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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)

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

(1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS WITH BAIC GROUP

(2) ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS WITH BAIC GROUP AND MERCEDES-BENZ AG

References are made to the announcement of the Company dated 27 March 2019, the circular of the Company dated 24 May 2019 and the prospectus of the Company dated 9 December 2014 in relation to, among others, (a) the continuing connected transactions entered into between the Company and BAIC Group under (i) the Property and Facility Leasing Framework Agreement, (ii) the Products and Services Purchasing Framework Agreement; and (iii) the Provision of Products and Services Framework Agreement; (b) the continuing connected transactions entered into between the Company and BAIC Finance under the Financial Services Framework Agreement; (c) the continuing connected transactions entered into between Beijing Benz, a non-wholly owned subsidiary of the Company, and BAIC Group under the Trademark Licensing Agreement; and (d) the continuing connected transactions in relation to the sales of vehicles by Beijing Benz to Mercedes-Benz AG and its associates.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

As the terms of each of (i) the Property and Facility Leasing Framework Agreement, (ii) the Products and Services Purchasing Framework Agreement, (iii) the Provision of Products and Services Framework Agreement; and (iv) the Financial Services Framework Agreement, and the applicable annual caps for the continuing connected transactions thereunder are due to expire on 31 December 2022, on 27 April 2022, the Board resolved to renew each of the aforesaid framework agreements that are about to expire for a further term of three years from 1 January 2023 to 31 December 2025.

ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS WITH BAIC GROUP AND MERCEDES-BENZ AG

As the annual caps for the continuing connected transactions for (i) the Trademark Licensing Agreement, and (ii) the sales of vehicles by Beijing Benz to Mercedes-Benz AG and its associates will expire on 31 December 2022, accordingly, the Board has resolved to propose new annual caps for the transactions for each of the three years ending 31 December 2025.

LISTING RULES IMPLICATIONS

As at the date of this announcement, BAIC Group is the sole controlling Shareholder of the Company and holds 42.63% of the total issued share capital of the Company, thus it is a connected person of the Company. The transactions contemplated between the Company and BAIC Group under the renewed Property and Facility Leasing Framework Agreement, the renewed Products and Services Purchasing Framework Agreement and the renewed Provision of Products and Services Framework Agreement, and the transactions contemplated between Beijing Benz, a non-wholly owned subsidiary of the Company, and BAIC Group under the Trademark Licensing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As BAIC Group holds 56% 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 at the date of this announcement, Mercedes-Benz AG holds 49% equity interest in Beijing Benz, a non-wholly owned subsidiary of the Company, thus Mercedes-Benz AG and its associates are connected persons of the Company at the subsidiary level. Accordingly, the sales of vehicles by Beijing Benz to Mercedes-Benz AG and its associates constitutes 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 Property and Facility Leasing Framework Agreement; (ii) the proposed annual caps for the provision of services transactions contemplated under the renewed Provision of Products and Services Framework Agreement; (iii) the proposed annual caps for interest income from deposits placed by the Group with BAIC Finance and charges for other financial services contemplated under the renewed Financial Services Framework Agreement; and (iv) the proposed annual caps for the sales of vehicles by Beijing Benz to Mercedes-Benz AG and its associates is more than 0.1% but less than 5%, such continuing connected transactions are only subject to the reporting, announcement and annual review requirements, but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios in respect of (i) the proposed annual caps for the purchase of products and purchase of services contemplated under the renewed Products and Services Purchasing Framework Agreement; (ii) the proposed annual caps for the sale of products transactions contemplated under the renewed Provision of Products and Services Framework Agreement; and (iii) the proposed annual caps for the continuing connected transactions to be contemplated under the Trademark Licensing 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 proposed annual caps for the maximum daily balance of the deposits placed by the Group with BAIC Finance under the renewed Financial Services Framework Agreement is more than 25%, such transaction constitutes a major transaction and continuing connected transaction of the Company and is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

2021 ANNUAL GENERAL MEETING

The Company will convene the 2021 annual general meeting for the purpose of, among other things, obtaining the Independent Shareholders' approval for 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; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; (iii) renewal of Financial Services Framework Agreement and the proposed annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance thereunder; and (iv) the proposed annual caps for trademark licensing fees to be paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement, for the three financial years ending 31 December 2025.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on 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; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; (iii) renewal of the Financial Services Framework Agreement and the proposed annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance thereunder; and (iv) the proposed annual caps for trademark licensing fees to be paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement, for the three financial years ending 31 December 2025. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same matter.

A circular containing, among other things, further details of 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; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; (iii) renewal of the Financial Services Framework Agreement and the proposed annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance thereunder; and (iv) the proposed annual caps for trademark licensing fees to be paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement, for the three financial years ending 31 December 2025, a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders and a letter from the Independent Board Committee to the Independent Shareholders on the same and its recommendation on voting, together with the notice of the 2021 annual general meeting of the Company, will be despatched to the Shareholders in due course.

I. RENEWAL AND ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS

References are made to the announcement of the Company dated 27 March 2019, the circular of the Company dated 24 May 2019 and the prospectus of the Company dated 9 December 2014 in relation to, among others, (a) the continuing connected transactions entered into between the Company and BAIC Group under (i) the Property and Facility Leasing Framework Agreement, (ii) the Products and Services Purchasing Framework Agreement; and (iii) the Provision of Products and Services Framework Agreement; (b) the continuing connected transactions entered into between the Company and BAIC Finance under the Financial Services Framework Agreement; (c) the continuing connected transactions entered into between Beijing Benz, a non-wholly owned subsidiary of the Company, and BAIC Group under the Trademark Licensing Agreement; and (d) the continuing connected transactions in relation to the sale of vehicles by Beijing Benz to Mercedes-Benz AG and its associates.

