controllers and their affiliated parties shall be considered and approved by the general meeting of the Company. The proposal is hereby submitted to the AGM for consideration and approval. At the same time, it is proposed at the AGM to authorize the Board, and then the Board authorizes the management of the Company, to handle specific issues in relation to the tripartite loan guarantees, including relevant government approval procedures for the Company to provide guarantee to BAIC HK.

SPECIAL RESOLUTIONS

9. General Mandate for the Issuance of Debt Financing Instruments

In order to control the financial cost by further expanding the financing channels and taking full advantage of the capital market for financing, the Company proposed to grant a general mandate for the issuance of debt financing instruments to the Board (or the person authorized by the Board). The sizes of the issuance will be no more than RMB10 billion (inclusive) with a period of no more than 10 years (inclusive). One or more types of debt financing instruments will be issued either in one tranche or multiple tranches.

The general mandate for the issuance of debt financing instruments will remain in effect from the date of considering and approving the resolution by special resolution at the AGM until the expiry date of 12 months.

If the Company has determined the issuance or part of the issuance during the said effective period and has also obtained the approval, permission, enrolment or registration from regulatory authorities during such period, the Company may complete the issuance within the effective period as confirmed by such approval, permission, enrolment or registration. Under the general mandate, any power exercised by the Board should be in compliance with the related requirements of the Listing Rules, the Articles of Association and the relevant PRC laws and regulations.

10. General Mandate for the Issuance of Shares

With a view to fully leveraging on the financing advantages of the capital market and capitalizing on the financing channel in the market, the Company, with reference to market practices, proposed to grant General Mandate for the Issuance of Shares to the Board, namely, in line with market conditions and the needs of the Company, the Board decides to issue and allot (“**issue**”), either separately or concurrently, additional shares not exceeding 20% of each of the number of Domestic Shares and/or H Shares in issue of the Company at the time of being approved at the AGM within the scope of authorization. Such 20% additional shares is based on the total share capital of Domestic Shares and/or H Shares in issue of the Company at the time of being approved at the AGM. Such additional shares include but not limited to Domestic Shares and/or H Shares, securities convertible into Shares and options, warrants or similar rights to subscribe for any Shares or such convertible securities.

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Relevant Period of the General Mandate for the Issuance of Shares means the period from the date of considering and approving the resolution by special resolution at the AGM until the earliest of:

1. the conclusion of the 2019 annual general meeting of the Company;
2. the expiry date of 12 months from the passing of the resolution at the AGM of the Company;
3. the date on which the mandate mentioned in the resolution thereof is revoked or amended by a resolution in any of the general meetings of the Company.

Under the General Mandate for the Issuance of Shares, any power exercised by the Board should be in compliance with the related requirements of the Listing Rules, the Articles of Association and the relevant PRC laws and regulations.

As of the Latest Practicable Date, the Board had no plan to issue new Shares according to the General Mandate for the Issuance of Shares.

III. MATTERS TO BE RESOLVED AT THE AGM AND SHAREHOLDERS CLASS MEETINGS

11. General Mandate for the Repurchase of Shares

To guarantee the flexibility of the Board to adjust the capital structure, the Company proposed to grant General Mandate for the Repurchase of Shares to the Board to repurchase Domestic Shares and/or H Shares which, each of them, shall not exceed 10% of the respective aggregate nominal amount of the Domestic Shares and H Shares in issue of the Company at the date of the passing of this resolution.

The General Mandate for the Repurchase of Shares will remain in effect from the date of considering and approving the resolution by special resolution at the AGM until the earliest of:

1. the conclusion of the 2019 annual general meeting of the Company;
2. the expiry date of 12 months from the passing of the resolution at the AGM of the Company;
3. the date on which the mandate mentioned in the resolution thereof is revoked or amended by a resolution in any of the general meetings of the Company.

Under the General Mandate for the Repurchase of Shares, any power exercised by the Board should be in compliance with the related requirements of the Listing Rules, the Articles of Association and the relevant PRC laws and regulations.

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The Listing Rules prescribe that the requisite information of the recommended repurchase of Shares shall be provided for Shareholders to consider, to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolution on the repurchase of Shares at the AGM and Shareholders Class Meetings. The explanatory statement containing such information is set out in Appendix I to this circular.

IV. MATTER PROPOSED BY SHAREHOLDER FOR CONSIDERATION AT THE AGM

ORDINARY RESOLUTION

12. Proposed Appointment of Mr. Harald Emil Wilhelm as Non-executive Director

Reference is made to the announcement of the Company dated May 22, 2019 in respect of the resignation of non-executive Director. Due to other job assignment, Mr. Bodo Uebber has resigned as a non-executive Director with effect from May 22, 2019. Mr. Bodo Uebber has confirmed that there is no disagreement between him and the Board in any respect and there is no other matter in relation to his resignation that needs to be brought to the attention of the Shareholders.

The Company recently received the proposal submitted by Daimler AG in accordance with the Company Law and the Articles of Association, nominating Mr. Harald Emil Wilhelm as the candidate of non-executive Director, for a term commencing from the date of approval at the AGM until the expiration of the third session of the Board.

The biographical details of Mr. Harald Emil Wilhelm which are disclosable pursuant to Rule 13.51(2) of the Listing Rules are as follows:

Mr. Harald Emil Wilhelm, aged 53, holds a master's degree in business administration and currently serves as a member of the management committee of Daimler AG.

Mr. Harald Emil Wilhelm previously served as the finance/accounting manager of Deutsche Aerospace AG, the senior manager in the mergers and acquisitions department of Daimler-Benz Aerospace AG, the vice president in the mergers and acquisitions department of DaimlerChrysler Aerospace AG, the senior vice president of accounting, tax and financial services of Airbus Commercial Aircraft, the senior vice president of financial control, the chief controlling officer, deputy chief financial officer and chief financial officer, the chief financial officer of Airbus SAS. Since April 2019, Mr. Harald Emil Wilhelm has served as a member of the Board of Management of Daimler AG, responsible for finance and controlling as well as the financial services of Daimler AG.

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Save as disclosed above, Mr. Harald Emil Wilhelm confirmed that, (1) he does not hold any other positions in the Company or any of its subsidiaries and also has not served as a director nor a supervisor in any other listed companies in the past three years; (2) he does not have any relationship with any other directors, supervisors, senior management or substantial or controlling Shareholders of the Company or any of its subsidiaries; and (3) he does not have any interest in any Shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as of the Latest Practicable Date.

Save as disclosed above, Mr. Harald Emil Wilhelm confirmed that, there is no other information that needs to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules, and there are no other matters concerning the appointment of Mr. Harald Emil Wilhelm as the non-executive Director that need to be brought to the attention of the Shareholders.

If the proposed appointment of Mr. Harald Emil Wilhelm as the non-executive Director is approved at the AGM, the Company will enter into relevant Director's service contract with him as soon as possible. Mr. Harald Emil Wilhelm will not receive any remuneration from the Company for his role as a non-executive Director.

V. POLL PROCEDURE

Pursuant to Rules 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting and a shareholders' class meeting must be taken by poll. Therefore, all the resolutions set out in the notices of the AGM and Shareholders Class Meetings shall be voted by poll. Votes may be given either personally or by proxy.

In accordance with the Listing Rules, BAIC Group was deemed to have material interest in the continuing connected transactions contemplated under the renewed Products and Services Purchasing Framework Agreement, the renewed Provision of Products and Services Framework Agreement and the renewed Financial Services Framework Agreement and the provision of guarantee for BAIC SA by BAIC HK, a wholly-owned subsidiary of the Company. Therefore, BAIC Group and its associates shall abstain from voting on the resolutions in relation to the (i) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder for the three financial years ending December 31, 2022; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder for the three financial years ending December 31, 2022; (iii) renewal of Financial Services Framework Agreement and the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance thereunder for the three financial years ending December 31, 2022 and (iv) provision of guarantee for BAIC SA. As at the Latest Practicable Date, BAIC Group and its associates, directly and indirectly, hold 3,416,659,704 Domestic Shares of the Company (representing approximately 42.63% of the total issued share capital of the Company) with voting right.

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To the best knowledge of the Directors and having made all reasonable enquiries, no Shareholders have material interests in the other resolutions and are required to abstain from voting on the such resolutions to be proposed at the AGM.

VI. 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 (i) renewal of the Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder for the three financial years ending December 31, 2022; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder for the three financial years ending December 31, 2022; and (iii) renewal of Financial Services Framework Agreement and the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance thereunder for the three financial years ending December 31, 2022; 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 on the same matter, as well as the principal factors and reasons taken into account by Gram Capital in arriving at its advice.

The Directors (excluding the independent non-executive Directors, whose opinions are given in the letter from the Independent Board Committee contained in this circular) are of the view that (i) the transactions under the renewed Products and Services Purchasing Framework Agreement; (ii) the sale of products transactions under the renewed Provision of Products and Services Framework Agreement; and (iii) the deposit services transactions under the renewed Financial Services Framework Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as (i) the proposed annual caps for the purchase of products and purchase of services transactions; (ii) the proposed annual caps for the sale of products transactions; and (iii) the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance, for the next three financial years ending 31 December 2022, are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the AGM.

