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**北京汽车**  
**BAIC MOTOR**

**北京汽車股份有限公司**

**BAIC MOTOR CORPORATION LIMITED\***

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

**(Stock Code: 1958)**

**CONTINUING CONNECTED TRANSACTION  
ENTERING INTO ENTRUSTED R&D TECHNICAL SERVICES  
FRAMEWORK AGREEMENTS WITH BAIC MBTECH AND MBTECH**

The board of directors (the “**Board**”) of BAIC Motor Corporation Limited (the “**Company**”, “**BAIC Motor**” or “**We**”) announces that three framework agreements in respect of the continuing connected transactions to be entered into among the Company, Beijing BAIC MBtech Development Center Co., Ltd, (“**BAIC MBtech**”) and MBtech Group GmbH & Co. KGaA (“**MBtech**”) were approved by the Board on March 23, 2017, namely “The Entrusted R&D Technical Services Framework Agreement between BAIC Motor and BAIC MBtech”, “The Entrusted R&D Technical Services Framework Agreement between BAIC Motor and MBtech” and “The Entrusted R&D Technical Services Framework Agreement between BAIC MBtech and MBtech” (collectively referred to as the “**Framework Agreements**”), with a term of three years.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Framework Agreements are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As at the date of this announcement, Daimler AG holds 10.08% equity interests in the Company and is therefore a Substantial Shareholder of the Company. Daimler AG also holds 35% equity interests in MBtech and MBtech is therefore an associate of Daimler AG. Accordingly, MBtech constitutes a Connected Person of the Company under Chapter 14A of the Listing Rules and the transactions between the Company and MBtech and the transactions between BAIC MBtech, a subsidiary of the Company and MBtech constitute connected transactions of the Company. Also, as the Company and MBtech hold 51% and 49% equity interests in BAIC MBtech, respectively, BAIC MBtech constitutes a connected subsidiary of the Company and therefore the transactions between the Company and BAIC MBtech constitute connected transactions of the Company. The continuing connected transactions among the Company, BAIC MBtech and MBtech under the Framework Agreements will be aggregated when calculating the percentage ratios according to the Listing Rules. As the highest applicable percentage ratio of the aggregated annual cap is more than 0.1% but less than 5%, the continuing connected transactions under the Framework Agreements and the proposed annual caps are subject to the reporting, annual review and announcement requirements but exempted from the requirements of independent Shareholders’ approval pursuant to Chapter 14A of the Listing Rules.

\* For identification purpose only

On March 23, 2017, the Board approved three framework agreements in respect of the continuing connected transactions to be entered into among the Company, BAIC MBtech and MBtech, namely “The Entrusted R&D Technical Services Framework Agreement between BAIC Motor and BAIC MBtech”, “The Entrusted R&D Technical Services Framework Agreement between BAIC Motor and MBtech” and “The Entrusted R&D Technical Services Framework Agreement between BAIC MBtech and MBtech” (collectively referred to as the “**Framework Agreements**”), with a term of three years. Summaries of the principal terms are set out below.

## **1. THE ENTRUSTED R&D TECHNICAL SERVICES FRAMEWORK AGREEMENT BETWEEN BAIC MOTOR AND BAIC MBTECH**

### **Parties**

Entrusting parties: the Company and/or its subsidiaries (excluding BAIC MBtech)

Entrusted party: BAIC MBtech

### **Date**

March 24, 2017

### **Principal Terms**

- (1) The R&D technical services provided by BAIC MBtech to the Company and/or its subsidiaries include: the research and development of whole passenger vehicles, electric vehicles and new energy vehicles and their parts and components, research and application of automobile technology, engineering consultancy, manufacturing engineering and quality management consultancy, high-tech, new product development, project management, technical support, licensing and transfer of technology, import and export of technology, import and export of agency and import and export of goods.
- (2) The agreement is valid for a period of three years commencing from the date of the agreement. The agreement is extendable upon the agreement reached by both parties in writing, provided that the agreement complies with the relevant laws, regulations and the Listing Rules.
- (3) Both parties will refer to the market average price of similar product and service in auto industry in terms of each product and service under the agreement, and if there is no reference, the price of the product and service will be negotiated specifically by both parties. The price will be set in line with comprehensive factors such as cost plus reasonable profits, and the Company and its subsidiaries will refer to historical cost of similar service and combine with market comparable price. Specific profit proportion under each agreement will be set according to specific technology research and development type and terms of service to ensure the service provided by BAIC MBtech is not less favourable than that provided by independent third party and is fair and reasonable to the Company.

