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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2019

The board (the "**Board**") of directors (the "**Directors**") of BAIC Motor Corporation Limited (the "**Company**" or "**BAIC Motor**" or "**we**" or "**our Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended June 30, 2019 (the "**Reporting Period**" or the "**first half of 2019**") together with the comparative figures for the corresponding period in 2018. The results have been prepared in accordance with the International Accounting Standard 34, "Interim Financial Reporting" issued by the International Accounting Standards Board and the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The audit committee of the Board (the "**Audit Committee**") and PricewaterhouseCoopers, the external auditor of the Group, have reviewed the unaudited condensed consolidated interim financial information (the "**Condensed Financial Information**").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2019

	Note	**For the six months ended June 30, 2019 (Unaudited) *RMB'000***	For the six months ended June 30, 2018 (Unaudited) *RMB'000*
Revenue	*3*	**87,764,002**	76,902,166
Cost of sales		**(67,155,361)**	(56,465,344)
Gross profit		**20,608,641**	20,436,822
Selling and distribution expenses		**(6,215,198)**	(6,334,166)
General and administrative expenses		**(3,141,878)**	(2,766,438)
Other (losses)/gains, net		**(105,576)**	50,817
Operating profit	*6*	**11,145,989**	11,387,035
Finance income		**409,950**	330,533
Finance costs		**(456,907)**	(567,867)
Finance costs, net		**(46,957)**	(237,334)
Share of (loss)/profit of investments accounted for using equity method		**(364,877)**	582,266
Profit before income tax		**10,734,155**	11,731,967
Income tax expense	*7*	**(3,505,051)**	(3,686,376)
Profit for the period		**7,229,104**	8,045,591
Profit attributable to:			
Equity holders of the Company		**2,090,173**	2,820,268
Non-controlling interests		**5,138,931**	5,225,323
		7,229,104	8,045,591
Earnings per share for profit attributable to ordinary shareholders of the Company for the period (expressed in RMB)			
Basic and diluted	*8*	**0.25**	0.36

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE SIX MONTHS ENDED JUNE 30, 2019

	For the six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Profit for the period	**7,229,104**	8,045,591
Other Comprehensive Income		
Items that may be reclassified to profit or loss		
(Losses)/gains on cash flow hedges, net of tax	**(34,737)**	14,818
Share of other comprehensive income of investments accounted for using the equity method	**1,346**	–
Currency translation differences	**(13)**	238
Items that will not be reclassified to profit or loss		
Changes in fair value of financial assets at fair value through other comprehensive income and related income tax	**65,530**	(63,368)
Other comprehensive income/(loss) for the period	**32,126**	(48,312)
Total comprehensive income for the period	**7,261,230**	7,997,279
Attributable to:		
Equity holders of the Company	**2,139,314**	2,765,091
Non-controlling interests	**5,121,916**	5,232,188
	7,261,230	7,997,279

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2019

	Note	**June 30, 2019 (Unaudited)** ***RMB'000***	December 31, 2018 (Audited) *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**43,101,385**	43,217,822
Land use rights		**7,289,878**	7,378,380
Intangible assets		**13,161,960**	13,123,352
Investments accounted for using equity method		**15,746,981**	16,185,648
Financial assets at fair value through other comprehensive income		**1,808,259**	1,742,729
Deferred income tax assets		**8,243,077**	7,925,601
Other long-term assets		**699,824**	701,180
		90,051,364	90,274,712
Current assets			
Inventories		**19,906,830**	18,962,575
Accounts receivable	*4*	**26,709,009**	21,988,198
Advances to suppliers		**631,955**	465,988
Other receivables and prepayments		**5,762,190**	4,132,578
Restricted cash		**558,444**	820,174
Cash and cash equivalents		**46,815,207**	35,389,883
		100,383,635	81,759,396
Total assets		**190,434,999**	172,034,108