Furthermore, the Board considers that the above-mentioned other resolutions are in the interests of the Company and the Shareholders as a whole, and thereby recommends the Shareholders to vote in favour of the resolutions at the AGM and Shareholders Class Meetings.

LETTER FROM THE BOARD

VII. THE AGM AND SHAREHOLDERS CLASS MEETINGS

The notices of the AGM and Shareholders Class Meetings to be held at 9:30 a.m. on Tuesday, June 18, 2019 together with the forms of proxy and reply slips have been despatched to the Shareholders on Tuesday, April 30, 2019. The supplemental notice and supplemental form of proxy for use at the AGM are also enclosed. Such supplemental notice and supplemental form of proxy of the AGM are also published on the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk).

If you wish to attend the AGM and/or the Shareholders Class Meetings (in person or by proxy), please complete and return the reply slip to the H Share Registrar, 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 Directors' Office of the Company at Room 3-069, 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 Wednesday, May 29, 2019. The Company will convene the AGM and/or Shareholders Class Meetings if Shareholders intending to attend the meetings 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 meetings by informing the Shareholders once again of the matters to be considered at the meetings as well as the date and place of the meetings 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 AGM and Shareholders Class Meetings, holders of H Shares are requested to complete and return the form of proxy and supplemental form of proxy in accordance with the instructions printed thereon and return them 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 and supplemental form of proxy shall be returned to the Board of Directors' Office of the Company at Room 3-069, 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 AGM and Shareholders Class Meetings or any adjournment thereof. Completion and return of the form of proxy and supplemental form of proxy will not preclude the Shareholders from attending and voting in person at the AGM and Shareholders Class Meetings or any adjournment thereof if they so wish.

VIII. CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlements of the Shareholders to attend the AGM and Shareholders Class Meetings, the register of members of the Company will be closed from Sunday, May 19, 2019 to Tuesday, June 18, 2019 (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 AGM and Shareholders Class Meetings, all transfer documents must be lodged with the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716,

LETTER FROM THE BOARD

17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H Shares no later than 4:30 p.m. on Friday, May 17, 2019 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, May 17, 2019.

In order to ascertain the entitlements of the Shareholders to receive the proposed final dividend, the register of members of the Company will be closed from Monday, June 24, 2019 to Saturday, June 29, 2019 (both days inclusive), during which period no transfer of Shares of the Company will be effected. To be eligible to receive the proposed final dividend, all the transfer documents must be lodged with the H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for holders of H Shares no later than 4:30 p.m. on Friday, June 21, 2019, 2019, 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, June 21, 2019.

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



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)

May 24, 2019

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONTINUING CONNECTED TRANSACTION – RENEWAL OF
CONTINUING CONNECTED TRANSACTIONS WITH BAIC GROUP**

We refer to the circular of the Company dated May 24, 2019 (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 (i) the terms and conditions of the renewed Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder; (ii) the terms and conditions of the renewed Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; and (iii) the terms and conditions of the renewed Financial Services Framework Agreement and the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance 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.

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the terms and conditions of the renewed Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder; (ii) the terms and conditions of the renewed Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; and (iii) the terms and conditions of the renewed Financial Services Framework Agreement and the maximum daily balance of and annual caps

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

for interest income from deposits placed by the Group with BAIC Finance 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. 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 56 to 83 of this Circular.

Independent Shareholders are recommended to read the letter of advice from the Independent Financial Adviser, the letter from the Board contained in the Circular as well as the additional information set out in the Appendix III to the Circular.

Having considered the (i) the terms and conditions of the renewed Products and Services Purchasing Framework Agreement and the proposed annual caps for the purchase of products and purchase of services transactions contemplated thereunder; (ii) the terms and conditions of the renewed Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; and (iii) the terms and conditions of the renewed Financial Services Framework Agreement and the maximum daily balance of and annual caps for interest income from deposits placed by the Group with BAIC Finance thereunder, the interests of the Independent Shareholders and the advice of Gram Capital, we are of the opinion that the renewed Products and Services Purchasing Framework Agreement, the renewed Provision of Products and Services Framework Agreement and the renewed Financial Services Framework 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 resolutions to be proposed at the AGM.

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

LETTER FROM GRAM CAPITAL

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 Purchase Transactions, the Sale Transactions and the Deposit Services 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

24 May 2019

*To: The independent board committee and the independent shareholders
of BAIC Motor Corporation Ltd.*

Dear Sir/Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the (i) renewal of (a) purchase of products transactions (the “**Purchase Transactions (Products)**”); and (b) purchase of services transactions (the “**Purchase Transactions (Services)**”, together with the Purchase Transactions (Products), the “**Purchase Transactions**”) under the Products and Services Purchasing Framework Agreement; (ii) renewal of sale of products transactions (the “**Sale Transactions**”) under the Provision of Products and Services Framework Agreement; and (iii) renewal of deposit services (the “**Deposit Services**”, together with the Purchase Transactions and the Sale Transactions, the “**Transactions**”) under the Financial Services Framework Agreement details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 24 May 2019 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 27 March 2019, the Company and BAIC Group entered into (i) the Products and Services Purchasing Framework Agreement; and (ii) the Provision of Products and Services Framework Agreement for a further term of three years from 1 January 2020 to 31 December 2022 and set the new annual caps for such continuing connected transactions for the three years ending 31 December 2022.

On the even date, the Company and BAIC Finance also entered into the Financial Services Framework Agreement for a further term of three years from 1 January 2020 to 31 December 2022 and set the new annual caps for such continuing connected transactions for the three years ending 31 December 2022.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Purchase Transactions, the Sale Transactions and the Deposit Services constitute non-exempted continuing connected transactions of the Company and shall be subject to the reporting, announcement requirements under the Listing Rules and the requirement to obtain approval from the Independent Shareholders. In addition, the Deposit Services also constitutes a major transaction of the Company.

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 Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the the Transactions at the AGM. 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 are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Transactions. 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 therein or 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.

LETTER FROM GRAM CAPITAL

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, BAIC Group and BAIC Finance or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Purchase Transactions, the Sale Transactions and/or the Deposit Services. 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 Transactions, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Transactions

Information on the Group

With reference to the Board Letter, the Company is a company limited by shares incorporated in the PRC. It is a leading manufacturer of passenger vehicles in the PRC. The Company is engaged in the design, research and development, manufacture and sales of an extensive and diversified portfolio of passenger vehicle models, and the provision of related services in the PRC. 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's demands for different types of vehicles.

LETTER FROM GRAM CAPITAL

Set out below is a summary of the audited consolidated financial information on the Group for the two years ended 31 December 2018 as extracted from the Company's annual report for the year ended 31 December 2018 (the "2018 Annual Report"):

	For the year ended 31 December 2018	For the year ended 31 December 2017	Change from 2017 to 2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Revenue	151,920,390	134,158,541	13.24
Profit for the year attributable to equity holders of the Company	4,429,465	2,252,813	96.62
	As at 31 December 2018	As at 31 December 2017	Change from 2017 to 2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Cash and cash equivalents	35,389,883	36,824,906	(3.90)
Accounts receivable	21,988,198	19,882,114	10.59

From the above table, we noted that the Group recorded an increase of approximately 13.24% in revenue for the year ended 31 December 2018 ("FY2018") as compared to that for the year ended 31 December 2017 ("FY2017"). With reference to the 2018 Annual Report, the increase in revenue for FY2018 was mainly attributable to the increase in revenue from Beijing Benz, which was mainly attributable to (i) a year-on-year increase of 14.8% in sales volume of Beijing Benz; and (ii) further increase in the proportion of sales volume of models with relatively higher selling prices. The Group also recorded a very substantial increase of approximately 96.62% in profit attributable to equity holders of the Company for FY2018 as compared to that for FY2017.

With reference to the 2018 Annual Report, the Group will focus on the high-quality development, comprehensively improve the product strength and the brand strength of Beijing Brand, and continuously deepen the joint venture cooperation. It has developed the strategy of differentiated operations for business segments.

LETTER FROM GRAM CAPITAL

A. PURCHASE TRANSACTIONS AND SALE TRANSACTIONS

Information on BAIC Group

With reference to the Board Letter, BAIC Group is a state-owned enterprise established on 30 June 1994. BAIC Group's principal businesses include manufacturing and sales of vehicles and spare parts, operation and management of state-owned assets, investment and investment management, technology development, service and consultancy, and real property development and sales.

Reasons for and benefit of the Purchase Transactions and the Sale Transactions

With reference to the Board Letter, in the ordinary and usual course of business, the Group purchases products and services from BAIC Group and/or its associates. The Company has been using the products and services provided by BAIC Group and/or its associates for several years. BAIC Group has been providing the Group with a long-term stable supply. As a result, BAIC Group and its associates understand the Group's business and operational requirements well. It is crucial to maintain a stable and quality supply of products and general services for the Company's existing and future production and operation. With reference to the previous purchasing experience with BAIC Group and its associates, BAIC Group can efficiently fulfil the Company's requirements with stable and quality supply of products and general services. We also understood from the Directors that the Sale Transactions would allow the Group to have a stable source of income.

Details of reasons and benefits for the Purchase Transactions and the Sale Transactions are set out under the sub-section headed "Reasons and Benefits" under the sections headed "(A) Renewed Products and Services Purchasing Framework Agreement" and "(B) Renewal of the Provision of Products and Services Framework Agreement" of the Board Letter.