As the terms of each of (i) the Property and Facility Leasing Framework Agreement, (ii) the Products and Services Purchasing Framework Agreement, (iii) the Provision of Products and Services Framework Agreement; and (iv) the Financial Services Framework Agreement, and the applicable annual caps for the continuing connected transactions thereunder are due to expire on 31 December 2022, on 27 April 2022, the Board resolved to renew each of the aforesaid framework agreements that are about to expire for a further term of three years from 1 January 2023 to 31 December 2025.

As the annual caps for the continuing connected transactions for (i) the Trademark Licensing Agreement, and (ii) the sales of vehicles by Beijing Benz to Mercedes-Benz AG and its associates will expire on 31 December 2022, accordingly, the Board has resolved to propose new annual caps for the transactions for each of the three years commencing from 1 January 2023 and ending on 31 December 2025.

A. Renewal of the Property and Facility Leasing Framework Agreement

As the term of the existing Property and Facility Leasing Framework Agreement will expire on 31 December 2022, the Company and BAIC Group renewed such agreement on 27 April 2022 for a further term of three years from 1 January 2023 to 31 December 2025 and set the new annual caps for such continuing connected transactions for the next three years ending 31 December 2025.

1. Renewed Property and Facility Leasing Framework Agreement

Details of the renewed Property and Facility Leasing Framework Agreement are summarized as follows:

Parties: (i) BAIC Group

(ii) the Company

Date: 27 April 2022

Term: The term of the renewed Property and Facility Leasing Framework Agreement will commence on 1 January 2023 and end on 31 December 2025, subject to renewal through mutual consent by the parties.

Principal Terms: According to the renewed Property and Facility Leasing Framework Agreement, the Company and/or its subsidiaries will lease properties and facilities from/to BAIC Group and/or its associates for manufacturing specific passenger vehicles.

The rent payables under the renewed Property and Facility Leasing Framework Agreement shall be agreed based on negotiations between the relevant parties with reference to market rates at relevant location and subject to relevant laws and regulations of the PRC.

Separate agreements shall be entered into stipulating the specific terms and conditions (including property rentals, payment methods and other usage fees) in respect of relevant leased properties and facilities.

The rentals shall be paid in accordance with the individual agreements to be signed by members of the Group and BAIC Group and/or its associates under the renewed Property and Facility Leasing Framework Agreement.

Pricing Policy: The monthly rentals payable during the leasing term are determined after arm's length negotiations between the relevant parties: (i) the rentals for office space will be calculated on a per month per square meter basis at rates with reference to the prevailing market price of properties of comparable size and quality in the same locality; and (ii) the rentals for the properties and facilities used for production will be calculated by taking into account the estimated cost incurred as a result of utilisation of the properties and facilities and the unit depreciation value of such properties and facilities.

Based on current market conditions, the Company is of the view that the rentals under the renewed Property and Facility Leasing Framework Agreement are fair and reasonable and represent the prevailing market rates for similar properties in their locality that are used for similar purposes in Beijing, the PRC and also reflect the expected costs and unit depreciation value of the properties and facilities.

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

**Reasons and
Benefits:**

The Company has leased certain properties from the BAIC Group and/or its associates for a long period of time. The leased properties are mainly located in Beijing, the PRC, and are generally used for office, staff dormitory, storage and production. Compared with independent third parties, BAIC Group has a better understanding of the property requirements of the Group in relation to office premises, warehousing and production usage. In addition, relocating the Group’s offices, warehouses and plants to other premises will cause unnecessary disruptions to the Group’s operation and unnecessary costs.

The Company expects that it will, from time to time, lease properties and facilities to other parties, including BAIC Group and/or its associates, in the future. It is necessary for the Company and BAIC Group to enter into a supplemental agreement so as to better regulate the continuing connected transactions in respect of leasing of property and facility between the parties. Compared with independent third parties, the Company can better understand the requirements of BAIC Group and/or its associates on office space and properties and facilities used for production.

2. *Historical Transaction Amounts*

Set out below is a breakdown of the historical transaction amounts in respect of the rentals paid by the Group to BAIC Group and/or its associates for properties and facility leasing and rentals to be received from BAIC Group and/or its associates for properties and facility leasing for the preceding three financial years ended 31 December 2021:

| | Approximate historical transaction amounts for the year ended 31 December | | |
|--|--|----------------------|----------------------|
| | 2019 | 2020 | 2021 |
| | <i>(RMB million)</i> | <i>(RMB million)</i> | <i>(RMB million)</i> |
| Rentals paid to BAIC Group and/or its associates for properties and facility leasing | 134.6 | 161.0 | 130.6 |
| Rentals to be received from BAIC Group and/or its associates for properties and facility leasing | – | 106.2 | – |

3. *Proposed Annual Caps for the Three Financial Years Ending 31 December 2025*

The Company estimates the annual caps for the continuing connected transactions between the Group and BAIC Group and/or its associates under the renewed Property and Facility Leasing Framework Agreement for the next three financial years ending 31 December 2025 as follows:

| | Proposed annual caps for the year ending 31 December | | |
|--|---|----------------------|----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB million)</i> | <i>(RMB million)</i> | <i>(RMB million)</i> |
| Rentals to be paid to BAIC Group and/or its associates for properties and facility leasing | 425.8 | 425.8 | 425.8 |
| Rentals to be received from BAIC Group and/or its associates for properties and facility leasing | 255.9 | 255.9 | 255.9 |

4. *Basis of Determination of the Proposed Annual Caps*

The above proposed annual caps for rentals to be paid to BAIC Group and/or its associates for properties and facility leasing were estimated on the basis of: (i) the total gross floor area of the properties leased by the Group from BAIC Group and its subsidiaries; (ii) the unit rent agreed under the property leasing contracts entered into between BAIC Group and its subsidiaries and the Group; and (iii) the demand for leased office space and facility leasing in the next three years based on business expansion plans.