## **Reasons for the Transactions**

On August 18, 2015, the Company and MBtech jointly established BAIC MBtech, which represented an important step in the Company's effort to develop and improve its R&D capabilities and accomplish the strategic target of internationalization. As agreed by the Joint Venture Contract, BAIC MBtech took the development projects of Benz V212 and B80A large-size SUV products as its pivotal projects, and it has gradually acquired the ability to undertake the consultancy and R&D business of whole vehicle development projects. Therefore, the Company shall entrust BAIC MBtech to develop R&D technical services from time to time. This agreement is a supplement to the realization of the provisions under the Joint Venture Contract.

## **2. THE ENTRUSTED R&D TECHNICAL SERVICES FRAMEWORK AGREEMENT BETWEEN BAIC MOTOR AND MBTECH**

### **Parties**

Entrusting parties: the Company and/or its subsidiaries (excluding BAIC MBtech)

Entrusted party: MBtech

### **Date**

March 24, 2017

### **Principal terms**

- (1) The R&D technical services provided by MBtech to the Company and/or its subsidiaries include: engineering services, R&D related services, production and sales of structural parts, components, parts, systems, the overall system and software, consultancy, planning and project management during the development of products as well as consultancy on supplier network.
- (2) The agreement is valid for a period of three years commencing from the date of the agreement. The agreement is extendable upon the agreement reached by both parties in writing, provided that the agreement complies with the relevant laws, regulations and the Listing Rules.
- (3) Both parties will refer to the market average price of similar product and service in auto industry in terms of each product and service under the agreement, and if there is no reference, the price of the product and service will be negotiated specifically by both parties. The price will be set in line with comprehensive factors such as cost plus reasonable profits, and the Company and its subsidiaries will refer to historical cost of similar service and combine with market comparable price. Specific profit proportion under each agreement will be set according to specific technology research and development type and terms of service to ensure that the service provided by MBtech is not less favourable than that provided by independent third party and is fair and reasonable to the Company.

## **Reasons for the Transactions**

Mbtech is a versatile partner with a wide range of advantages. In addition to the R&D technical services provided by BAIC MBtech, the Company may directly entrust MBtech to provide engineering services and certain R&D technical services. This approach may further enhance the Company's independent R&D ability, allowing the Company to make full use of international resources. Leveraging on MBtech's valuable and extensive experience, we are able to acquire technical services, such as the reliable consultancy on the feasibility of R&D projects of new products. This agreement is a supplement to the realization of the provisions under the Joint Venture Contract.

### **3. THE ENTRUSTED R&D TECHNICAL SERVICES FRAMEWORK AGREEMENT BETWEEN BAIC MBTECH AND MBTECH**

#### **Parties**

Entrusting party: BAIC MBtech

Entrusted party: MBtech

#### **Date**

March 24, 2017

#### **Principal terms**

- (1) The R&D technical services provided by MBtech to BAIC MBtech include: engineering services, R&D related services, production and sales of structural parts, components, parts, systems, the overall system and software, consultancy, planning and project management during the process of product development as well as consultancy on supplier network.
- (2) The agreement is valid for a period of three years commencing from the date of the agreement. The agreement is extendable upon the agreement reached by both parties in writing, provided that the agreement complies with the relevant laws, regulations and the Listing Rules.
- (3) Both parties will refer to the market average price of similar product and service in auto industry in terms of the price of each product and service under the agreement, and if there is no reference, the price of the product and service will be negotiated specifically by both parties. The price will be set in line with comprehensive factors such as cost plus reasonable profits, and the Company and its subsidiaries will refer to historical cost of similar service and combine with market comparable price. Specific profit proportion under each agreement will be set according to specific technology research and development type and terms of service to ensure that the service provided by MBtech is not less favourable than that provided by independent third party and is fair and reasonable to the Company.