As confirmed by the Directors, as the Purchase Transactions and the Sale Transactions are conducted in the ordinary and usual course of business of the Group and on a frequent and regular basis, it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Listing Rules, if necessary. Accordingly, the Directors are of the view that the Purchase Transactions and the Sale Transactions will be beneficial to the Company and the Shareholders as a whole.

Having considered the above factors, we are of the view that the Purchase Transactions and Sale Transactions are in the interest of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

LETTER FROM GRAM CAPITAL

1. Products and Services Purchasing Framework Agreement

Set out below are the key terms of Products and Services Purchasing Framework Agreement. Details of terms of agreement are set out under the section headed “(A) Renewed Products and Services Purchasing Framework Agreement” of the Board Letter.

Date: 27 March 2019

Parties: (i) BAIC Group
(ii) the Company

Term of the agreement: From 1 January 2020 to 31 December 2022

Principal terms: BAIC Group and/or its associates will provide several types of products and services to the Company and/or its subsidiaries. These products will include automobile equipment, raw materials, components and parts and complete vehicles, and these services will include labor services, logistics services, transportation services and consultancy services.

Members of the Group and BAIC Group and its associates will enter into individual agreement for each of the specific transactions contemplated under the renewed Products and Services Purchasing Framework Agreement, provided that any such individual agreement shall be within the ambit of the renewed Products and Services Purchasing Framework Agreement.

The product prices and service fees shall be paid in accordance with the individual agreements to be signed by members of the Group and BAIC Group and its associates under the renewed Products and Services Purchasing Framework Agreement.

Pricing Policy:

Details of the pricing policy of the Purchase Transactions are set out under the sub-section headed “Pricing Policy” under the section headed “Renewal of the Products and Services Purchasing Framework Agreement” of the Board Letter.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we obtained signed contracts relating to the Purchase Transactions between the Group and members of BAIC Group. Based on the aforesaid signed contracts and supporting documents as provided by the Group, we noted that (“**Our Findings on Purchase Transactions**”):

- (i) before signing the Individual Contracts, the Group conducted tender processes with three bidders or all the qualified suppliers if number of such suppliers were less than three;
- (ii) the material/services prices offered by members of BAIC Group to the Group were not higher than those offered by independent third parties for the same products/materials/services.

We understood that the Group adopted a series of internal control measures to ensure the Transactions are conducted in a fair and reasonable manner. Details of the internal control measures are set out under the section headed “Internal Control Procedures for the Implementation of Continuing Connected Transactions” of the Board Letter.

Taking into account that (i) separate departments of the Company, including the finance center and procurement center are jointly responsible for evaluating the transaction terms under the agreements for the Purchase Transactions, in particular, the fairness of the pricing terms under such agreement; (ii) the Company established a stringent market price inquiry system; and (iii) proposed price will be reviewed to ensure that it is in line with the pricing terms of the relevant agreement and that the terms provided to the Company are no less favourable than those offered by the supplier to independent third parties, we consider that the effective implementation of the internal control mechanism would help to ensure fair pricing of the Purchase Transactions.

For our due diligence purpose, we further discussed with senior management, staff of relevant departments/subsidiaries and understood that the Company’s senior management, aforementioned staffs are aware of the internal control measures and will comply with such measures when conducting the Purchase Transactions. Having also considered Our Findings on Purchase Transactions, we do not doubt the effectiveness of the internal control mechanism for fair pricing of the Purchase Transactions.

In light of the above, we are of the view that the terms of the Products and Services Purchasing Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GRAM CAPITAL

Proposed annual caps

A. *Proposed annual caps of the Purchase Transactions (Products)*

Set out below are (i) the historical transaction amounts in respect of the Purchase Transactions (Products) for the three years ending 31 December 2019 with relevant annual caps; and (ii) the proposed annual caps of Purchase Transactions (Products) for the year ending 31 December 2022:

	For the year ended 31 December 2017 (RMB million)	For the year ended 31 December 2018 (RMB million)	For the year ending 31 December 2019 (RMB million)
Historical transaction amounts	25,910.5	27,185.9	8,877.5 (Note)
Existing/previous annual caps	41,532.7	61,954.4	72,821.3
Utilisation rate	62.4%	43.9%	N/A
	For the year ending 31 December 2020 (RMB million)	For the year ending 31 December 2021 (RMB million)	For the year ending 31 December 2022 (RMB million)
Purchase of products	50,346.0	52,920.8	55,603.1

Note: For the three months ended 31 March 2019

The basis for determining proposed annual caps of Purchase Transactions (Products) for the three years ending 31 December 2022 are set out under the sub-section headed “Basis of Determination of the Proposed Annual Caps” under section headed “Renewal of the Products and Services Purchasing Framework Agreement” of the Board Letter.

We noted that the relevant utilisation rate of the previous annual caps were (i) approximately 62.4% and 43.9% respectively for the two years ended 31 December 2018 respectively; and (ii) for illustration purpose only, approximately 48.8% for the year ending 31 December 2019, based on annualized historical amount for the three months ended 31 March 2019 (i.e. RMB8,877.5 million/(3/12) = approximately RMB35,510 million). As advised by the Directors, due to transaction amounts of the Purchase Transactions (Products) mainly linked with the sales volume of vehicles, which was lower than previously estimated due to strategic adjustment, the Group’s utilisation rate of previous annual caps for the two years ended 31 December 2018 were low.

LETTER FROM GRAM CAPITAL

The Directors further provided us the calculation for the proposed annual caps for the three years ending 31 December 2022. We noted from the calculation that the proposed annual caps were calculated by (i) estimated demand on relevant products for each of the three years ending 31 December 2022; and (ii) a buffer of 20% on the estimated demand for each of the three years ending 31 December 2022.

A.1 Estimated demand

Based on the calculation, the total estimated demand of the Purchase Transactions (Products) for the three years ending 31 December 2022 was determined based on (i) the estimated demand of products for Beijing Benz use; and (ii) the estimated demand of products for Beijing Brand use for the three years ending 31 December 2022.

A.1.1 Estimated demand for Beijing Benz use

When determining the estimated demand of products for Beijing Benz use for the three years ending 31 December 2022, the Directors considered (i) historical transaction amounts for demand of products for Beijing Benz use for the year ended 31 December 2018; (ii) a substantial estimated growth on such demand from 2018 to 2019; and (iii) a moderate estimated annual growth on such demand from 2019 to 2022. According the calculation, the aforesaid increases were the same as the expected increase in sales volume of vehicles under Beijing Benz for the same period.

To assess the fairness and reasonableness of the estimated demand of products for Beijing Benz use for the three years ending 31 December 2022, we conducted following analyses:

- We enquired into the Directors and understood that the estimated demand of products for Beijing Benz mainly linked with the performance of sales volume of vehicles under Beijing Benz.
- With reference to the 2018 Annual Report, Beijing Benz continued to see a rapid growth of a year-on-year increase of 14.8% in the sales volume of vehicles under Beijing Benz brand. As such, we consider that the substantial estimated growth on demand of the products from 2018 to 2019, which was not deviated from the aforesaid year-on-year increase of 14.8%, to be acceptable.
- The Directors further advised us that for a prudent sake, a moderate estimated annual growth on sales volume of vehicles under Beijing Benz brand from 2019 to 2022 was applied.

LETTER FROM GRAM CAPITAL

Based on the above calculation, we consider that the estimated demand of products for Beijing Benz use for the three years ending 31 December 2022 to be fair and reasonable.

A.1.2 Estimated demand for Beijing Brand use

Beijing Brand, the Group's proprietary brand, is operated under four series, i.e. Senova, New Energy Vehicle, BJ and Wevan, covering a full range of sedan, SUV, CUV, MPV models and new energy vehicles.

When determining the estimated demand of products for Beijing Brand use for the three years ending 31 December 2022, the Directors considered (i) historical transaction amounts for demand of products for Beijing Brand use for the year ended 31 December 2018; (ii) a very substantial estimated growth on such demand from 2018 to 2019; (iii) a slight adjustment on estimated demand of products for Beijing Brand use from 2019 to 2020; and (iv) an estimated annual growth of 5% on such demand from 2020 to 2022.

According to the calculation, the aforesaid increases were the same as the expected increase in sales volume of vehicles under Beijing Brand (mainly Senova and New Energy Vehicle) for the same period. As confirmed by the Directors, the changes in estimated demand of products under the Purchase Transactions (Products) for Beijing Brand use (mainly Senova and New Energy Vehicle) mainly linked with the performance of sales volume of such vehicles under Beijing Brand by the Group.

To assess the fairness and reasonableness of the estimated sales volume of vehicles under Beijing Brand for the three years ending 31 December 2022, we conducted following analyses:

According to the calculation, the increase in 2018 and 2019 was mainly due to the expected increase in sales volume of vehicles under Senova series (the "**Senova Vehicles**") and New Energy Product under Beijing Brand. The sales volume of aforesaid two series products represented over 70% and 80% of total sales/estimated sales volume of vehicles under Beijing Brand for each of 2018 and 2019 respectively. The portion of such sales further increased to over 90% of estimated sales volume of vehicles under Beijing Brand for the three years ending 31 December 2022.

