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北京汽车
BAIC MOTOR

北京汽車股份有限公司

BAIC MOTOR CORPORATION LIMITED*

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

(Stock Code: 1958)

CONNECTED TRANSACTION IN RELATION TO THE CAPITAL INCREASE TO BAIC FINANCE CO.

The Board hereby announces that on 29 December 2017, BAIC Investment, a non wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with BAIC Finance Co., pursuant to which, BAIC Investment agreed to further contribute RMB200 million to the newly increased registered capital of BAIC Finance Co. (RMB1 billion in aggregate) based on its proportion in the registered capital of BAIC Finance Co. for the time being (i.e. 20%). Upon completion of the Capital Increase, the proportion of capital contribution by BAIC Investment to the registered capital (as increased) of BAIC Finance Co. will remain unchanged (i.e. 20%), representing a total capital contribution of RMB500 million.

As at the date of this announcement, BAIC Group is the sole controlling shareholder of the Company and holds 44.98% of the total issued share capital of the Company, thus it is a connected person of the Company. BAIC Group holds 56% equity interests in BAIC Finance Co., thus BAIC Finance Co. is an associate of BAIC Group. Therefore, BAIC Finance Co. is also a connected person of the Company. Accordingly, the contribution by BAIC Investment, a non wholly-owned subsidiary of the Company, to the newly increased registered capital of BAIC Finance Co. constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

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

INTRODUCTION

The Board hereby announces that on 29 December 2017, BAIC Investment, a non wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with BAIC Finance Co., pursuant to which, BAIC Investment agreed to further contribute RMB200 million to the newly increased registered capital of BAIC Finance Co. (RMB1 billion in aggregate) based on its proportion in the registered capital of BAIC Finance Co. for the time being (i.e. 20%). Upon completion of the Capital Increase, the proportion of capital contribution by BAIC Investment to the registered capital (as increased) of BAIC Finance Co. will remain unchanged (i.e. 20%), representing a total capital contribution of RMB500 million.

CAPITAL INCREASE AGREEMENT

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

- Parties: Investor – BAIC Investment
Investee – BAIC Finance Co.
- Date: 29 December 2017
- Effective Date: The Capital Increase Agreement shall take effect on the date of being signed by the legal representatives or authorized representatives of the parties and chopped with official chops or special chops for contractual uses of the parties.
- Capital Increase: The registered capital of BAIC Finance Co. is RMB1.5 billion for the time being, among which RMB300 million (20%) was contributed by BAIC Investment.

BAIC Finance Co. proposes to increase its registered capital by RMB1 billion, among which RMB200 million will be contributed by BAIC Finance Co. as agreed.

Upon completion of the Capital Increase as well as the contributions by all the other shareholders of BAIC Finance Co. to the newly increased registered capital on a pro rata basis, the registered capital of BAIC Finance Co. will increase to RMB2.5 billion, among which an aggregate of RMB500 million will be contributed by BAIC Investment, with the proportion of 20% unchanged.
- Payment Arrangements: All the amount as agreed to be further contributed by BAIC Investment shall be paid in a lump sum to the designated account of BAIC Finance Co.

Upon receipt of all the capital increase from its shareholders, BAIC Finance Co. shall complete all the relevant formalities of industrial and commercial registration of changes within 30 days, and provide feedback to BAIC Investment in time.

SHAREHOLDING STRUCTURE OF BAIC FINANCE CO. PRIOR TO AND UPON COMPLETION OF THE CAPITAL INCREASE

The capital contributions by respective shareholders of BAIC Finance Co. and their proportions in the registered capital of BAIC Finance Co. for the time being (prior to the Capital Increase) and upon completion of the contribution to the newly increased registered capital are set out as follows:

Name of Shareholders	Prior to the Capital Increase Contribution to the Registered Capital (RMB million)		Upon Completion of the Contribution to the Newly Increased Registered Capital Contribution to the Registered Capital (RMB million)	
	Proportion (%)		Proportion (%)	
BAIC Group	840	56%	1,400	56%
BAIC Investment	300	20%	500	20%
Beiqi Foton Motor Co., Ltd.	210	14%	350	14%
Beijing Hainachuan Automotive Components Corporation Limited	150	10%	250	10%
Total	<u>1,500</u>	<u>100%</u>	<u>2,500</u>	<u>100%</u>

FINANCIAL INFORMATION OF BAIC FINANCE CO.