## Reasons for the Transactions

As agreed by the Joint Venture Contract, MBtech shall assist BAIC MBtech in procuring materials, supplies, equipment and services according to the procurement plans and operating plans approved by the board of directors of BAIC MBtech and at the prices which are favorable to BAIC MBtech. This agreement is the implementation of the provisions under the Joint Venture Contract.

#### 4. CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS AND BASIS OF DETERMINATION

It is expected that the annual caps for the above three continuing connected transactions between 2017 and 2019 are set out below:

|   | <i>Unit: RMB million</i> |             |             |
|---|--------------------------|-------------|-------------|
| <b>Nature of transactions</b>   | <b>2017</b>              | <b>2018</b> | <b>2019</b> |
| Entrusted R&D technical services between the Company and its subsidiaries (excluding BAIC MBtech) and BAIC MBtech | 400                      | 400         | 500         |
| Entrusted R&D technical services between the Company and its subsidiaries (excluding BAIC MBtech) and MBtech      | 50                       | 50          | 50          |
| Entrusted R&D technical services between BAIC MBtech and MBtech   | 60                       | 60          | 60          |
| Total   | <u>510</u>               | <u>510</u>  | <u>610</u>  |

The estimate on the above annual caps is determined with reference to the following factors:

- (1) the development costs of each R&D project incurred by the Company and its subsidiaries in 2016, the estimate on the market and the overall inflation;
- (2) historical cost of similar projects, for example, the Company's trading amount of the entrusted R&D technical services for developing some widgets in a car model project was approximately within RMB20 million over the past year;
- (3) from 2017 to 2019, the Company, in accordance with the 13th Five Year Plan, will make effort to develop proprietary brands, intensify R&D efforts for new products. To take full advantage of superior resources, the Company will entrust BAIC MBtech to develop several new model projects, and will entrust MBtech to develop several widgets R&D businesses of the new car model projects. BAIC MBtech will entrust MBtech to develop several widgets R&D businesses of the new car model projects; and
- (4) room for an appropriate increase due to the imbalance of development task in each of the recent three years.

## **5. IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, Daimler AG holds 10.08% equity interests in the Company and is therefore a Substantial Shareholder of the Company. Daimler AG also holds 35% equity interests in MBtech and MBtech is therefore an associate of Daimler AG. Accordingly, MBtech constitutes a Connected Person of the Company under Chapter 14A of the Listing Rules and the transactions between the Company and MBtech and the transactions between BAIC MBtech, a subsidiary of the Company and MBtech constitute connected transactions of the Company. Also, as the Company and MBtech hold 51% and 49% equity interests in BAIC MBtech, respectively, BAIC MBtech constitutes a connected subsidiary of the Company and therefore the transactions between the Company and BAIC MBtech constitute connected transactions of the Company. The continuing connected transactions between the Company, BAIC MBtech and MBtech under the Framework Agreements will be aggregated when calculating the percentage ratios according to the Listing Rules. As the highest applicable percentage ratio in relation to the aggregated annual cap is more than 0.1% but less than 5%, the continuing connected transactions under the Framework Agreements and the proposed annual caps are subject to the reporting, annual review and announcement requirements but exempted from the requirements of independent Shareholders' approval pursuant to Chapter 14A of the Listing Rules.

## **6. OPINION OF THE DIRECTORS**

As Mr. Hubertus Troska and Mr. Bodo Uebber, the Directors, hold positions in Daimler AG as members of the management committee, they are deemed to have material interests in the Framework Agreements and the transactions thereunder and have abstained from voting on the resolution regarding the Framework Agreements accordingly. Save for the above persons, other Directors have no interests in the transactions. The Directors (including the independent non-executive Directors) have considered and approved the resolution regarding the continuing connected transactions. They considered that the transactions are (i) on normal commercial terms or better, and in the ordinary and usual course of business of the Group; and (ii) fair and reasonable to all Shareholders and in the interests of the Company and its Shareholders as a whole.