A.1.2.1 Estimated sales volume of Senova Vehicles

With reference to the 2018 Annual Report, "Senova" is a mid-to high-end passenger vehicle product series under the proprietary brands of the Company and is targeted at consumers who value both vehicle performance and high quality life.

LETTER FROM GRAM CAPITAL

Based on the calculation, we noted that the estimated sales volume of Senova Vehicles for the year ending 31 December 2019 represented a substantial increase as compared to that for the year ended 31 December 2018. However, we noted from the 2018 Annual Report, the sales volume of Senova Vehicles was approximately 65,000 units, representing a year-on-year decrease of 24.1%.

To assess the fairness and reasonableness of the estimated sales volume of Senova Vehicles, we summarised the sales volume of Senova Vehicles for the three years ended 31 December 2018, which were extracted from the previous annual reports of the Company:

	2016	2017	2018
Sales volume			
(approximately 000' units)	201	86	65
Average			
(approximately 000' units)		117	

According to the above table, sales volume of Senova Vehicles was in a decreasing trend during the last three financial years. As advised by the Directors, such decrease in sales volume of Senova Vehicles was mainly due to the decrease in sale of old vehicles under Senova series. However, having considered the following factors:

- (i) the Senova brand completely entered into the 2.0 era, and significantly improved its product strength with successive launch of Zhixing, Zhidao and other main products; and
- (ii) the Group reduced the production and sales volume of Wevan products in an orderly manner so as to improve the overall market positioning of products of Beijing Brand,

the Directors expected sales volume of Senova Vehicles would recover as the results of launching new vehicles. We further noted the estimated sales volume of Senova Vehicles for the year ending 31 December 2019 was close to the average sales volume of Senova Vehicles for the three years ended 31 December 2018. As such, we considered that the expected sales volume of Senova Vehicles for the year ending 31 December 2019 to be acceptable.

We noted from the calculation that an estimated annual growth, which fell within range of 8% to 12%, on expected sales volume of Senova series from 2020 to 2022 was applied. Based on the estimated annual growth, we consider that the expected sales volume of Senova Vehicles for the three years ending 31 December 2022 to be acceptable.

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A.1.2.2 Estimated sales volume of New Energy Vehicles under Beijing Brand

With reference to the 2018 Annual Report, along with manufacturing of traditional oil powered passenger vehicles, Beijing Brand has also made efforts to promote production of new energy products and made arrangement for designing technical routes of, development and production of pure electric, hybrid electric and 48V products.

Based on the calculation, we noted that the estimated sales of new energy vehicles under Beijing Brand for the year ending 31 December 2019 represented a significant increase as compared to that for the year ended 31 December 2018. To assess the aforesaid significant increase, we performed following analyses:

- We noted that the Group recorded a year-on-year increase of 94.2% in the sales volume of new energy passenger vehicles from FY2017 to FY2018.
- According 2018 年汽車工業經濟運行情況 (Status of Vehicles Industry for 2018*) as published by China Association of Automobile Manufacturers in January 2019, there was a substantial increase in manufacturing and sale of new energy automobiles (including electric vehicles) during 2018, representing an increase of approximately 59.9% and 61.7% respectively as compared to those in 2017. There were 986,000 and 984,000 pure electric vehicles being manufactured and sold in 2018, representing increases of 47.9% and 50.8% as compared to those in 2017 respectively.

Based on the above figures, we considered that the expected sales volume of new energy vehicles under Beijing Brand for the year ending 31 December 2019 to be acceptable.

We noted from the calculation that an estimated annual growth of over 20% on expected sales volume of new energy vehicles from 2019 to 2020 was applied; while slight estimated annual growths on expected sales volume of new energy vehicles from 2020 to 2022 were applied. As advised by the Directors, such estimation was mainly based on (i) the historical performance of sale of new energy vehicles; and (ii) the new energy vehicles industry is in a rapid growth trend and is expected to be stable after 2021. Based on the estimated annual growth, we consider that the expected sales volume of new energy vehicles for the three years ending 31 December 2022 to be fair and reasonable.

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Based on the above factors, we consider that the estimated sales volume of vehicles under New Energy vehicles under Beijing Brand for the three years ending 31 December 2022 to be acceptable.

Based on the above factors, we consider that the estimated sales volume of vehicles under Beijing Brand for the three years ending 31 December 2022 to be acceptable.

As mentioned above, when determining the estimated demand of products for Beijing Brand use for the three years ending 31 December 2022, the Directors considered (i) historical transaction amounts for demand of products for Beijing Brand use for the year ended 31 December 2018; (ii) a very substantial estimated growth on such demand from 2018 to 2019; (iii) a slight adjustment on estimated demand of products for Beijing Brand use from 2019 to 2020; and (iv) an estimated annual growth of 5% on such demand from 2020 to 2022. Furthermore, the changes in estimated demand of products under the Purchase Transactions (Products) for Beijing Brand use (mainly Senova and New Energy Vehicle) mainly linked with the performance of sales volume of such vehicles under Beijing Brand by the Group. We noted that the aforesaid estimated growth were in line with the change in the estimated sales volume of vehicles under Beijing Brand (mainly Senova and New Energy Vehicle) for the three years ending 31 December 2022. Accordingly, we consider that the estimated demand of products for Beijing Brand use for the three years ending 31 December 2022 to be fair and reasonable.

In light of the above factors, we consider that the total estimated demand of the Purchase Transactions (Products) for the three years ending 31 December 2022 to be fair and reasonable.

A.2 Buffer

As further advised by the Directors, a buffer of approximately 20% was applied on the estimated demand on raw materials and automobile parts and components, automotive modules for each of the three years ending 31 December 2022 so as to accommodate any unexpected increase in the demands on such products due to the unexpected increase in number of vehicles to be sold (e.g. an increase in number of selling in Beijing Benz brand vehicles of approximately 15% from FY2017 to FY2018 was recorded; while a moderate estimated annual growth on sales volume of vehicles under Beijing Benz brand from 2019 to 2022 was applied) and/or unexpected increase in the cost of such products (e.g. due to inflation and/or price appreciation) during the three years ending 31 December 2022. Upon our request, the Directors provided average price of various types of cold rolled sheets (冷軋鋼板), being major materials for the manufacturing of vehicles. We noted that the average changes of selling price of cold rolled sheets from 2016 to 2018 represented an increase of approximately 22%. Having considered (i) that the unexpected circumstances may take place during the three years ending 31 December 2022; and (ii)

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the buffer would provide flexibility in the event that the actual demand was more than the total estimated demand on such products for the three years ending 31 December 2022 (which was estimated based on various assumptions), we consider that the buffer to be acceptable.

In light of the above factors, we consider that the proposed annual caps for the Purchase Transactions (Products) for the three years ending 31 December 2022 to be fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2022, and they do not represent forecasts of revenue/cost to be incurred from the Purchase Transactions (Products). Consequently, we express no opinion as to how closely the actual revenue/cost to be incurred from the Purchase Transactions (Products) will correspond with the proposed annual caps.

B. Proposed annual caps for the Purchase Transactions (Services)

Set out below are (i) the historical transaction amounts in respect of the Purchase Transactions (Services) for the three years ending 31 December 2019 with relevant annual caps; and (ii) the proposed annual caps of Purchase Transactions (Services) for the year ending 31 December 2022:

	For the year ended 31 December 2017 (RMB million)	For the year ended 31 December 2018 (RMB million)	For the year ending 31 December 2019 (RMB million)
Historical transaction amounts	2,698.1	3,215.5	1,113.4 (Note)
Existing/previous annual caps	7,755.0	8,265.5	8,632.2
Utilisation rate	34.8%	38.9%	N/A
	For the year ending 31 December 2020 (RMB million)	For the year ending 31 December 2021 (RMB million)	For the year ending 31 December 2022 (RMB million)
Purchase of services	5,036.4	4,990.2	5,194.6

Note: For the three months ended 31 March 2019

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The basis for determining proposed annual caps of Purchase Transactions (Services) for the three years ending 31 December 2022 are set out under the sub-section headed “Basis of Determination of the Proposed Annual Caps” under section headed “Renewal of the Products and Services Purchasing Framework Agreement” of the Board Letter.

We noted that the relevant utilisation rate of the previous annual caps were (i) approximately 34.8% and 38.9% respectively for the two years ended 31 December 2018 respectively; and (ii) for illustration purpose only, approximately 51.6% for the year ending 31 December 2019, based on annualized historical amount for the three months ended 31 March 2019 (i.e. RMB1,113.4 million/(3/12) = approximately RMB4,454 million). As advised by the Directors, due to transaction amounts of the Purchase Transactions (Services) mainly linked with the sales volume of vehicles, which was lower than previously estimated due to strategic adjustment, the Group’s utilisation rate of previous annual caps for the two years ended 31 December 2018 were low.

The Directors further provided us the calculation for the proposed annual caps for the three years ending 31 December 2022. We noted from the calculation that the proposed annual caps were calculated by (i) estimated demand on relevant services for each of the three years ending 31 December 2022; and (ii) a buffer of 20% on the estimated demand for each of the three years ending 31 December 2022.