The table below sets forth the financial information of BAIC Finance Co. for the years ended 31 December 2015 and 2016:

	For the year ended 31 December 2015/ As at 31 December 2015 (RMB million) (Audited)	For the year ended 31 December 2016/ As at 31 December 2016 (RMB million) (Audited)
Net profit before taxation	195.62	260.29
Net profit after taxation	138.25	184.16
Net assets	1,784.41	1,904.25

REASONS FOR AND BENEFITS OF THE TRANSACTION

Since its establishment, BAIC Finance Co. has been exerting its functions mainly in, among others, strengthening the centralized fund management of the group, enhancing the group's capital usage efficiency and providing financial management services to its group members. With constant development, BAIC Finance Co. has developed into a diversified comprehensive financial services company and its business scope has been gradually expanded from basic banking business to include deposit of inter-bank loans and group members' loans, loans to distributors, consumer credit service, bill discounting, insurance agency business and financial consultancy. BAIC Finance Co. initiated to increase its capital for the sake of catching up with the fast development of its business, improving the lending capability and profitability of the company, strengthening the competitive advantages and meeting the requirements on risk control indicators of regulatory authorities.

Upon the Capital Increase by BAIC Investment to BAIC Finance Co., it will be a great support to BAIC Finance Co. to further expand its business scale and business scope as well as promote its continuous and rapid development. With the return on investment being obtained, the expansion of BAIC Finance Co. in automobile financial business field will contribute to the sale of self-owned brands so as to maximize the shareholders' interests.

LISTING RULES IMPLICATIONS

As at the date of this announcement, BAIC Group is the sole controlling shareholder of the Company and holds 44.98% of the total issued share capital of the Company, thus it is a connected person of the Company. BAIC Group holds 56% equity interests in BAIC Finance Co., thus BAIC Finance Co. is an associate of BAIC Group. Therefore, BAIC Finance Co. is also a connected person of the Company. Accordingly, the contribution by BAIC Investment, a non wholly-owned subsidiary of the Company, to the newly increased registered capital of BAIC Finance Co. constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

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

OPINION OF THE DIRECTORS

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

At the meeting of the Board where the Transaction was considered, since Mr. Xu Heyi and Mr. Zhang Xiyong, both being the Directors of the Company, also hold office in BAIC Group, and Mr. Zhang Jianyong, a Director of the Company, also holds office in BAIC Finance Co., they were deemed to have material interests in the Transaction and have abstained from voting on the resolution in relation to the Transaction. Save for the above persons, none of the other Directors has any interest in the Transaction.

GENERAL INFORMATION

Information on BAIC Investment

BAIC Investment was established in 2002 with a registered capital of RMB3.5 billion, and is a non wholly-owned subsidiary owned as to 97.95% by the Company. BAIC Investment mainly engages in businesses including sale of vehicles and spare parts, investment and management, investment consultancy, technology development, technology consultancy, technology services and information consultancy regarding automobile and related industries.

Information on BAIC Finance Co.

BAIC Finance Co. 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 Co. 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 registered capital of BAIC Finance Co. is RMB1.5 billion for the time being, which is owned as to 56% by BAIC Group, as to 20% by BAIC Investment, 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 Components Corporation Limited (北京海納川汽車部件股份有限公司).

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BAIC Finance Co.”	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 Investment”	BAIC Investment Co., Ltd. (北京汽車投資有限公司), a limited liability company incorporated in the PRC, and a non wholly-owned subsidiary owned as to 97.95% by the Company

“Board”	the board of directors of the Company
“Capital Increase”	the further contribution of RMB200 million by BAIC Investment to the newly increased registered capital of BAIC Finance Co. (RMB1 billion in aggregate) based on its proportion in the registered capital of BAIC Finance Co. for the time being (i.e. 20%)
“Capital Increase Agreement”	the Agreement on Capital Increase in BAIC Group Finance Co., Ltd. dated 29 December 2017 entered into between BAIC Investment and BAIC Finance Co. in respect of the contribution by BAIC Investment to the newly increased registered capital of BAIC Finance Co.
“CBRC”	China Banking Regulatory Commission
“Company”	BAIC Motor Corporation Ltd. (北京汽車股份有限公司), a company limited by shares duly incorporated and validly existing under the laws of the PRC, whose H shares are listed on the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	the shareholder(s) of the Company
“Transaction”	the connected transaction in relation to the entering into of the Capital Increase Agreement by BAIC Investment and BAIC Finance Co.
“%”	percentage

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

Beijing, the PRC, 29 December 2017

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

* *For identification purpose only*