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT JUNE 30, 2019

	Note	**June 30, 2019 (Unaudited)** ***RMB'000***	December 31, 2018 (Audited) *RMB'000*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**8,015,338**	8,015,338
Perpetual bond		**1,998,160**	1,998,160
Other reserves		**21,090,719**	21,041,578
Retained earnings		**17,815,646**	17,360,387
		48,919,863	48,415,463
Non-controlling interests		**17,124,234**	20,822,318
Total equity		**66,044,097**	69,237,781
LIABILITIES			
Non-current liabilities			
Borrowings		**11,298,113**	14,907,282
Lease liabilities	*2.2(a)*	**8,837**	–
Deferred income tax liabilities		**745,682**	758,006
Provisions		**2,733,140**	2,620,030
Deferred income		**4,139,523**	4,084,833
		18,925,295	22,370,151
Current liabilities			
Accounts payable	*5*	**47,629,366**	38,632,933
Contract liabilities		**241,660**	234,226
Other payables and accruals		**37,275,533**	28,789,066
Current income tax liabilities		**1,576,482**	1,992,153
Borrowings		**16,531,950**	8,955,960
Lease liabilities	*2.2(a)*	**8,379**	–
Provisions		**2,202,237**	1,821,838
		105,465,607	80,426,176
Total liabilities		**124,390,902**	102,796,327
Total equity and liabilities		**190,434,999**	172,034,108

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

BAIC Motor Corporation Limited (the "**Company**"), together with its subsidiaries (collectively referred to as the "**Group**"), are principally engaged in the manufacturing and sales of passenger vehicles, engines and auto parts in the People's Republic of China (the "**PRC**").

The address of the Company's registered office is A5-061, Unit 101, 5th Floor, Building No.1, Courtyard No.99, Shuanghe Street, Shunyi District, Beijing, the PRC.

The Company was incorporated in the PRC on September 20, 2010 as a joint stock company with limited liability under Company Law of the PRC (the " **Company Law**"). The immediate parent company of the Company is Beijing Automotive Group Co., Ltd. ("**BAIC Group**"), which is beneficially owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality ("**SASAC Beijing**"). The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since December 19, 2014 (the "**Listing**").

This Interim Condensed Consolidated Financial Information ("**Condensed Financial Information**") is presented in thousands of Renminbi Yuan ("**RMB'000**"), unless otherwise stated, and is approved for issue by the Board of Directors on August 26, 2019.

This Condensed Financial Information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

This Condensed Financial Information has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "**Interim Financial Reporting**". The Condensed Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

As at June 30, 2019, the current liabilities of the Group exceeded its current assets by approximately RMB5,082 million. Given the debt obligations and working capital requirements, management has thoroughly considered the Group's available sources of the funds as follows:

- the Group's continuous net cash generated from operating and financing activities; and
- undrawn short-term and long-term banking facilities of approximately RMB16,848 million and RMB8,080 million respectively as at June 30, 2019.

Based on the above considerations, the directors of the Company are of the opinion that the Group has sufficient available financial resources to meet or refinance its working capital requirements as and when they fall due. As a result, this Condensed Financial Information has been prepared on a going concern basis.

2.2 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2018, as described in those annual financial statements except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards adopted by the Group.

(a) New and amended standards adopted by the Group

A number of new and amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 "Leases".

The impact of the adoption of the leasing standard and the new accounting policies that have been applied from January 1, 2019 are disclosed below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

The Group has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019.

(i) Adjustments recognized on adoption of IFRS 16

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases". These lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 3.93%.

	RMB'000
Operating lease commitments disclosed as at December 31, 2018	129,893
(Less): short-term leases recognized on a straight-line basis as expense	(116,148)
	13,745
(Less): Interest discount calculated using the lessee's incremental borrowing rate at the date of initial application	(601)
Lease liabilities recognized as at January 1, 2019	13,144
Of which are:	
Current lease liabilities	5,935
Non-current lease liabilities	7,209
	13,144

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets which are included in property, plant and equipment:

	June 30, 2019 ***RMB'000***	January 1, 2019 *RMB'000*
Buildings	**15,391**	10,627
Machinery	**662**	788
Vehicles	**1,187**	1,729
Total right-of-use assets	**17,240**	13,144

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- property, plant and equipment – increase by RMB13,144,000
- lease liabilities – increase by RMB13,144,000

There was no impact on retained earnings on January 1, 2019.

Impact on segment disclosures and earnings per share

Segment assets and segment liabilities at June 30, 2019 and segment gross loss for the six months then ended all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segment was affected by the change in policy with effects shown:

	Segment gross loss *RMB'000*	**Segment assets** *RMB'000*	**Segment liabilities** *RMB'000*
Passenger vehicles – Beijing Brand	(167)	17,240	17,216

Earnings per share decreased by RMB0.00002 per share for the six months ended June 30, 2019 as a result of the adoption of IFRS 16.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics, and
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease".