B.1 Estimated Demand

We noted that the estimated demand on relevant services for each of the three years ending 31 December 2022 were determined based on relevant services required under Beijing Brand and Beijing Benz respectively for the three years ending 31 December 2022.

As advised by the Directors, the estimated demand of services under the Purchase Transactions (services) for Beijing Brand use and Beijing Benz use mainly linked with the performance of sales volume of vehicles under Beijing Brand and Beijing Benz by the Group respectively.

When determining the estimated demand of services for Beijing Benz use for the three years ending 31 December 2022, the Directors considered (i) historical transaction amounts for demand of services for Beijing Benz use for the year ended 31 December 2018; (ii) a substantial estimated growth on such demand from 2018 to 2019; and (iii) a moderate estimated annual growth on such demand from 2019 to 2022. We noted that the aforesaid estimated growth was in line with the change in the estimated sales volume of vehicles under Beijing Benz for the three years ending 31 December 2022 (details are set out under the sub-section headed “A.1.1 Estimated demand for Beijing Benz use” above). Accordingly, we consider that the estimated demand of services for Beijing Benz use for the three years ending 31 December 2022 to be fair and reasonable.

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When determining the estimated demand of services for Beijing Brand use for the three years ending 31 December 2022, the Directors considered (i) historical transaction amounts for demand of services for Beijing Brand use for the year ended 31 December 2018; (ii) a very substantial estimated growth on such demand from 2018 to 2019; (iii) a slight adjustment on estimated demand of services for Beijing Brand use from 2019 to 2020; and (iv) an estimated annual growth of 5% on such demand from 2020 to 2022. We noted that the aforesaid estimated growth were in line with the change in the estimated sales volume of vehicles under Beijing Brand for the three years ending 31 December 2022 (details are set out under the sub-section headed “A.1.2.2 Estimated sales volume of New Energy Vehicles under Beijing Brand” above). Accordingly, we consider that the estimated demand of services for Beijing Brand use for the three years ending 31 December 2022 to be fair and reasonable.

B.2 Buffer

As further advised by the Directors, a buffer of approximately 20% was applied on the estimated demand on logistics services and other services for each of the three years ending 31 December 2022 so as to accommodate any unexpected increase in the demands on such services due to the unexpected increase in number of vehicles to be sold (e.g. an increase in number of selling in Beijing Benz brand vehicles of approximately 15% from FY2017 to FY2018 was recorded; while a moderate estimated annual growth on sales volume of vehicles under Beijing Benz brand from 2019 to 2022 was applied) and/or unexpected increase in labor cost of such services (e.g. due to inflation and/or price appreciation) during the three years ending 31 December 2022. Having considered (i) that the unexpected circumstances may take place during the three years ending 31 December 2022; and (ii) the buffer would provide flexibility in the event that the actual demand was more than the total estimated demand on services under the Purchase Transactions (Services) for the three years ending 31 December 2022 (which was estimated based on various assumptions), we consider that the buffer to be acceptable.

In light of the above factors, we consider that the proposed annual caps for the Purchase Transactions (Services) for the three years ending 31 December 2022 to be fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2022, and they do not represent forecasts of revenue/cost to be incurred from the Purchase Transactions (Services). Consequently, we express no opinion as to how closely the actual revenue/cost to be incurred from the Purchase Transactions (Services) will correspond with the proposed annual caps.

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Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Purchase Transactions must be restricted by their respective proposed annual cap for the period; (ii) the terms of the Purchase Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Purchase Transactions must be included in the Company's subsequent published annual reports and financial accounts.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Purchase Transactions (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the annual caps.

In the event that the total amounts of the Purchase Transactions are anticipated to exceed their respective annual caps, or that there is any proposed material amendment to the terms of the Products and Services Purchasing Framework Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Purchase Transactions and thus the interest of the Independent Shareholders would be safeguarded.

Recommendation on the Purchase Transactions

Having taken into account that above factors and reasons, we are of the opinion that (i) the Products and Services Purchasing Framework Agreement are entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Purchase Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the AGM to approve the Products and Services Purchasing Framework Agreement and transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

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2. *Provision of Products and Services Framework Agreement*

Date: 27 March 2019

Parties: (i) BAIC Group
(ii) the Company

Term of the agreement: From 1 January 2020 to 31 December 2022

Principal terms: According to the renewed Provision of Products and Services Framework Agreement, BAIC Group and/or its associates will purchase the following types of products (including products such as facilities, raw materials, components and part and complete vehicles etc., relevant technologies, and derivatives derived from such products including but not limited to average fuel consumption quota of new energy vehicles etc.) (the “**Sale Products**”) and services (including sales agency, processing agency, labour, logistic, transportation and consultancy etc.) from the Company and/or its subsidiaries. It is expected that the Group will mainly sell complete vehicles and provide relevant automotive parts and components to BAIC Group.

Members of the Group and BAIC Group and its associates will enter into individual agreement for each of the specific transactions contemplated under the renewed Provision of Products and Services Framework Agreement, provided that any such individual agreement shall be within the ambit of the renewed Provision of Products and Services Framework Agreement.

The product prices and service fees shall be paid in accordance with the individual agreements to be signed by members of the Group and BAIC Group and its associates under the renewed Provision of Products and Services Framework Agreement.

Pricing Policy:

Details of the pricing policy of the Sale Transactions are set out under the sub-section headed “Pricing Policy” under the section headed “Renewal of the Provision of Products and Services Framework Agreement” of the Board Letter.

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For our due diligence purpose, we obtained invoices from the Company, showing selling prices of vehicles by the Group to (i) a connected person; and (ii) independent third parties. We noted from the invoices that same selling prices applied to both the connected person and the independent third parties for the same type of vehicles (“**Our Findings on the Sale Transactions**”).

With reference to Rule 14A.56 of the Listing Rules, among other things, the auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the listed issuer’s group if the transactions involve the provision of goods or services by the listed issuer’s group. We obtained such letter from the Company, showing their confirmation that, among other things, nothing has come to their attention that causes them to believe that the Sales Transaction during FY2018 was not, in all material respects, in accordance with the pricing policies of Group.

We understood that the Group adopted a series of internal control measures to ensure to ensure the Transactions are conducted in a fair and reasonable manner. Details of the internal control measures are set out under the section headed “Internal Control Procedures for the Implementation of Continuing Connected Transactions” of the Board Letter. Taking into account that the Company’s finance center and BAIC Motor Sales Co., Ltd. (being a wholly-owned subsidiary of the Company and is mainly responsible for the sale of Sale Products) are jointly responsible for evaluating the transaction terms under the agreements for the Sale Transactions, in particular, the fairness of the pricing terms under such agreement; and (ii) as advised by the Directors, the Group applies the same pricing policies regardless of whether the counterparty in a transaction regarding the sale of Sale Products is a connected person or an independent third party, subject to the size of Sale Products to be purchased by the counterparty, we consider that the effective implementation of the internal control mechanism would help to ensure fair pricing of the Sale Transactions.

We further discussed with senior management, staff of relevant departments/subsidiaries and understood that the Company’s senior management, aforementioned staffs are aware of the internal control measures and will comply with such measures when conducting the Sale Transactions. Having also considered Our Findings on the Sale Transactions, we do not doubt the effectiveness of the internal control mechanism for fair pricing of the Sale Transactions.

In light of the above, we are of the view that the terms of the Sale Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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Proposed annual caps for the Sale Transactions

Set out below are (i) the historical transaction amounts in respect of the Sale Transactions for the three years ending 31 December 2019 with relevant annual caps; and (ii) the proposed annual caps of Sale Transactions for the year ending 31 December 2022:

	For the year ended 31 December 2017 (RMB million)	For the year ended 31 December 2018 (RMB million)	For the year ending 31 December 2019 (RMB million)
Historical transaction amounts	13,909.2	16,877.9	5,235.1 (Note)
Existing/previous annual caps	32,473.3	43,017.6	46,445.6
Utilisation rate	42.8%	39.2%	N/A
	For the year ending 31 December 2020 (RMB million)	For the year ending 31 December 2021 (RMB million)	For the year ending 31 December 2022 (RMB million)
Sale of products	29,726.4	31,250.5	32,836.9

Note: For the three months ended 31 March 2019

The basis for determining proposed annual caps of Sale Transactions for the three years ending 31 December 2022 are set out under the sub-section headed “Basis of Determination of the Proposed Annual Caps” under section headed “Provision of Products and Services Framework Agreement” of the Board Letter.

We noted that the relevant utilisation rate of the previous annual caps were (i) approximately 42.8% and 39.2% respectively for the two years ended 31 December 2018 respectively; and (ii) for illustration purpose only, approximately 45.1% for the year ending 31 December 2019, based on annualized historical amount for the three months ended 31 March 2019 (i.e. RMB5,235.1 million/(3/12) = approximately RMB20,940 million). As advised by the Directors, due to transaction amounts of the Sale Transactions mainly linked with the sales volume of vehicles, which was lower than previously estimated due to strategic adjustment, the Group’s utilisation rate of previous annual caps for the two years ended 31 December 2018 were low.

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The Directors further provided us the calculation for the proposed annual caps for the three years ending 31 December 2022. We noted from the calculation that the proposed annual caps were calculated by (i) estimated sales of products under the Sale Transactions for each of the three years ending 31 December 2022; and (ii) a buffer of 20% on the estimated demand for each of the three years ending 31 December 2022.