The above proposed annual caps for rentals to be received from BAIC Group and/or its associates for properties and facility leasing were estimated on the basis of: (i) the scope of properties and facilities expected to be utilised by BAIC Group and/or its associates in the next three years; (ii) the estimated cost to be incurred by the Group as a result of utilisation by BAIC Group and/or its associates and the estimated depreciation value of such properties and facilities; and (iii) the demand for leased property space and facility leasing in the next three years based on the business expansion plans of BAIC Group.

5. *Opinion of the Directors*

The Directors (including the independent non-executive Directors) are of the view that transactions under the renewed Property and Facility Leasing Framework Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

B. Renewal of the Products and Services Purchasing Framework Agreement

As the term of the existing Products and Services Purchasing Framework Agreement will expire on 31 December 2022, the Company and BAIC Group renewed such agreement on 27 April 2022 for a further term of three years from 1 January 2023 to 31 December 2025 and set the new annual caps for such continuing connected transactions for the next three years ending 31 December 2025.

1. 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: 27 April 2022

Term: The term of the renewed Products and Services Purchasing Framework Agreement will commence on 1 January 2023 and end on 31 December 2025, 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 commodities such as equipment, raw materials, components and vehicles and related technologies, related derivatives derived from these commodities (including but not limited to energy credits, carbon emissions policy trading), while these services will include labor services, logistics services, transportation services, technical services and consultancy services.

Members of the Group and BAIC Group and/or 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/or its associates under the renewed Products and Services Purchasing Framework Agreement.

Pricing Policy: *General policy*

In order to ensure that the terms of individual transactions 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 a 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 procurement department, research and development department, discipline inspection department, finance department 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.

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 at the most competitive price and in a timely manner. 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 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.

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.

To monitor that the prices charged by BAIC Group and/or its associates are fair and reasonable, we have historically requested, prior to entering into individual supply agreements with BAIC Group and/or its associates, and will continue to request that BAIC Group and/or its associates provides a schedule of the costs being incurred by BAIC Group and/or its associates in respect of the raw materials and automotive parts and components being supplied by BAIC Group and/or its associates. 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 if we are of the view that the costs of items stated by BAIC Group and/or its associates are materially different from the costs that were quoted by BAIC Group and/or its associates historically; and (iii) verify that the profit margin on the total costs incurred by BAIC Group and/or its associates falls within the pre-agreed range of profit margins. To ensure that the price offered will not be less favourable than those offered by independent service suppliers, the Company will seek for and refer to quotations from not less than two independent third-party suppliers after the arms-length negotiation. In addition, the procurement 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.

Logistics services

Logistics services provided by BAIC Group and/or its associates 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 asks for quotations from at least two independent third party logistic companies, to ensure prices quoted by BAIC Group and/or its associates are fair and reasonable. In the event that the quoted prices are lower than the existing prices for logistic services provided by BAIC Group and/or its associates, the Group will request BAIC Group and/or its associates to adjust the prices to a market reasonable level.

Other services

Other services offered by BAIC Group and/or its associates mainly include advertisement and marketing, technical services and consulting, 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 and/or its associates 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 and/or its associates are higher than the prices quoted by independent third parties, the Group will request BAIC Group and/or its associates 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 announcement 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 us with a long-term stable supply. As a result, BAIC Group and/or its associates understand our 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/or its associates, BAIC Group can efficiently fulfil our requirements with stable and quality supply of products and general services.

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/or 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/or its associates will be at competitive prices not less favourable than those that can be obtained by the Group from independent third parties;
- (ii) BAIC Group and/or 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/or its associates, the Company is of the view that BAIC Group and/or its associates can effectively fulfil the Company's requirements for supply stability as well as quality.

Logistics services

BAIC Group and/or its associates 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/or its associates would benefit the Group for the following reasons:

- (i) BAIC Group and/or its associates has been providing the Group with long-term stable supply and consistent quality services, being familiar with the Group's certain special requirements on the transportation of complete vehicles and automobile parts and components;
- (ii) meanwhile, warehouse centers of BAIC Group and/or its associates 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
- (iii) the transportation 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.

Other services

The procurement of marketing, technical, consulting and supporting services from BAIC Group and/or its associates is beneficial to the Group for the following reasons:

- (i) BAIC Group and/or its associates have a long-term and stable partnership with the Group and fully understand certain needs of the Group in respect of marketing, technology research and development, etc.;
- (ii) the related services provided by BAIC Group and/or its associates are of reliable quality, cost effective and easily localised, and therefore it is in the interest of the Group to procure such services from BAIC Group and/or its associates as a matter of urgency; and
- (iii) the fees charged by BAIC Group and/or its associates for the related services are not higher than the fees charged by independent third parties to the Group.