(ii) The Group's leasing activities and how these are accounted for

The Group leases various buildings, machinery and vehicles. Rental contracts are typically made for fixed periods of 3 months to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were all classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that termination option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3 SEGMENT INFORMATION

The Group's segment information is presented on the basis of internal reports that are regularly reviewed by the Group's Executive Committee, in order to allocate resources to the segments and assess their performance. For each of the Group's reportable segments, the Group's Executive Committee reviews internal management reports on monthly basis, at a minimum. Management has determined the reporting segments based on these reports.

The Group considers the business from a product perspective and has the following reportable segments:

- Passenger vehicles of Beijing Brand: manufacturing and sales of passenger vehicles of BAIC brands, and providing other businesses and related services.
- Passenger vehicles of Beijing Benz Automotive Co., Ltd. ("**Beijing Benz**"): manufacturing and sales of passenger vehicles and engines of Beijing Benz brand, and providing other related services.

Management defines segment results based on gross profit/(loss). Information about reportable segments and reconciliations of reportable segment results are as follows:

	Passenger vehicles – Beijing Brand (Unaudited) *RMB'000*	Passenger vehicles – Beijing Benz (Unaudited) *RMB'000*	Eliminations (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
For the six months ended June 30, 2019				
Total revenue	**10,016,695**	**77,807,423**	**(60,116)**	**87,764,002**
Inter-segment revenue	**(60,116)**	**–**	**60,116**	**–**
Revenue from external customers	**9,956,579**	**77,807,423**	**–**	**87,764,002**
Timing of revenue recognition				
– At a point in time	**9,894,074**	**77,076,752**	**–**	**86,970,826**
– Over time	**62,505**	**730,671**	**–**	**793,176**
	9,956,579	**77,807,423**	**–**	**87,764,002**
Segment gross (loss)/profit	**(1,414,913)**	**22,023,554**	**–**	**20,608,641**
Other profit & loss disclosure:				
Selling and distribution expenses				**(6,215,198)**
General and administrative expenses				**(3,141,878)**
Other losses, net				**(105,576)**
Finance costs, net				**(46,957)**
Share of loss of investments accounted for using equity method				**(364,877)**
Profit before income tax				**10,734,155**
Income tax expense				**(3,505,051)**
Profit for the period				**7,229,104**
Other Information:				
Significant non-cash expenses				
Depreciation and amortization	**(1,522,868)**	**(1,880,167)**	**–**	**(3,403,035)**
Provisions for impairments on assets	**(189,986)**	**(213,324)**	**–**	**(403,310)**
As at June 30, 2019				
Total assets	**96,842,611**	**115,499,347**	**(21,906,959)**	**190,434,999**
Including:				
Investments accounted for using equity method	**15,746,981**	**–**	**–**	**15,746,981**
Total liabilities	**(53,768,835)**	**(80,335,755)**	**9,713,688**	**(124,390,902)**

	Passenger vehicles – Beijing Brand (Unaudited) *RMB'000*	Passenger vehicles – Beijing Benz (Unaudited) *RMB'000*	Eliminations (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
For the six months ended June 30, 2018				
Total revenue	6,740,765	70,218,660	(57,259)	76,902,166
Inter-segment revenue	(57,259)	–	57,259	–
Revenue from external customers	6,683,506	70,218,660	–	76,902,166
Timing of revenue recognition				
– At a point in time	6,588,528	69,608,399	–	76,196,927
– Over time	94,978	610,261	–	705,239
	6,683,506	70,218,660	–	76,902,166
Segment gross (loss)/profit	(1,551,030)	21,987,852	–	20,436,822
Other profit & loss disclosure:				
Selling and distribution expenses				(6,334,166)
General and administrative expenses				(2,766,438)
Other gains, net				50,817
Finance costs, net				(237,334)
Share of profit of investments accounted for using equity method				582,266
Profit before income tax				11,731,967
Income tax expense				(3,686,376)
Profit for the period				8,045,591
Other Information:				
Significant non-cash expenses				
Depreciation and amortization	(1,573,400)	(1,659,377)	–	(3,232,777)
Provisions for impairments on assets	(196,118)	(102,030)	–	(298,148)
As at June 30, 2018				
Total assets	94,379,096	102,008,840	(21,460,045)	174,927,891
Including:				
Investments accounted for using equity method	15,597,617	–	–	15,597,617
Total liabilities	(52,569,752)	(68,781,169)	9,943,906	(111,407,015)

There is no customer accounting for 10 percent or more of the Group's revenue for each of the six months ended June 30, 2019 and 2018.