B.1 Estimated Sales

We noted that the estimated sales of products under the Sale Transactions for each of the three years ending 31 December 2022 were determined based on estimated sales of relevant products under Beijing Brand and Beijing Benz respectively for the three years ending 31 December 2022.

As advised by the Directors, the estimated sales of products under the Sale Transactions regarding Beijing Brand and Beijing Benz mainly linked with the performance of sales volume of vehicles under Beijing Brand and Beijing Benz by the Group respectively.

When determining the estimated sales of products under Beijing Benz for the three years ending 31 December 2022, the Directors considered (i) historical transaction amounts for sales of products under Beijing Benz for the year ended 31 December 2018; (ii) a substantial estimated growth on such sales from 2018 to 2019; and (iii) a moderate estimated annual growth on such sales from 2019 to 2022. We noted that the aforesaid estimated growth was in line with the change in the estimated sales volume of vehicles under Beijing Benz for the three years ending 31 December 2022 (details are set out under the sub-section headed “A.1.1 Estimated demand for Beijing Benz use” above). Accordingly, we consider that the estimated sales of products under Beijing Benz for the three years ending 31 December 2022 to be fair and reasonable.

When determining the estimated sales under Beijing Brand for the three years ending 31 December 2022, the Directors considered (i) historical transaction amounts for sales of products under Beijing Brand for the year ended 31 December 2018; (ii) a very substantial estimated growth on such demand from 2018 to 2019; (iii) a slight adjustment on estimated sales under Beijing Brand from 2019 to 2020; and (iv) an estimated annual growth of 5% on such sales from 2020 to 2022. We noted that the aforesaid estimated growth was in line with the change in the estimated sales volume of vehicles under Beijing Brand for the three years ending 31 December 2022 (details are set out under the sub-section headed “A.1.2.2 Estimated sales volume of New Energy Vehicles under Beijing Brand” above). Accordingly, we consider that the estimated sales of products under Beijing Brand for the three years ending 31 December 2022 to be fair and reasonable.

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B.2 Buffer

As further advised by the Directors, a buffer of approximately 20% was applied on the estimated sales of products under the Sale Transactions for each of the three years ending 31 December 2022 so as to accommodate any unexpected increase in the demands on such products (e.g. an increase in number of selling in Beijing Benz brand vehicles of approximately 15% from FY2017 to FY2018 was recorded; while a moderate estimated annual growth on sales volume of vehicles under Beijing Benz brand from 2019 to 2022 was applied) and/or unexpected increase in the cost of such products (e.g. due to inflation and/or price appreciation) during the three years ending 31 December 2022. As mentioned above, the Directors provided average price of various types of cold rolled sheets (冷軋鋼板), being major materials for the manufacturing of vehicles. We noted that the average changes of selling price of cold rolled sheets from 2016 to 2018 represented an increase of approximately 22%. As further confirmed by the Directors, such changes of raw materials' costs may be reflected to vehicles selling prices. Having considered (i) that the unexpected circumstances may take place during the three years ending 31 December 2022; and (ii) the buffer would provide flexibility in the event that the actual sales was more than the total estimated sales for the three years ending 31 December 2022 (which was estimated based on various assumptions), we consider that the buffer to be acceptable.

In light of the above factors, we consider that the proposed annual caps for the Sale Transactions for the three years ending 31 December 2022 to be fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2022, and they do not represent forecasts of revenue/cost to be incurred from the Sale Transactions. Consequently, we express no opinion as to how closely the actual revenue/cost to be incurred from the Sale Transactions will correspond with the proposed annual caps.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Sale Transactions must be restricted by their respective proposed annual cap for the period; (ii) the terms of the Sale Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Sale Transactions must be included in the Company's subsequent published annual reports and financial accounts.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Sale Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing

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policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps.

In the event that the total amounts of the Sale Transactions are anticipated to exceed their respective annual caps, or that there is any proposed material amendment to the terms of the Sale Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Sale Transactions and thus the interest of the Independent Shareholders would be safeguarded.

Recommendation on the Sale Transactions

Having taken into account that above factors and reasons, we are of the opinion that (i) the Sale Transactions are entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Sale Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the AGM to approve the Sale Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

B. DEPOSIT SERVICES

Information on BAIC Finance

With reference to the Board Letter, BAIC Finance is a non-banking financial institution incorporated in November 2011 in the PRC, which is subject to the Administrative Measures on Financial Companies of Group Enterprises (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by the People's Bank of China and CBRC. The main scope of business of BAIC Finance includes: providing financial and financing consultancy, credit certification and related consultancy and agency services; assisting with settlement; conducting approved insurance agency business; providing guarantees; processing entrusted loans; providing bill acceptance and discount; processing the settlement of internal transfers between accounts and formulating plans for relevant settlement and clearing; taking deposits; processing loans and finance leasing; conducting inter-borrowings; underwriting corporate bonds of its members; providing consumption loans for products of its members, loans to purchasers and finance leasing; and investing in fix income securities.

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We noted that the Measures set out certain compliance and risk control requirements/measures in relation to the operation of group financing companies, including but not limited to maintaining certain financial ratios at all times, etc.

Reasons for and benefit of the Deposit Services

Details of reasons and benefits for the Deposit Services are set out under the sub-section headed “Reasons and Benefits” under the section headed “Renewed Financial Services Framework Agreement” of the Board Letter.

We noted from the existing Financial Services Framework Agreement and the renewed Financial Services Framework Agreement that interest rates for the deposits placed by the Group with BAIC Finance will not be lower than: (i) the minimum interest rate published by the PBOC for deposits of a similar type for the same period; (ii) the interest rate for deposits of a similar type for the same period placed by BAIC Group’s other member companies (other than the Group); or (iii) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to the Group.

In light of the above factors, we consider that the Deposit Services are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

2. Principal terms of the Deposit Services

Date: 27 March 2019

Parties: (i) the Company
(ii) BAIC Finance

Term of the agreement: From 1 January 2020 to 31 December 2022

Principal terms: BAIC Finance will provide financial services to the Company, and such financial services primarily include (i) deposits; (ii) loans and entrusted loan; (iii) other financial services including discounted notes and acceptance service, finance lease, settlement and entrusted loan agency; and (iv) other services subject to obtaining relevant approvals from CBRC.

Members of the Group and BAIC Group and its associates will enter into individual agreement for each of the specific transactions contemplated under the renewed Financial Services Framework Agreement, provided that any such individual agreement shall be within the ambit of the renewed Financial Services Framework Agreement.

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**Pricing Policy for
Deposit Services:**

Interest rates for the deposits placed by the Group with BAIC Finance will not be lower than: (a) the minimum interest rate published by the PBOC for deposits of a similar type for the same period; (b) the interest rate for deposits of a similar type for the same period placed by the subsidiaries of BAIC Group other than the Group; or (c) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to the Company and its subsidiaries.

We understood from the Directors that the Company adopted internal control and corporate governance measures for transactions under the Financial Services Framework Agreement in order to further safeguard the interests of the Independent Shareholders, including independent financial system, risk management measures and internal control policies. Details of the internal control and corporate governance measures are set out under the section headed “Internal Control and Corporate Governance Measures Targeted for Transactions under the Renewed Financial Services Framework Agreement” of the letter from the Board.

To assess the effectiveness of the internal control measures, we discussed with the staff of the Company’s Finance Centre (財經中心). We understood that the Company’s Finance Centre (財經中心) were aware of the internal control measures, and they will comply with internal control measures when conducting the Deposit Services.

Upon our request, the Company provided deposit records to us regarding (i) the Group placed deposits in independent commercial banks and BAIC Finance (the “**Group’s Deposit Records**”); and (ii) BAIC Group’s other member companies (other than the Group) placed deposits in BAIC Finance (the “**Other Members’ Deposit Records**”)^(Note) during 2018 and 2019. We noted from aforesaid deposit records that the deposit rates as shown in the deposit records are in line with the aforesaid requirements under the Deposit Services.

Having considered (i) our findings on the Group’s Deposit Records and the Other Members’ Deposit Records; (ii) our discussion with the staff of the Company’s Finance Centre (財經中心) as mentioned above; (iii) that the Company re-complied with the applicable provisions of the Listing Rules governing continuing connected transaction to conduct the deposit services under the existing Financial Services Framework Agreement, we do not doubt the sufficiency and effectiveness of the internal control measures for the Deposit Services.

Note: Due to confidentiality concern, depositors’ identities under the Other Members’ Deposit Records were hidden. However, as confirmed by BAIC Finance’s staff in writing, the depositors relating to Other Members’ Deposit Records were BAIC Group’s subsidiaries.