## **7. INTERNAL CONTROL AND CORPORATE GOVERNANCE MEASURES**

The Company has adopted the following internal management procedures to ensure that the aforementioned CCTs are fair and reasonable and are entered into on normal commercial terms:

- The Company has adopted and implemented a management system on connected transactions. Under this system, our finance center is responsible for conducting reviews on compliance with relevant laws, regulations, company policies and Listing Rules in respect of the above-mentioned CCTs. 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 the above CCTs, in particular, the fairness of the pricing terms under each agreement.

- our independent non-executive Directors have also reviewed and will continue to review the agreements for the above CCTs to ensure such agreements are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements. The auditors of the Company will also conduct an annual review on the pricing and annual caps of such agreements.

When determining the actual prices of the R&D technological services to be supplied to the Company, MBtech and/or BAIC MBtech will provide the Company with a proposed price. In order to ensure that the pricing terms under the Framework Agreements are fair and reasonable, the Company's finance center and other relevant operation departments will review the proposed price provided by the supplier in the following manner:

- (1) compare the proposed price with the market price if a comparable market price is available to ensure such proposed price does not exceed the price of historical similar transactions or the price offered by other entrusted vendors;
  - The Company has established stringent market price inquiry system. Based on the market price inquiry regulations of the Company, the pricing of the entrusted R&D technical services shall be determined by the collective decision of a tender assessment board with members from the procurement department, the R&D department, the discipline inspection and supervision department, the finance and audit department as well as procurement engineers, product engineers and suppliers' quality management engineers. Tenders will be sought from several suppliers and assessed internally for several rounds before a decision is made after reviewing and comparing the quoted prices or proposals on the basis of pricing, flexibility, quality, after-sales services and other factors.
  - The Company and its subsidiaries will request a price quote from independent suppliers for the same entrusted R&D technical services, so as to determine whether an alternative service of the same quality could be obtained with the most competitive price in a timely manner. Accordingly, the Company and its subsidiaries will not entrust the Company's Connected Person and its associates for the R&D technical services if more favorable terms can be provided by other suppliers.
- (2) As the R&D technology regarding vehicles is relatively unique and advanced, if there is no comparable market prices or it is difficult to access to such a price, the Company will consider and approve the procurement based on the "Administrative Measures for Single Supplier in Comprehensive Procurement of BAIC Motor Corporation Limited (**"Measures for Procurement Management"**)" so as to ensure that the transaction price is fair and reasonable; and
  - The price for the provision of entrusted R&D technology services is jointly determined after arm's length negotiation by the comprehensive procurement department of the procurement center, the project management department of the product center, BAIC MBtech and MBtech in accordance with the "Measures for Procurement Management" of the Company. The comprehensive assessment group is composed of the representatives from the comprehensive procurement department, the R&D department, the project management department, the finance center, the discipline inspection and supervision department and the audit department, and is collectively evaluated by the procurement engineers, product engineers and the suppliers' quality management engineers.

- In determining whether the proposed price is fair and reasonable, the Company will follow the conditions for single source procurement stipulated in the “Measures for Procurement Management” and conduct relevant bidding and approval procedures. The main process is as follows:
  - (a) The business department shall submit the procurement application (including the budget request) and the “BAIC MOTOR Application Form for Selecting a Single Supplier” based on the production and work needs, clearly illustrate the categories of products or services to be procured from a single source, the supplier to be selected and the reasons for single source procurement, and provide the professional qualifications and supporting documents of the proposed single supplier for consideration and approval procedures.
  - (b) According to the Company’s overall budget management system and other relevant regulations, the application for selecting a single supplier is subject to approval by the following authorities: (i) the application for selecting a single supplier with a single budget amounting to less than RMB3 million shall be subject to consideration and approval by the head of the business department, the head of the specialised management department, the responsible head of business department (if any), the head of the comprehensive procurement department, the responsible vice-president of the business department and the responsible vice-president of the procurement department; (ii) the application for selecting a single supplier with a single budget amounting to more than RMB3 million (inclusive) shall be subject to final approval by the president after completion of the abovementioned consideration and approval procedures.
  - (c) Upon obtaining the “BAIC MOTOR Application Form for Selecting a Single Supplier” and other information required, the comprehensive procurement department shall review the completeness and reasonableness thereof.
  - (d) Upon obtaining the approved “BAIC MOTOR Application Form for Selecting a Single Supplier”, in accordance with the approved budget and procurement application submitted to the comprehensive procurement working group for consideration, the comprehensive procurement department shall make resolution in the form of Meeting Minutes of the comprehensive procurement working group.
  - (e) Where the comprehensive procurement working group holds opposite opinions about the application for selecting a single supplier in its meeting, it shall make records of the decisions and submit to relevant department for further corresponding complementary work. The application will be subject to another examination and approval once relevant requirements are met. Where compliance documents or explanations failed to be submitted, approval shall not be granted by the meeting of comprehensive procurement working group.
  - (f) Follow-up work of the procurement projects shall be proceeded upon examination and approval on the meeting held by the comprehensive procurement working group in accordance with the “BAIC MOTOR Administrative Measures for Comprehensive Procurement”.
- (3) The finance center and other departments of the Company shall also review the proposed price to ensure the price is determined in accordance with the terms of relevant agreement and the terms the suppliers provide for the Company are not less favorable than those they provide for independent third parties.