The Group is domiciled in the PRC. The percentage of its revenue from external customers residing in the PRC is approximately 99.9% for the six months ended June 30, 2019 (six months ended June 30, 2018: 99.8 %).

As at June 30, 2019, the percentage of the Group's non-current assets, other than financial instruments and deferred income tax assets, located in the mainland of the PRC is approximately 98.6% (December 31, 2018: 98.4%).

4 ACCOUNTS RECEIVABLE

	June 30, 2019 (Unaudited) ***RMB'000***	December 31, 2018 (Audited) *RMB'000*
Trade receivables, gross (*note (a)*)	**24,126,006**	17,791,971
Less: provision for impairment	**(331,593)**	(125,591)
	23,794,413	17,666,380
Notes receivable	**2,914,596**	4,321,818
	26,709,009	21,988,198

Notes:

(a) The majority of the Group's sales are on credit. A credit period may be granted in respect of sales to customers with good credit history and long-established relationship with the Group. The ageing analysis of trade receivables based on invoice date is as follows:

	June 30, 2019 (Unaudited) ***RMB'000***	December 31, 2018 (Audited) *RMB'000*
Current to 1 year	**19,527,267**	12,798,972
1 to 2 years	**1,356,936**	1,758,269
2 to 3 years	**2,964,568**	3,160,637
Over 3 years	**277,235**	74,093
	24,126,006	17,791,971

(b) All accounts receivable are denominated in RMB and their carrying amounts approximate fair values.

(c) The amounts of notes receivable pledged as collateral for notes payable issued by banks as at respective balance sheet dates are as follows:

	June 30, 2019 (Unaudited) ***RMB'000***	December 31, 2018 (Audited) *RMB'000*
Pledged notes receivable	**1,921,741**	2,786,005

5 ACCOUNTS PAYABLE

	June 30, 2019 (Unaudited) ***RMB'000***	December 31, 2018 (Audited) *RMB'000*
Trade payables	**39,781,643**	29,746,240
Notes payable	**7,847,723**	8,886,693
	47,629,366	38,632,933

Ageing analysis of trade payables is as follows:

	June 30, 2019 (Unaudited) ***RMB'000***	December 31, 2018 (Audited) *RMB'000*
Current to 1 year	**39,732,272**	29,723,797
1 to 2 years	**27,931**	13,597
2 to 3 years	**12,727**	2,797
Over 3 years	**8,713**	6,049
	39,781,643	29,746,240

6 OPERATING PROFIT

Operating profit is arrived at after charging/(crediting) the following:

	For the six months ended June 30,	
	2019 (Unaudited) ***RMB'000***	2018 (Unaudited) *RMB'000*
Depreciation and amortization	**3,403,035**	3,232,777
Provisions for impairments on assets	**403,310**	298,148
Employee benefit costs	**2,935,949**	2,779,111
Gains from sales of scrap materials	**(62,179)**	(35,148)
Net foreign exchange losses, including forward foreign exchange contracts with fair value through profit or loss	**257,888**	86,361
Government grants	**(183,945)**	(159,457)
Loss on disposals of property, plant and equipment and intangible assets	**93,812**	19,953

7 INCOME TAX EXPENSE

	For the six months ended June 30,	
	2019 (Unaudited) ***RMB'000***	2018 (Unaudited) *RMB'000*
Current income tax	**3,823,272**	4,030,110
Deferred income tax credit	**(318,221)**	(343,734)
	3,505,051	3,686,376

8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	For the six months ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to ordinary shareholders of the Company (RMB'000) *(note (a))*	**1,978,173**	2,789,583
Weighted average number of ordinary shares issued (thousands)	**8,015,338**	7,730,672
Earnings per share for profit attributable to ordinary shareholders of the Company for the period (RMB)	**0.25**	0.36

Notes:

(a) For the six months ended June 30, 2019, the profit attributable to equity holders of the Company amounted to RMB2,090,173,000 (six months ended June 30, 2018: RMB2,820,268,000), including the profit attributable to ordinary shareholders and perpetual bondholders of approximately RMB1,978,173,000 (six months ended June 30, 2018: approximately RMB2,789,583,000) and RMB112,000,000 (six months ended June 30, 2018: approximately RMB30,685,000), respectively.

(b) During the six months ended June 30, 2019 and 2018, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.