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Having considered the above factors, we consider that the terms of the Deposit Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Basis of the proposed annual caps

Set out below is (i) the existing maximum daily balance (the “**Deposit Cap(s)**”) of and annual caps for interest income (the “**Interest Cap(s)**”) from deposits placed by the Group with BAIC Finance for the preceding three financial years ended 31 December 2019; and (ii) the proposed Deposit Caps and Interest Caps for the three years ending 31 December 2022:

	For the year ended 31 December 2017 <i>RMB'million</i>	For the year ended 31 December 2018 <i>RMB'million</i>	For the year ending 31 December 2019 <i>RMB'million</i>
Historical highest daily deposit balance of deposits to be placed by the Group with BAIC Finance	12,389.6	12,478.0	13,074.2 <i>(Note)</i>
Existing Deposit Caps	12,500.0	16,000.0	16,000.0
Utilisation rate for existing deposit caps (%)	99.12	77.99	N/A
Historical interest income from deposits placed by the Group with BAIC Finance	134.8	210.5	47.1 <i>(Note)</i>
Existing Interest Caps	193.2	292.8	292.8
Utilisation rate for existing Interest Caps (%)	69.77	71.89	N/A
	For the year ending 31 December 2020 <i>RMB'million</i>	For the year ending 31 December 2021 <i>RMB'million</i>	For the year ending 31 December 2022 <i>RMB'million</i>
Proposed Deposit Caps	16,000.0	16,000.0	16,000.0
Proposed Interest Caps	292.8	292.8	292.8

Note: For the three months ended 31 March 2019

The basis for determining proposed Deposit Caps and Interest Caps for the year ending 31 December 2022 are set out in sub-section headed “Basis of Determination of the Proposed Annual Caps” of the Board Letter.

LETTER FROM GRAM CAPITAL

According to the above table, the utilisation rates for existing Deposit Caps and Interest Caps were at high levels. The Directors further set proposed Deposit Caps and proposed Interest Caps for the three years ending 31 December 2022 the same as existing Deposit Caps and Interest Caps for the two years ending 31 December 2019.

To assess the fairness and reasonableness of the proposed Deposit Caps, we conducted following analyses:

We noted from the 2018 Annual Report that as at 31 December 2018, (i) total amount of Group's cash and cash equivalents amounted to RMB35.4 billion (as at 31 December 2017: approximately RMB36.8 billion); and (ii) accounts receivable amounted to RMB22.0 billion (as at 31 December 2017: approximately 19.9 billion). The sum of aforesaid two items (the "Sum") amounted to RMB57.4 billion (as at 31 December 2017: RMB56.7 billion). The Deposit Caps for the three years ending 31 December 2022, which indicate the possible demand on deposit services, are less than the Sum. In addition, the Sum as at 31 December 2018 of approximately RMB57.4 billion were at similar level to that as at 31 December 2017 of approximately RMB56.7 billion.

As advised by the Directors, it is difficult to forecast the total cash level for whole period of three years ending 31 December 2022. Nevertheless, should there be any substantial increase in total cash of the Group, the Group may opt to deposit larger portion of cash in commercial banks or re-comply with the applicable provisions of the Listing Rules governing continuing connected transaction to revise the Deposit Caps.

In light of the above factors, we consider that the Deposit Caps, which are the same for the three years ending 31 December 2022, are fair and reasonable.

Furthermore, the Directors advised us that when determine the proposed Interest Caps for the three years ending 31 December 2022, the Directors took into account of (i) the proposed Deposit Caps for the three years ending 31 December 2022; and (ii) the interest rates of annualised 7-day call deposit, being the main type of deposits placed by the Group with BAIC Finance in the past, ranged from approximately 1.5% to 2.0% per annum as offered by BAIC Finance. The average implied deposit rate (being the Interest Caps over the Deposit Caps)(the "Average Implied Deposit Rate") for each of the three years ending 31 December 2022 falls within the range of annualised 7-day call deposit rates offered by BAIC Finance. In addition, we noted that the Average Implied Deposit Rate for the three years ending 31 December 2022 is in line with the deposit rates as shown in the Group's Deposit Records. As such, we consider that the Average Implied Deposit Rate to be acceptable.

Having considered that (i) the proposed Deposit Caps for the three years ending 31 December 2022 are fair and reasonable as mentioned above; and (ii) the Average Implied Deposit Rate to be acceptable, we consider that the proposed Interest Caps for the three years ending 31 December 2022 are fair and reasonable.

LETTER FROM GRAM CAPITAL

4. Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the maximum values of the Deposit Services must be restricted by the Deposit Caps for the period concerned under the Finance Services Framework Agreement; (ii) the terms of the Deposit Services must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Deposit Services must be included in the Company's subsequent published annual reports and financial accounts.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Deposit Services (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the annual caps.

In the event that the maximum amounts of the Deposit Services are anticipated to exceed the Deposit Caps, or that there is any proposed material amendment to the terms of the Deposit Services, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the deposit service and thus the interest of the Independent Shareholders would be safeguarded.

5. Recommendation on the Deposit Services

Having taken into account that above factors and reasons, we are of the opinion that (i) the Deposit Services are entered into in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Deposit Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the AGM to approve the Deposit Services and 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

This appendix serves as an explanatory statement, as required by Rule 10.06(1)(b) of the Listing Rules, to provide the requisite information for the Shareholders to consider the proposed repurchase of Shares.

1. DESCRIPTION AND NUMBER OF SHARES PROPOSED TO BE REPURCHASED

As of the date on which the General Mandate for the Repurchase of Shares is approved by the Board, the total number of Shares issued by the Company is 8,015,338,182 (including 5,494,647,500 Domestic Shares and 2,520,690,682 H Shares). If the repurchase is carried out in full, the Shares to be repurchased shall not exceed 801,533,818 shares with a maximum of 549,464,750 Shares for Domestic Shares and a maximum of 252,069,068 Shares for H Shares. The exact number of Shares to be repurchased shall be determined by the actual number of Shares repurchased by the end of the repurchase period.

2. REASONS FOR REPURCHASE

In order to enable the Company to make full use of Share repurchase as a means for adjusting the capital structure in line with market conditions and the needs of the Company, the net asset value and/or earnings per Share may be increased under the principle of protecting investors' interests.

The Board believes that the repurchase of Shares is in the interests of the Shareholders as a whole and the Company, and conducive to boosting investors' confidence.

3. SOURCE OF FUNDS

The Company shall, in accordance to the Articles of Association and the applicable PRC laws, regulations and statutes, legally set aside funds for purposes related to its internal resources (which may include surplus reserves and retained earnings) at the time of share repurchase.

4. IMPACT ON WORKING CAPITAL

The Directors believe that the exercise of the Mandate for the Repurchase of Shares in full at any time during the proposed repurchase period would not cause a material adverse impact on the working capital or gearing ratio of the Company (as compared with the disclosures of the latest audited accounts set out in the Company's annual report for the year ended December 31, 2018). However, if the provision exercise of the Company's working capital or assets and liabilities level would be materially and adversely affected as a result of the repurchase of Shares, then the Directors shall not propose the exercise of the Mandate for the Repurchase of Shares to that degree. The Directors shall at an appropriate time consider the prevailing market conditions, and in the best interest of the Company, make decisions on the number, price and other terms of Shares to be repurchased.

5. PRESENT INTENTION OF DIRECTORS AND THEIR CLOSE ASSOCIATES

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, their close associates (as defined in the Listing Rules), have any present intention to sell to the Company any of the Shares according to the General Mandate for the Repurchase of Shares if the relevant resolution is approved by the Shareholders.

6. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Hong Kong Stock Exchange that so far as relevant provisions may be applicable, they will exercise the powers of the Company to repurchase Shares pursuant to the Listing Rules and the applicable PRC laws and in accordance with the special resolution set out in the AGM notice and notices of Shareholders Class Meetings respectively.

7. EFFECT OF THE TAKEOVER CODE

If a Shareholder's proportionate interest in the voting rights of the Company increases as a result of the Directors exercising the power of the Company to repurchase Shares pursuant to the General Mandate for the Repurchase of Shares, such an increase will be treated as an acquisition of the voting rights pursuant to Rule 32 of the Takeovers Code. If such an increase results in the change in control, it could, under certain circumstances, result in the recommendation for a mandatory acquisition in accordance with Rule 26 of the Takeovers Code.

As of the Latest Practicable Date, to the best knowledge and belief of the Directors, the Directors are not aware of any consequence which may arise under the Takeovers Code and any similarly applicable laws as a consequence of any repurchase of Shares under the General Mandate for the Repurchase of Shares.

8. SHARE REPURCHASE MADE BY THE COMPANY

No repurchase of Shares has been made by the Company (whether on the Hong Kong Stock Exchange or otherwise) six months up to the Latest Practicable Date.

9. CORE CONNECTED PERSON

No core connected person (as defined in the Listing Rules) has notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so in the event that the repurchase of Shares is approved by the Shareholders.