2. *Historical Transaction Amounts*

Set out below is a breakdown of the historical transaction amounts 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 31 December 2021:

| | Approximate historical transaction amounts for the year ended 31 December | | |
|----------------------|--|----------------------|----------------------|
| | 2019 | 2020 | 2021 |
| | <i>(RMB million)</i> | <i>(RMB million)</i> | <i>(RMB million)</i> |
| Purchase of products | 25,244.2 | 17,742.3 | 26,635.1 |
| Purchase of services | 3,100.7 | 3,565.6 | 3,552.6 |

3. Proposed Annual Caps for the Three Financial Years Ending 31 December 2025

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 31 December 2025 as follows:

| | Proposed annual caps for the year ending 31 December | | |
|----------------------|---|----------------------|----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB million)</i> | <i>(RMB million)</i> | <i>(RMB million)</i> |
| Purchase of products | 26,832.1 | 27,756.0 | 27,385.4 |
| Purchase of services | 4,415.3 | 4,568.6 | 4,507.1 |

4. Basis of Determination of the Proposed Annual Caps

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

- (i) the estimated sales volume of passenger vehicles by taking into account macroeconomic conditions as well as the development strategies and business expansion plan of the Group;
- (ii) the unit purchase cost for each vehicle model of the Group and the expected market condition and general cost inflation for the relevant period;
- (iii) the expected value of the connected transactions between Beijing Benz and BAIC Group and its associates;
- (iv) the expected increase in the total costs and expenses 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); and

- (v) the expected demand for high-value new products will require the purchase of better and more sophisticated new raw materials, 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 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 parts and components for the production of high-value products will be increased.

5. *Opinion of the Directors*

The Directors (excluding the independent non-executive Directors, whose view on the renewed Products and Services Purchasing Framework Agreement and the proposed annual caps will be set out in the letter from the Independent Board Committee contained in the circular to be despatched after considering the advice from the Independent Financial Adviser) are of the view that transactions under the renewed Products and Services Purchasing Framework Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

C. *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 31 December 2022, the Company and BAIC Group renewed such agreement on 27 April 2022 for a further term of three years from 1 January 2023 to 31 December 2025 and set the new annual caps for such continuing connected transactions for the next three years ending 31 December 2025.

1. *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: 27 April 2022

Term: The term of the renewed Provision of Products and Services Framework Agreement will commence on 1 January 2023 and end on 31 December 2025, subject to 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 parts and complete vehicles etc., relevant technologies, and derivatives derived from such products including but not limited to energy credits and carbon emissions policy trading) and services (including sales agency, processing agency, labour, logistics, transportation, technical services and consultancy) 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 and/or its associates.

Members of the Group and BAIC Group and/or 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/or its associates under the renewed Provision of Products and Services Framework Agreement.

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 no less favourable than those entered into between the Company and independent third parties.

The service fees charged to BAIC Group and/or its associates 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 fair and reasonable margin, to ensure that the terms of supplying products and services to BAIC Group and/or its associates 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 promotion levels based on the popularity 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 applies the above pricing policies when selling complete vehicles. In such case, both connected person customers and independent third-party customers enjoy the same price when purchasing complete vehicles; connected person customers will not be offered any price that is more favourable than the price offered to other customers.

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. For both connected person customers and independent third-party customers, the 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 offered to other customers.

Services

The services provided by the Group to BAIC Group and/or its associates are mainly customized services or personalised services which mainly include complete vehicles technology consulting service and research and development service. 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. 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 offers similar services to independent third parties.

Please also refer to the section headed “Internal Control Procedures for the Implementation of Continuing Connected Transactions” of this announcement 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 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 services provided by the Group to BAIC Group are not less favourable than those offered to independent third parties.

2. *Historical Transaction Amounts*

Set out below is a breakdown of the historical transaction amounts in respect of the continuing connected 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 31 December 2021:

| | Approximate historical transaction amounts for the year ended 31 December | | |
|-----------------------|--|----------------------|----------------------|
| | 2019 | 2020 | 2021 |
| | <i>(RMB million)</i> | <i>(RMB million)</i> | <i>(RMB million)</i> |
| Sale of products | 23,811.8 | 15,702.5 | 17,209.4 |
| Provision of services | 77.2 | 68.2 | 37.0 |

3. *Proposed Annual Caps for the Three Financial Years Ending 31 December 2025*

The Company estimates the annual caps for the continuing connected 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 31 December 2025 as follows:

| | Proposed annual caps for the year ending 31 December | | |
|-----------------------|---|----------------------|----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB million)</i> | <i>(RMB million)</i> | <i>(RMB million)</i> |
| Sale of products | 27,042.3 | 27,780.5 | 27,484.4 |
| Provision of services | 310.6 | 316.1 | 313.9 |

4. Basis of Determination of the Proposed Annual Caps

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

- (i) There will be a growth in 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;
- (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 the proprietary brand of the Company 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/or its associates;
- (iv) the expected increase of the revenues driven by the business expansion plan; and
- (v) the expected demand for high-value new products will require the purchase of better and more sophisticated new raw materials, 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 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 parts and components for the production of high-value products will be increased.

5. Opinion of the Directors

The Directors (excluding the independent non-executive Directors, whose view on the sale of products transactions under the renewed Provision of Products and Services Framework Agreement and the proposed annual caps will be set out in the letter from the Independent Board Committee contained in the circular to be despatched after considering the advice from the Independent Financial Adviser) are of the view that the sale of products transactions under the renewed Provision of Products and Services Framework Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the sale of products transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

The Directors (including the independent non-executive Directors) are of the view that the provision of services transactions under the renewed Provision of Products and Services Framework Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the provision of services transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

D. Renewal of the Financial Services Framework Agreement

As the term of the existing Financial Services Framework Agreement will expire on 31 December 2022, the Company and BAIC Group renewed such agreement on 27 April 2022 for a further term of three years from 1 January 2023 to 31 December 2025 and set the new maximum daily balance and annual caps for such continuing connected transactions for the next three years ending 31 December 2025.

1. Renewed Financial Services Framework Agreement

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

Parties: (i) the Company

(ii) BAIC Finance

Date: 27 April 2022

Term: The term of the renewed Financial Services Framework Agreement will commence on 1 January 2023 and end on 31 December 2025, subject to renewal through mutual consent by the parties.