9 DIVIDENDS

The Board of Directors of the Company did not recommend the payment of any interim dividend for the six months ended June 30, 2019 (six months ended June 30, 2018: Nil). The final dividend of approximately RMB1,522,914,000 (RMB0.19 per share) relating to the year ended December 31, 2018 was approved by the shareholders meeting held in June 2019 and will be paid after June 30, 2019.

10 SUBSEQUENT EVENTS

Since the end of the Reporting Period, there has been no event that materially affected the Group.

BUSINESS OVERVIEW

I. Major Business Operations

The Group's major business operations include research and development, manufacturing, sales and after-sale services of passenger vehicles, production of core parts and components of passenger vehicles, car financing and other related businesses. We keep developing industry chains and strengthening our brands.

Passenger vehicles

Our passenger vehicle business is conducted through four business segments, namely Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz.

1. Beijing Brand

Beijing Brand, our proprietary brand, is currently selling over ten models on the market, covering traditional oil-powered sedan and SUV models as well as new energy vehicles.

Traditional oil-powered models under Beijing Brand are targeted at consumers who value both vehicle performance and high-quality life. Its products focus on the metropolitan beauty design, continual quality improvement and Saab handling performance. Since 2018, "Mastermind (智多星)" lineup including Zhixing, Zhidao and Zhida has been launched in the market, which has been recognized by consumers.

Along with manufacturing of traditional oil-powered passenger vehicles, Beijing Brand has also made efforts to promote the production of new energy products, in line with the development trend of new energy passenger vehicles and the Company's overall strategy for production of new energy products:

In terms of pure electric new energy vehicle, Beijing Brand has put many pure electric new energy vehicle models based on traditional oil-powered car models on the market. The major vehicle models continue to be industry-leading, with a mileage range in the integrated operating condition reaching 460 km and the efforts made to develop the vehicle models with battery swapping; in terms of hybrid electric product, Beijing Brand plans to complete the upgrade from traditional oil-powered products to hybrid electric products by stages, and is committed to realizing the development of new products in comprehensive consideration of gasoline engine vehicle model, plug-in hybrid electric vehicle model, hybrid electric vehicle model and 48V hybrid electric vehicle model.

In response to the transformation and upgrading of the industry and the changes in the competitive landscape, the Company is actively promoting the optimization and integration of the product system of Beijing Brand and constantly focusing on superior products to enhance its competitiveness: since 2018, the Company has continuously promoted work in relation to the disposal of the Wevan brand business and related assets to Beijing Automobile Group Co. Ltd. ("**BAIC Group**"), the controlling shareholder of the Company, and its subsidiaries, and correspondingly reduced the production and sales volume of Wevan brand products. In the first half of 2019, the Company ceased to produce and sell Wevan brand passenger vehicles. Since June 2019, BAIC Group Off-road Vehicle Co., Ltd. (formerly known as the Off-road Vehicle Branch of BAIC Group, "**Off-road Vehicle Company**") has ceased to accept the Company's production commission for the "BJ" series off-road vehicles (mainly BJ 40 and BJ 80 vehicle models), and the Company has ceased to sell the above-mentioned "BJ" series off-road vehicles. For the business relationship between the Company and Off-road Vehicle Company, please refer to the section headed "Relationship with BAIC Group" in the Prospectus published on December 9, 2014 by the Company and relevant disclosures in the previous announcements of the Company.

2. Beijing Benz

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

Beijing Benz currently manufactures and sells several types of Mercedes-Benz vehicles, namely the E-Class long-wheelbase sedan, the C-Class long-wheelbase sedan and C-Class standard-wheelbase sedan, A-Class long-wheelbase sedan, GLC SUV long-wheelbase vehicles and GLA SUV vehicles, etc.

3. Beijing Hyundai

Beijing Hyundai Motor Co., Ltd. ("**Beijing Hyundai**") is a joint venture of the Company. The Company holds 50.0% equity interest in Beijing Hyundai through its subsidiary BAIC Investment Co., Ltd., while Hyundai Motor Company ("**Hyundai Motor**") holds another 50.0% equity interest in Beijing Hyundai. Beijing Hyundai commenced the manufacturing and sales of passenger vehicles of Hyundai brand in 2002.