10. MARKET PRICES

The highest and lowest closing prices of each month at which the H Shares have been traded on the Hong Kong Stock Exchange over the last 12 months are as follows:

	Highest <i>Hong Kong</i> <i>dollars</i>	Lowest <i>Hong Kong</i> <i>dollars</i>
2018		
May	7.85	7.00
June	8.84	7.14
July	7.51	6.38
August	6.79	5.74
September	6.53	5.44
October	6.16	4.00
November	4.80	4.26
December	4.95	4.01
2019		
January	5.10	4.00
February	5.44	4.99
March	5.33	4.60
April	6.42	5.20
May (up to the Latest Practicable Date)	5.48	4.50

1. FINANCIAL INFORMATION OF THE GROUP

Details of the audited financial information of the Group for each of the three years ended December 31, 2016, 2017 and 2018 are disclosed in the following annual reports of the Company for the years ended December 31, 2016, 2017 and 2018, respectively, which have been published and are available on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.baicmotor.com):

- the annual report 2016 of the Company for the year ended December 31, 2016 which is published on April 26, 2017 (available on: <http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0426/LTN201704261851.pdf>);
- the annual report 2017 of the Company for the year ended December 31, 2017 which is published on April 25, 2018 (available on: <http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0425/LTN20180425341.pdf>); and
- the annual report 2018 of the Company for the year ended December 31, 2018 which is published on April 23, 2019 (available on: <http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0423/LTN201904231264.pdf>).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on March 31, 2019, being the latest practicable date for the purpose of determining the indebtedness of the Group prior to the printing of this circular, the indebtedness of the Group was as follows:

Debt Securities

As at March 31, 2019, the balance of the corporate bonds of the Group amounted to RMB13,590.9 million (among which short-term corporate bonds amounted to RMB3,498.8 million, non-current corporate bonds matured within one year amounted to RMB499.6 million).

Bank and Other Borrowings

As at March 31, 2019, the outstanding RMB borrowings amounted to RMB10,974.7 million (among which short-term borrowings amounted to RMB7,390.0 million, non-current borrowings matured within one year amounted to RMB1,485.5 million). The outstanding Euro borrowings amounted to Euro 259.1 million, equivalent to RMB1,958.7 million (among which short-term borrowings amounted to Euro 12.1 million, equivalent to RMB91.2 million).

All borrowings were unsecured except for bank borrowings of RMB100.0 million, which were secured by the Company's equity interest in BAIC Guangzhou Automotive Co., Ltd..

Perpetual Bond

As at March 31, 2019, the balance of the perpetual bond of the Group amounted to RMB1,998.2 million.

Pledge of the Assets of the Group

As at March 31, 2019, the amount of notes receivable and deposits pledged as collateral for notes payable issued by banks is RMB2,959.1 million and RMB732.9 million, respectively.

Contingent Liabilities

As at March 31, 2019, the Group had no material contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have at the close of business on March 31, 2019, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or material contingent liabilities.

As at March 31, 2019, the Directors have not been aware of any material and adverse changes in the indebtedness and contingent liabilities from December 31, 2018 onwards.

3. WORKING CAPITAL

The Directors are of the opinion that after taking into account the existing financial resources available to the Group and the Group's expected internally generated funds, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this circular.

4. EFFECT OF THE DEPOSIT SERVICES TRANSACTIONS UNDER THE RENEWED FINANCIAL SERVICES FRAMEWORK AGREEMENT ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

In respect of the deposit services transactions under the renewed Financial Services Framework Agreement, there has been no, and the Group does not expect there will be any significant effect on the earnings and assets and liabilities of the Group.

5. FINANCIAL AND TRADING PROSPECTS

In 2019, it is expected that China's macro economy will remain stable on the whole with unabated downward pressure, which will continuously promote the transformation of the economy to high-quality development. In terms of the passenger vehicle industry, 2019 will be a year of greater uncertainty and profound reform of the industry. The Group will follow and lead the trend in the industry with a forward-looking strategy and open up new vista for different businesses. The Group will adhere to the working principle of "focus on two ends and improvement in three strengths" and make efforts to promote a positive and rapid development of all businesses of the brands. More specifically, Beijing Brand will adhere to the "customer-focused and market-oriented" principle and be committed to properly defining commodities and improving product competitiveness, and make efforts to enhance the selling ability; Beijing Benz will continuously promote the implementation of the "achieving excellence in 2020" strategy, further reinforce competitive advantages in the industry and closely follow the development of the premium passenger vehicle industry; Beijing Hyundai will comprehensively promote internal system reforms, strengthen the sales system, optimize the cost structure, improve the brand image and make efforts to promote the achievement of the annual business target.

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	Class of Shares	Number of Shares/ Underlying Shares Held (Note 1)	Percentages to Relevant Class of Share Capital (%)(Note 2)	Percentages to the Total Share Capital (%)
BAIC Group	Domestic Shares	3,416,659,704(L)	62.18	42.63
Beijing Shougang Company Limited (北京首鋼股份有限公司)	Domestic Shares	1,028,748,707(L)	18.72	12.83
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	4.27
Daimler AG	H Shares	765,818,182(L)	30.38	9.55
Citigroup Inc.	H Shares	250,311,935(L)	9.93	3.12
		309,782(S)	0.01	0.004
		248,983,768(P)	9.87	3.11
BlackRock, Inc.	H Shares	148,290,679(L)	5.88	1.85
		285,000(S)	0.01	0.004
GIC Private Limited	H Shares	176,273,500(L)	6.99	2.20

1. (L) – Long position, (S) – Short position, (P) – Lending pool.

2. 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, the interests and short positions of the Directors, Supervisors or the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange were as follows:

Name of Shareholder	Class of Shares	Number of Shares/ Underlying Shares Held (Note 1)	Percentages to Relevant Class of Share Capital (%)(Note 2)	Percentages to the Total Share Capital (%)
Yan Xiaolei ^(Note 3)	H Shares	5,000 (L)	0.0002	0.00006

- (L) – Long 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.
- Yan Xiaolei is directly interested in 5,000 Shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations which were required (a) to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

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 December 31, 2018, 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 contracts 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 "10. COMPETING INTERESTS" in Appendix III 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	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. MATERIAL CONTRACTS

Save for the renewed Financial Services Framework Agreement, there was no material contract (not being a contract entered into in the ordinary course of business of the Company) entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date.

8. 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 the Company.

9. 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 December 31, 2018, the date to which the latest published audited accounts of the Company were made up.

10. 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"> • Chairman of the Board and non-executive Director of the Company • Chairman of the board of directors of Beijing Benz • Chairman of the board of directors of Fujian Benz Automotive Co., Ltd. (福建奔馳汽車有限公司) 	<ul style="list-style-type: none"> • Chairman of the board of directors of BAIC Group • Chairman of the board of directors of Beijing Electric Vehicle Co., Ltd. • Chairman of the board of directors of BAIC BluePark New Energy Technology Co., Ltd. (北汽藍穀新能源科技股份有限公司)
Ms. Shang Yuanxian	<ul style="list-style-type: none"> • Non-executive Director of the Company 	<ul style="list-style-type: none"> • Director of Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司) • Director of Bohai Automotive Systems Co., Ltd. (渤海汽車系統股份有限公司) • Secretary to the board of directors and office director of the board of directors of BAIC Group
Mr. Yan Xiaolei	<ul style="list-style-type: none"> • Non-executive Director of the Company 	<ul style="list-style-type: none"> • Director of BAIC BluePark New Energy Technology Co., Ltd. (北汽藍穀新能源科技股份有限公司) • Director of BAIC ROCAR Automobile Services & Trade Co., Ltd. (北京北汽鵬龍汽車服務貿易股份有限公司) • Director of Bohai Automotive Systems Co., Ltd.

Name	Major positions in the Group	Major positions within BAIC Group and its subsidiaries
Mr. Xie Wei	<ul style="list-style-type: none"> Non-executive Director of the Company 	<ul style="list-style-type: none"> Secretary of the party committee and head of Beijing Automotive Technology Center Co., Ltd. (北京汽車研究總院有限公司)
Mr. Qiu Yinfu	<ul style="list-style-type: none"> Non-executive Director of the Company 	<ul style="list-style-type: none"> Director of Beiqi Foton Motor Co., Ltd.
Mr. Wang Min	<ul style="list-style-type: none"> Supervisor of the Company 	<ul style="list-style-type: none"> Supervisor of BAIC Automotive Asset Operation Management Co., Ltd. (北京汽車資產經營管理有限公司) Supervisor of BAIC International Development Co., Ltd. (北京汽車國際發展有限公司) Supervisor of BAIC Mobility Co., Ltd. (華夏出行有限公司) Supervisor of Beijing Xingdongfang Technology Co., Ltd. (北京興東方科技有限公司)

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.

11. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has 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

As at the Latest Practicable Date, Gram Capital 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.

12. EXPERT'S INTERESTS

As at the Latest Practicable Date, Gram Capital:

- (1) did not have any direct or indirect interest in any assets which have been, since December 31, 2018, 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) did not have 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.

13. MISCELLANEOUS

- (1) Mr. Lee Kwok Fai from TMF Hong Kong Limited, external service provider, has been engaged by the Company as the assistant to company secretary of the Company. He is a member of the American Institute of Certified Public Accountants, an associate member of Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst. The primary contact person of the Company is Mr. Wang Jianhui, 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.

14. 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 31/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 AGM:

- (1) the Articles of Association;
- (2) the renewed Products and Services Purchasing Framework Agreement;
- (3) the renewed Provision of Products and Services Framework Agreement;
- (4) the renewed Financial Services Framework Agreement;
- (5) the letter from the Independent Board Committee, the text of which is set out on pages 54 to 55 of this circular;
- (6) the letter from Gram Capital, the Independent Financial Adviser, the text of which is set out on page 56 to 83 of this circular;
- (7) written consent issued by Gram Capital referred to in the paragraph headed “Expert’s Qualification and Consent” above;
- (8) the annual reports of the Company for the two financial years ended December 31, 2018; and
- (9) this circular.