## 8. GENERAL INFORMATION

### Information of the Company

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

### Information of MBtech

MBtech is a company controlled by AKKA TECHNOLOGIES SA and held by AKKA TECHNOLOGIES SA and Daimler AG as to 65% and 35% respectively. Currently, MBtech is an international leading engineering and consultancy provider which mainly focuses on the automobile, railway transport, aerospace and other industries, offering technical supports to globally leading vehicle OEM customers and suppliers for the development of high-quality automotive products such as complete buildup units, sub-systems, models and components.

### Information of BAIC MBtech

BAIC MBtech is a company jointly established by the Company and MBtech, and is held by the Company and MBtech as to 51% and 49% respectively. BAIC MBtech is principally engaged in the research and development of whole passenger vehicles, electric vehicles and new energy vehicles and their parts and components, research and application of automobile technology, engineering consultancy, manufacturing engineering and quality management consultancy, high-tech, new product development, project management, technical support, licensing and transfer of technology, import and export of technology, import and export of agency and import and export of goods.

## 9. DEFINITION

In this announcement, unless otherwise stated, the following terms and expressions have the meanings set forth below.

|                            |  |
|----------------------------|--|
| “associate(s)”             | has the meaning ascribed to it under the Listing Rules   |
| “CCT(s)”                   | continuing connected transactions contemplated under the Framework Agreements and has the meaning ascribed to it under the Listing Rules |
| “connected transaction(s)” | has the meaning ascribed to it under the Listing Rules   |
| “Connected Person(s)”      | has the meaning ascribed to it under the Listing Rules   |
| “Daimler AG”               | Daimler AG (戴姆勒股份公司), a company established in Germany in 1886 which is a Substantial Shareholder and a Connected Person of the Company  |

|                              |   |
|------------------------------|---|
| “Director(s)”                | director(s) of the Company  |
| “Group”                      | the Company and its subsidiaries  |
| “Joint Venture Contract”     | The contract entered into between the Company and MBtech in respect of jointly establishing BAIC MBtech on February 6, 2015 |
| “Listing Rules”              | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time      |
| “RMB”                        | Renminbi, the lawful currency of the PRC  |
| “R&D”                        | Research and Development  |
| “Shareholder(s)”             | shareholder(s) of the Company   |
| “Substantial Shareholder(s)” | has the meaning ascribed to it under the Listing Rules  |
| “%”                          | percentage  |

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

Beijing, the PRC, March 23, 2017

*As at the date of this announcement, the board of directors comprises Mr. Xu Heyi, as Chairman of the board of directors and non-executive director; Mr. Zhang Xiyong, as non-executive director; Mr. Li Feng, as executive director; Mr. Zhang Jianyong, Ms. Shang Yuanxian, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Bodo Uebber, Ms. Wang Jing and Mr. Yang Shi, as non-executive directors; and Mr. Fu Yuwu, Mr. Wong Lung Tak Patrick, Mr. Bao Robert Xiaochen, Mr. Zhao Fuquan and Mr. Liu Kaixiang, as independent non-executive directors.*