At present, Beijing Hyundai has a nation-wide production capacity arrangement of "Five Factories in Three Regions"[1], which forms a nation-wide production and marketing system. Beijing Hyundai currently manufactures and sells over ten types of vehicles, covering a full range of major sedan models including middle class, compact and A0-Class models, as well as SUV models, with vehicle models for sale mainly including fourth-generation Santa Fe, fourth-generation TUCSON, all-new Sonata and LA FESTA. As of 2018, Beijing Hyundai was in the "10 Million Unit Club", with the accumulative production and sales volume in China exceeding 10 million units.

4. Fujian Benz

Fujian Benz Automotive Co., Ltd. ("**Fujian Benz**") is a joint venture of the Company. The Company holds 35.0% equity interest in Fujian Benz, and establishes an act-in-concert agreement with Fujian Motor Industry Group Co. ("**FJMOTOR**"), which holds 15.0% equity interest in Fujian Benz. The consensus will be reached while making decisions regarding the operation, management and other matters of Fujian Benz, upon the exercising of power by the directors appointed by FJMOTOR. Daimler Vans Limited (Hong Kong) holds the remaining 50.0% equity interest in Fujian Benz. Fujian Benz commenced the manufacturing and sales of multi-purpose passenger vehicles and light passenger vehicles of Mercedes-Benz brand in 2010.

At present, Fujian Benz stays on the leading edge in the field of joint venture premium business purpose vehicles, with production and sale of Mercedes-Benz V-Class vehicles, New Vito, Sprinter and other products.

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1 Five Factories in Three Regions refers to three vehicle factories of Beijing Hyundai located in Shunyi District, Beijing, and Hebei Cangzhou Factory and Chongqing Factory, which were constructed by Beijing Hyundai under the national strategic guidance of "Beijing-Tianjin-Hebei coordinated development" and "Yangtze River Economic Zone development", thus forming the arrangement of Five Factories in Three Regions

Core parts and components for passenger vehicles

Besides manufacturing of whole vehicles, we also produce engines, powertrain, and other core parts and components for passenger vehicles through the production bases of Beijing Brand, Beijing Benz and Beijing Hyundai.

In respect of Beijing Brand, we manufacture engines, transmissions and other core automobile parts and components through entities including BAIC Motor Powertrain Co., Ltd. mainly for use in our whole vehicles as well as for sale to other automobile manufacturers.

Beijing Benz commenced to manufacture engines in 2013 and owns the first engine manufacturing base of Daimler Group outside Germany. At present, Beijing Benz has two engine plants and the specific product offerings include M270, M274, M264 and M282 engines. Beijing Benz has the first power battery factory outside Germany in the global production network of Daimler AG, and will produce various types of new energy power battery products in the future.

Beijing Hyundai commenced to manufacture engines in 2004, and has five engine factories. Its specific product offerings cover six major series including Gamma1.6 MPI/GDI, Gamma1.6 Turbo-GDI and Kappa 1.4 Turbo-GDI. Its products are mainly for use in Hyundai branded passenger vehicles manufactured by Beijing Hyundai, while certain products are sold to overseas factories of Hyundai Motor.

Car financing

We conduct car financing and automobile aftermarket-related businesses of Beijing Brand, Mercedes-Benz brand and Hyundai brand through associates including BAIC Group Finance Co., Ltd., Mercedes-Benz Leasing Co., Ltd. ("**MBLC**"), Beijing Hyundai Auto Finance Co., Ltd. and BH Leasing Co., Ltd. and continuously promote rapid development of car financing businesses by methods including capital investment and business cooperation.

Other related businesses

In the first half of 2019, we continued to conduct research and development of high-end passenger vehicles and light materials, information big data and used car businesses through relevant joint ventures.

II. Business Development in the First Half of 2019

Industry Development in the First Half of 2019

According to the National Bureau of Statistics, in the first half of 2019, the PRC achieved a year-on-year GDP increase of 6.3%, with its economy operating within the proper range but under substantial downward pressure.

Affected by multiple factors including macro-economy, industry restructuring and upgrading, and regulatory policy adjustment, there was a lack of consumer confidence in the domestic passenger vehicle market in the first half of 2019. The data of China Association of Automobile Manufacturers ("**CAAM**") shows that, the overall wholesale sales volume of passenger vehicles in PRC in the first half of 2019 was 10.127 million units, representing a year-on-year decrease of 14.0%, with sales volumes of all passenger vehicle models including sedan, SUV, MPV and CUV declining to varying degrees.