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 the CBIRC.

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 for the same period offered by independent commercial banks to the Company and its subsidiaries.
- (iii) *Other financial services.* Interest rates or services fees will be:
 - (a) subject to the benchmark fee (if applicable) for similar types of financial services published by the PBOC or the CBIRC 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 utilise deposit services, loan services and other financial services, the Financial Services Framework Agreement would allow the provision of intra-group loans among 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 within the Group, enhance the overall ability of the Group to repay debts, and assist in 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;
- (iv) as BAIC Finance only provides financial services to members of the BAIC Group, it has acquired extensive knowledge of the Company's industry over the 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 its deposited funds to a certain degree (as 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 if 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 the PBOC and the CBIRC, and as such the services it provided must be in accordance with and in compliance with the rules and operational requirements of such regulatory authorities.

2. Historical Transaction Amounts

Set out below is a breakdown of the historical transaction amounts in respect of the maximum daily balance of and interest income from deposits placed by the Group with BAIC Finance for the preceding three financial years ended 31 December 2021:

| | Approximate historical transaction amounts for the year ended 31 December | | |
|--|--|----------------------|----------------------|
| | 2019 | 2020 | 2021 |
| | <i>(RMB million)</i> | <i>(RMB million)</i> | <i>(RMB million)</i> |
| Maximum daily balance of deposits placed by the Group with BAIC Finance | 15,962.0 | 15,999.3 | 15,968.0 |
| Interest income from deposits placed by the Group with BAIC Finance | 276.3 | 292.4 | 289.3 |

3. Proposed Annual Caps for the Three Financial Years Ending 31 December 2025

The Company estimates the annual caps for the maximum daily balance of and interest income from deposits placed by the Group with BAIC Finance and charges for other financial services under the renewed Financial Services Framework Agreement for the next three financial years ending 31 December 2025 as follows:

| | Proposed annual caps for the year ending | | |
|--|---|----------------------|----------------------|
| | 31 December | | |
| | 2023 | 2024 | 2025 |
| | <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 | 356.4 | 356.4 | 356.4 |
| Charges for other financial services of the Group with BAIC Finance | 243.2 | 243.2 | 243.2 |

4. Basis of Determination of the Proposed Annual Caps

The maximum daily balance of deposits to be placed by the Group with BAIC Finance under the renewed Financial Services Framework Agreement is substantially the same as the caps for the three financial years ending 31 December 2022. In determining the annual cap, the Company mainly considers that although the Group expects a growth in future sales revenues, meanwhile, the Group also 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 from 2023 to 2025; and
- (ii) the main type of deposits placed by the Group with BAIC Finance in the past and corresponding interest rates: interest rates of the main type of deposits placed by the Group with BAIC Finance in 2021 ranged from approximately 1.6% to 2.1%.

In determining the annual caps for other financial services of the Group with BAIC Finance under the renewed Financial Services Framework Agreement mentioned above, the Company mainly considers the following factors:

- (i) the types of business and rates of other financial services provided by BAIC Finance to the Group; and
- (ii) the Group's plan for the sales of complete vehicles from 2023 to 2025.

5. 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 the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

6. Internal Control and Corporate Governance Measures Targeted for Transactions under the 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, reaching target profit as the aim, and future sales as the basis for preparation, 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, most of whom are certified internal auditors. 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.

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 maintains 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 has independent tax registrations and has 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, in 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 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 of the Company.

In addition to 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 us 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 proposed annual caps for the maximum daily balance of deposits and 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 department 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 PBOC, 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, 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 made by the capital management team to ensure that the pricing terms of transactions under the renewed Financial Services Framework Agreement are on normal commercial terms.

The Group's capital management team compiles 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.

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.

7. *Opinion of the Directors*

The Directors (excluding the independent non-executive Directors' view on the proposed annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance under the renewed Financial Services Framework Agreement, which will be set out in the letter from the Independent Board Committee contained in the circular to be despatched to the Shareholders after considering the advice from the Independent Financial Adviser) are of the view that the transactions under the renewed Financial Services Framework Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the maximum daily balance of and interest income from deposits placed by the Group with BAIC Finance and charges for other financial services thereunder for the next three financial years ending 31 December 2025 are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

E. Trademark Licensing Agreement

Since the annual caps for the continuing connected transactions contemplated under the Trademark Licensing Agreement will expire on 31 December 2022, in accordance with the relevant requirements of the Listing Rules, the Board has resolved to set the new annual caps for such continuing connected transactions for the next three years ending 31 December 2025.

1. Trademark Licensing Agreement

Details of the Trademark Licensing Agreement are summarized as follows:

Parties:

- (i) BAIC Group (as the licensor)
- (ii) Beijing Benz (as the licensee)

Term: The term of the Trademark Licensing Agreement entered into between Beijing Benz and BAIC Group commenced on 28 February 2013 and will be effective within the term of the joint venture agreement of Beijing Benz.

As stated in the prospectus of the Company dated 9 December 2014, it is the normal industry practice that the term of the transactions relating to the use of intellectual property rights be fixed with reference to the expected life cycle of vehicles models and the term of the joint venture contracts which will be for a duration of longer than three years. Any early termination, variation or risk in successful renewal may have a detrimental effect on the business continuity and successful operation of the Company.

Principal Terms: According to the Trademark Licensing Agreement, BAIC Group granted Beijing Benz a non-exclusive license for the use of the “Beijing” trademark in its company name and on the passenger vehicles manufactured and assembled by Beijing Benz. Beijing Benz shall pay a trademark licensing fee to BAIC Group on a regular basis.