In spite of the influence of policies such as subsidy reduction, there was a steady growth in terms of new energy passenger vehicles, with the wholesale sales volume of 0.563 million units in the first half of 2019, representing a year-on-year increase of 58.7%, including sales of 0.44 million units of pure electric passenger vehicles, representing a year-on-year increase of 69.8%, and 0.123 million units of PHEV passenger vehicles, representing a year-on-year increase of 28.5%.

In addition, as the market demand for high-end vehicles remained strong, luxury brands still remained a rapid growth and a two-digit year-on-year increase in the sales volume of mainstream products of domestic premium brands, thus maintaining the consumption upgrading trend.

In terms of industry regulation policies, the domestic automobile industry was continuously influenced by early implementation of "China VI" standard[2] in certain regions, reduction in subsidies for new energy vehicles, the Implementing Plan for Further Optimizing Supply to Promote the Stable Consumption Growth and Facilitating the Formation of a Strong Domestic Market (2019) jointly issued by ten ministries and commissions of the PRC and other important regulatory policies.

2 "China VI" standard refers to the national standard of limits for emissions from motor vehicles for the Sixth Stage, which is confirmed by the Limits and Measurement Methods for Emissions from Light-Duty Vehicles (CHINA 6) published by Ministry of Environmental Protection and The General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China in December 2016

Operational Performance of the Group in the First Half of 2019

1. Operational performance by brands

Beijing Brand

The Company actively responded to the pressure from macroeconomic downturn and intensified industry competition, with an active breakthrough in product structure adjustment. During the Reporting Period, the sales volume of Beijing Brand reached 82 thousand units of vehicle, representing a year-on-year increase of 12.2%.

In terms of product structure, Beijing Brand promoted the product strategy driven by "new energy + intelligentization" to enhance the product strength, the brand strength and the intelligentization level.

In the first half of 2019, the sales volume of new energy products of Beijing Brand reached 54 thousand units, representing a year-on-year increase of 263.6%. The major vehicle model EU5 outperformed other vehicles of the same class, with the mileage range in the integrated operating condition reaching 460 km; in terms of traditional oil-powered cars, the product quality of the Company was further improved, realizing the brand repositioning, while Zhixing, Zhidao, and Zhida vehicle model which was launched in July, formed the "Mastermind" product mix to meet different consumer demands.

Beijing Benz

In the first half of 2019, Beijing Benz continued its rapid growth, and ranked among top domestic premium brands in terms of sales volume, with the vehicle sales volume of 0.282 million units, representing a year-on-year increase of 11.9%.

In terms of sales of product segment, in the first half of 2019, Beijing Benz saw a strong sales performance, with the average monthly sales volumes of three major vehicle models, namely E-Class sedan, the C-Class sedan and GLC SUV, exceeding ten thousand units; there was an outstanding achievement in sales of new A-Class long-wheelbase sedan, with a steady increase in the sales volume.

In terms of capacity optimization, Beijing Benz actively made arrangements for new energy, and obtained the access approval for pure electric new energy enterprises in April 2019, and the qualification for mass production of pure electric vehicle models; the first new domestic Mercedes-Benz EQC pure electric SUV was also exhibited in Shanghai International Automobile Industry Exhibition in April; the construction of the power battery factory was fully completed in June and the first power battery was successfully delivered.

Meanwhile, Beijing Benz Engine Factory 2 was successfully completed, thus realizing the production of M282 engine; the planning of the factory located in Shunyi District, Beijing was completed to comprehensively start the reconstruction of the existing factory.

Beijing Hyundai

In the first half of 2019, as the overall market fell short of expectation and market competition intensified, Beijing Hyundai adapted to market change, adjusting its marketing progress in a timely manner, with the operating target of "increasing terminal sales, reducing inventories and stabilizing channels". The wholesale sales volume of vehicles of Beijing Hyundai for the first half of 2019 was 0.276 million units, representing a year-on-year decline of 27.3%, but under the guidance of the target of reducing inventories, it reported the retail sales volume of 0.351 million units during the Reporting Period, which lays a good foundation for greater achievement in subsequent production and sale.

In terms of specific products, in the first half of 2019, Elantra and the new-generation ix35, both of which were major products of Beijing Hyundai, showed steady sales performance, with the average monthly sales volumes exceeding ten thousand units; the sales volume of the four-generation Santa Fe, a flagship product, climbed continuously, which powerfully promoted the improvement in the brand strength of Beijing Hyundai.

Meanwhile, Beijing Hyundai made great efforts to promote new energy strategies, with the launch of Elantra PHEV model in the first half of 2019 and the successive launch of LA FESTA and ENCINO pure electric vehicles in the second half of 2019.