Pricing Policy: When determining the trademark licensing fee, Beijing Benz and BAIC Group have agreed that a licensing fee will be paid to BAIC Group with reference to a pre-agreed rate of the net revenue generated by each vehicle. Net revenue generated by each vehicle will be calculated based on the suggested retail price of the manufacturer net of the value-added tax, gross margin of dealers, sales rebates to dealers, consumption tax, sales discounts and other deductions.

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

Reasons and Benefits: The trademark licensing arrangement was a part of the joint venture agreement regarding Beijing Benz between the Company and Mercedes-Benz AG. Beijing Benz has been using the trademark “Beijing” and trademark “Benz” since its establishment. Such trademark licenses are critical to the operation and production of Beijing Benz. It will be in the best interests of the Group and the Shareholders for Beijing Benz to continue the use of those trademarks.

2. Historical Transaction Amounts

Set out below is a breakdown of the historical transaction amounts in respect of the trademark licensing fees paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement for the preceding three financial years ended 31 December 2021:

| | Approximate historical transaction amounts for the year ended 31 December | | |
|---|--|----------------------|----------------------|
| | 2019 | 2020 | 2021 |
| | <i>(RMB million)</i> | <i>(RMB million)</i> | <i>(RMB million)</i> |
| Trademark licensing fees paid by Beijing Benz to BAIC Group | 660.9 | 772.8 | 680.7 |

3. Proposed Annual Caps for the Three Financial Years Ending 31 December 2025

The Company estimates the annual caps for the trademark licensing fees paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement for the next three financial years ending 31 December 2025 as follows:

| | Proposed annual caps for the year ending 31 December | | |
|--|---|----------------------|----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB million)</i> | <i>(RMB million)</i> | <i>(RMB million)</i> |
| Trademark licensing fees paid by Beijing Benz to BAIC Group | 868.1 | 925.5 | 877.4 |

4. Basis of Determination of the Proposed Annual Caps

In determining the renewed annual caps for the trademark licensing fees paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement, the Company mainly considers the following factors:

- (i) The trademark licensing fees previously paid by Beijing Benz to BAIC Group;
- (ii) Beijing Benz's development strategy and business expansion plan from 2023 to 2025: it is expected that the sales volume of vehicles of Beijing Benz will continue to increase from 2023 to 2025.

5. Opinion of the Directors

The Directors (excluding the independent non-executive Directors, whose view on the proposed annual caps for the trademark licensing fees to be paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement will be set out in the letter from the Independent Board Committee contained in the circular to be despatched to the Shareholders after considering the advice from the Independent Financial Adviser) are of the view that transactions under the Trademark Licensing Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

F. Sales of vehicles by Beijing Benz to Mercedes-Benz AG and its associates

Mercedes-Benz AG and its associates have in the past purchased vehicles from Beijing Benz for research and development, testing, marketing, promotion and their own use. At the time of the listing of the H-shares of the Company on the Main Board of the Hong Kong Stock Exchange, the Company had applied for, and the Hong Kong Stock Exchange has granted a waiver from strict compliance with the written agreement and the disclosure of terms of the agreement requirements in respect of the following arrangement.

1. Details of the Arrangement

Details of the arrangement for sales of vehicles by Beijing Benz to Mercedes-Benz AG and its associates are summarized as follows:

- Parties:**
- (i) Beijing Benz (as the provider)
 - (ii) Mercedes-Benz AG and its associates (as the purchaser)

Pricing Policy: The Company and its subsidiaries will take into account the market prices of the vehicles to make sure that the purchase prices offered to Mercedes-Benz AG and its associates are fair and reasonable and on normal commercial terms. As Beijing Benz has been selling vehicles to various 4S dealers (both connected with and independent from with our Company) in the market, the market prices of the vehicles are readily available.

Reasons and Benefits: To maintain the high quality of Mercedes-Benz branded passenger vehicle, Mercedes-Benz AG closely monitors the quality of vehicles manufactured its joint ventures (including Beijing Benz), and therefore it purchases Mercedes-Benz branded passenger vehicles manufactured by Beijing Benz for research, development and testing purposes. Mercedes-Benz AG monitoring benefits Beijing Benz by serving as an additional level of quality control to ensure that the production of Beijing Benz meets the benchmark standard and qualification of Mercedes-Benz branded vehicles. Such arrangement has promoted the business operations and increases of Beijing Benz and the Company, and will continue to do so. The continuation of the transactions will be beneficial to the Company and its shareholders as a whole.

2. Historical Transaction Amounts

Set out below is a breakdown of the historical transaction amounts for the preceding three financial years ended 31 December 2021 for sales of vehicles by Beijing Benz to Mercedes-Benz AG and its associates:

| | Approximate historical transaction amounts for the year ended 31 December | | |
|---|--|----------------------|----------------------|
| | 2019 | 2020 | 2021 |
| | <i>(RMB million)</i> | <i>(RMB million)</i> | <i>(RMB million)</i> |
| Sales of vehicles by Beijing Benz to Mercedes-Benz AG and its associates | 101.7 | 68.4 | 84.2 |

3. Proposed Annual Caps for the Three Financial Years Ending 31 December 2025

The Company estimates the annual caps for the next three financial years ending 31 December 2025 for sales of vehicles by Beijing Benz to Mercedes-Benz AG and its associates are as follows:

| | Proposed annual caps for the year ending 31 December | | |
|---|---|----------------------|----------------------|
| | 2023 | 2024 | 2025 |
| | <i>(RMB million)</i> | <i>(RMB million)</i> | <i>(RMB million)</i> |
| Sales of vehicles by Beijing Benz to Mercedes-Benz AG and its associates | 500.0 | 630.0 | 500.0 |

4. Basis of Determination of the Proposed Annual Caps

In determining the revised annual caps under the arrangement for the sale of vehicles by Beijing Benz to Mercedes-Benz AG and its associates, the Company has taken into account, inter alia, the following factors:

- (i) the anticipated demand and consumption of vehicles by Mercedes-Benz AG and/or its associates; and
- (ii) the historical purchase volume by Mercedes-Benz AG from Beijing Benz.

The number of sales of vehicles by Beijing Benz to Mercedes-Benz AG and its associates is based on the actual demand of vehicles on a case-by-case basis, which is driven by various factors, such as (i) new vehicle models' testing and marketing activities; (ii) vehicle models' research, development and upgrade; and (iii) other internal usages for daily operation.

5. *Opinion of the Directors*

The Directors (including the independent non-executive Directors) are of the view that arrangement for sales of vehicles by Beijing Benz to Mercedes-Benz AG and its associates will be conducted on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

II. 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 department 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 department, procurement department, 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.

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 department 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 component 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 are not limited to, the scale of business, industry recognition, experience of supplying same types of products and services, technological level, financial conditions etc. The same standards are applicable to both connected person and independent third-party suppliers. The Group 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 procurement department, research and development department, discipline inspection department, finance department 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 generally requires at least three potential suppliers participating in the same purchase. Price inquiry procedures that fail 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 the Company. 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 a 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.

- 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 total 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.

III. LISTING RULES IMPLICATIONS

As at the date of this announcement, BAIC Group is the sole controlling Shareholder of the Company and holds 42.63% of the total issued share capital of the Company, thus it is a connected person of the Company. The transactions contemplated between the Company and BAIC Group under the renewed Property and Facility Leasing Framework Agreement, the renewed Products and Services Purchasing Framework Agreement and the renewed Provision of Products and Services Framework Agreement, and the transactions contemplated between Beijing Benz, a non-wholly owned subsidiary of the Company, and BAIC Group under the Trademark Licensing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As BAIC Group holds 56% 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 at the date of this announcement, Mercedes-Benz AG holds 49% equity interest in Beijing Benz, a non-wholly owned subsidiary of the Company, thus Mercedes-Benz AG and its associates are connected persons of the Company at the subsidiary level. Accordingly, the sales of vehicles by Beijing Benz to Mercedes-Benz AG and its associates constitutes 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 Property and Facility Leasing Framework Agreement; (ii) the proposed annual caps for the provision of services transactions contemplated under the renewed Provision of Products and Services Framework Agreement; (iii) the proposed annual caps for interest income from deposits placed by the Group with BAIC Finance and charges for other financial services contemplated under the renewed Financial Services Framework Agreement; and (iv) the proposed annual caps for the sales of vehicles by Beijing Benz to Mercedes-Benz AG and its associates is more than 0.1% but less than 5%, such continuing connected transactions are only subject to the reporting, announcement and annual review requirements, but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

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

IV. 2021 ANNUAL GENERAL MEETING

The Company will convene the 2021 annual general meeting for the purpose of, among other things, obtaining the Independent Shareholders' approval for 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; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; (iii) renewal of Financial Services Framework Agreement and the proposed annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance thereunder; and (iv) the proposed annual caps for trademark licensing fees to be paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement, for the three financial years ending 31 December 2025.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on 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; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; (iii) renewal of the Financial Services Framework Agreement and the proposed annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance thereunder; and (iv) the proposed annual caps for trademark licensing fees to be paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement, for the three financial years ending 31 December 2025. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same matter.

A circular containing, among other things, further details of 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; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; (iii) renewal of the Financial Services Framework Agreement and the proposed annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance thereunder; and (iv) the proposed annual caps for trademark licensing fees to be paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement, for the three financial years ending 31 December 2025, a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders and a letter from the Independent Board Committee to the Independent Shareholders on the same and its recommendation on voting, together with the notice of the 2021 annual general meeting of the Company, will be despatched to the Shareholders in due course.

V. GENERAL INFORMATION

Information on the Company

The Company was established in September 2010, and its H Shares were listed on the Main Board of the Hong Kong Stock Exchange in December 2014. The Company's brands cover joint venture premium passenger vehicles, joint venture premium multi-purpose passenger vehicles, joint venture mid- to high-end passenger vehicles, proprietary brand passenger vehicles and other vehicles, which can maximally satisfy various customers' demands.

Information on Beijing Benz

Beijing Benz is a subsidiary of the Company. The Company holds 51.0% equity interest of Beijing Benz, while Mercedes-Benz AG and its wholly-owned subsidiary, Daimler Greater China Ltd., together hold a 49.0% equity interest in Beijing Benz. Beijing Benz commenced the manufacturing and sales of passenger vehicles of Mercedes-Benz brand in 2006.

Information on BAIC Group

BAIC Group is the sole Controlling Shareholder of the Company and held 42.63% equity interest in the Company. BAIC Group is one of the main automobile manufacturing groups in China. It has now developed into a comprehensive and modern automobile conglomerate with diversified business portfolio and integrating vehicle research and development and manufacturing, parts and components manufacturing, automobile service trade, education and investment and financing business, as well as incubation of new industries.

Information on BAIC Finance

BAIC Finance is a non-banking financial institution incorporated in October 2011 in the PRC with the approval of the China Banking Regulatory Commission. BAIC Finance was initiated and established by 4 shareholders, namely BAIC Group, BAIC Investment Co., Ltd. (北京汽車投資有限公司), Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份有限公司) and Beijing Hainachuan Automotive Parts Stock Co., Ltd. (北京海納川汽車部件股份有限公司), holding 56%, 20%, 14%, and 10% of the equity interest respectively, with a registered capital of RMB5 billion. The main businesses of BAIC Finance include the provision of financial and financing consultation services, credit appraisal and other related consultation and agency services to members; assistance to members in the collection and payment of transaction amounts; authorised insurance agency services; provision of guarantee between members; provision of entrusted loans between members; provision of bill acceptance and discount services to members; provision of internal fund transfer and settlement services and corresponding settlement and clearing planning to members; accepting

deposits from members; provision of loans and finance leasing to members; provision of inter-bank lending; underwriting of corporate bonds of members; provision of consumption credit, buyers' credit and finance leasing for products of members; investments in negotiable securities (other than stock and trust investments).

Mercedes-Benz AG

Mercedes-Benz AG is a company established in Germany in 1886. Mercedes-Benz AG is one of the largest producers of premium cars in terms of sales volume globally. Its principal businesses include producing premium automobiles and vans, and providing tailored services around these products.

VI. DEFINITIONS

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

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| “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 |
| “Beijing Benz” | Beijing Benz Automotive Co., Ltd.* (北京奔馳汽車有限公司) (previously known as Beijing Jeep Motor Co., Ltd. and Beijing Benz-Daimler Chrysler Automotive Co., Ltd.), a company incorporated in the PRC on 1 July 1983, a non wholly-owned subsidiary of the Company with 51.0% equity interest owned by the Company, and 49.0% directly and indirectly owned by Mercedes-Benz AG |
| “Board” | the board of directors of the Company |
| “CBIRC” | China Banking and Insurance Regulatory Commission |

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| “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 |
| “Director(s)” | the director(s) of the Company |
| “Financial Services Framework Agreement” | the financial services framework agreement entered into between the Company and BAIC Finance on 2 December 2014 and subsequently renewed by the parties on 20 October 2016 and 27 March 2019, which was further renewed on 27 April 2022 for another term of three years expiring on 31 December 2025 |
| “Gram Capital” or “Independent Financial Adviser” | Gram Capital Limited, a corporation licensed 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 has been 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; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; (iii) renewal of the Financial Services Framework Agreement and the proposed annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance thereunder; and (iv) the proposed annual caps for trademark licensing fees to be paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement, for the three financial years ending 31 December 2025 |
| “Group” | the Company and its subsidiaries |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |

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| “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 Hong Kong Dollars and listed and traded on the Hong Kong Stock Exchange |
| “Independent Board Committee” | an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Ge Songlin, Ms. Yin Yuanping, Mr. Xu Xiangyang, Mr. Tang Jun and Mr. Edmund Sit, 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; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; (iii) renewal of the Financial Services Framework Agreement and the proposed annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance thereunder; and (iv) the proposed annual caps for trademark licensing fees to be paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement, for the three financial years ending 31 December 2025 |
| “Independent Shareholders” | Shareholders (other than BAIC Group and its associates) who are not required to abstain from voting on the resolution to be proposed at the 2021 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 purchase of products and purchase of services transactions contemplated thereunder; (ii) renewal of the Provision of Products and Services Framework Agreement and the proposed annual caps for the sale of products transactions contemplated thereunder; (iii) renewal of the Financial Services Framework Agreement and the proposed annual caps for the maximum daily balance of deposits placed by the Group with BAIC Finance thereunder; and (iv) the proposed annual caps for trademark licensing fees paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement, for the three financial years ending 31 December 2025 |

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| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time |
| “Mercedes-Benz AG” | Mercedes-Benz AG, a company established in Germany in 1886, which is a connected person of the Company |
| “PBOC” | The People’s Bank of China, the central bank in the PRC |
| “Products and Services Purchasing Framework Agreement” | the products and services purchasing framework agreement entered into between the Company and BAIC Group on 2 December 2014 and subsequently renewed by the parties on 20 October 2016 and 27 March 2019 respectively, which was further renewed on 27 April 2022 for another term of three years expiring on 31 December 2025 |
| “Property and Facility Leasing Framework Agreement” | the property and facility leasing framework agreement entered into between the Company and BAIC Group on 2 December 2014 and subsequently renewed and supplemented by the parties on 20 October 2016 and 27 March 2019 respectively, which was further renewed on 27 April 2022 for another term of three years expiring on 31 December 2025 |
| “Provision of Products and Services Framework Agreement” | the sale of products and services framework agreement entered into between the Company and BAIC Group on 2 December 2014 and subsequently renewed by the parties on 20 October 2016 and 27 March 2019 respectively, which was further renewed on 27 April 2022 for another term of three years expiring on 31 December 2025 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholder(s)” | the shareholder(s) of the Company |

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| “substantial shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Trademark Licensing Agreement” | the trademark licensing agreement entered into between Beijing Benz and BAIC Group on 28 February 2013 |
| “%” | percentage |

By order of the Board
BAIC Motor Corporation Limited
Wang Jianhui

Secretary to the Board of Directors and Company Secretary

Beijing, the PRC, 27 April 2022

As at the date of this announcement, the Board comprises Mr. Jiang Deyi, as Chairman of the Board and non-executive Director; Mr. Liao Zhenbo, Mr. Chen Hongliang and Mr. Hu Hanjun, as non-executive Directors; Mr. Huang Wenbing, as executive Director; Mr. Ye Qian, Mr. Hubertus Troska, Mr. Harald Emil Wilhelm, Mr. Gu Tiemin and Mr. Sun Li, as non-executive Directors; and Mr. Ge Songlin, Ms. Yin Yuanping, Mr. Xu Xiangyang, Mr. Tang Jun and Mr. Edmund Sit, as independent non-executive Directors.

* *For identification purpose only*