Fujian Benz

Affected by macroeconomic downturn and the operation of the overall automobile industry at a low level, the vehicle sales volume of Fujian Benz was 13 thousand units in the first half of 2019, representing a year-on-year decline of 9.3%. In the second half of 2019, Fujian Benz will further tap the market potential and optimize the product structure to lay a foundation for achieving annual results and sustainable development.

2. Sales network

The Group always attaches great importance to the interests of customers, strives to optimize its product-service system, and is devoted to enabling product distributors and customers to receive timely, efficient, accurate and service guarantee with high-quality. All brands have independent marketing channels.

In the first half of 2019, Beijing Brand made efforts to carry out channel optimization under the principle of "customer first": strengthening the cooperative partnership with distributors, optimizing network arrangement, stabilizing the network structure and improving channel quality. As at the end of June 2019, it already has over 300 distributors, covering all categories 1, 2 and 3 cities and over 60% of categories 4, 5 and 6 cities.

Beijing Benz "is market-oriented and has been deeply developing local markets". It is committed to steadily improving the profitability of distributors, with the gradual upgrade from the intelligent network to the big data-driven "intelligence-based" network. As at the end of June 2019, there were over 600 distributors, covering over 200 cities in the PRC.

Beijing Hyundai continuously strengthened its efforts in widening penetration of the channels, and continuously improves the operating quality of urban stores through monitoring and assessment. As at the end of June 2019, there were over 1,000 sales outlets of distributors, covering over 300 cities in the PRC.

3. *Research and development*

The Group believes that the research and development capability is crucial to future development. In the first half of 2019, it continuously made efforts to promote the construction of research and development systems and capacity, for all of its businesses.

Beijing Brand has continuously made research and development investment and has made achievements in the construction of research and development systems and the research and development of new vehicle models: Zhida X3 and EX5 pure electric vehicle models incorporate the research achievements of Beijing Brand in intelligent networking, new energy product development and lightweight development, etc. Meanwhile, it continues to carry out in-depth strategic cooperation with intelligent technology companies including Baidu, IFLYTEK and Yanfeng, so as to continuously promote the process of research and development of new energy products including pure electric vehicle, PHEV and 48V hybrid electric vehicle.

Beijing Benz has the largest research and development center among all joint venture enterprises of Daimler AG, and introduces the Mercedes-Benz development system (MDS), establishes a large number of applicable standards, processes, methods and systems, continuously shortens the development cycle and strengthens the digital verification capability. The center has 7 advanced laboratories including climate corrosion, vehicle emissions, engines and vibration noise laboratories which are established and operated in strict accordance with standards of Daimler AG; workshops and test runway for development of prototype vehicles; a new energy power battery testing center for pure electric new energy vehicle models, thus providing major technical support for research and development and manufacturing of Mercedes-Benz's domestic traditional vehicle models and new energy vehicle models.

In the first half of 2019, Beijing Hyundai simultaneously promoted the development of 4 local vehicle models and 8 imported vehicle models. Meanwhile, it successfully passed the review for production approval for new energy enterprises and provided technical support for the research and development of higher-quality new energy products. It also further strengthened the planning for the research and development of new technologies including intelligent networking, thus creating new experiences for users in intelligent vehicles.

In responding to early implementation of China VI emission standard in certain provinces and cities, brands of BAIC Motor made research and development efforts to ensure that all China VI-compliant vehicle models were successfully developed and launched in the market, thus completing the stable vehicle model change.

4. *Production facilities*

We have specialized production facilities to manufacture and assemble products. All of our manufacturing bases are located in China and equipped with advanced production facilities. All our production facilities are equipped with flexible production lines, each of which is capable of producing different models of passenger vehicles. We believe that this not only enables us to flexibly change production plans and respond quickly to changes in market demand, but also reduces our capital expenditures and operating costs.

Beijing Benz continuously builds Mercedes-Benz's most comprehensive production base in the world to meet the requirements of Made in China 2025 and green manufacturing system construction: the construction of the power battery factory was completed in June 2019, and the first power battery was successfully delivered; the Engine Factory 2 was successfully completed, thus realizing the production of M282 engine; Shunyi factory will be constructed as a digital, flexible and green intelligent factory and is currently under construction as planned.

Beijing Hyundai's five factories are equipped with state-of-the art production equipment, with the equipment automation rate exceeding 90%, so as to ensure the precision and production of products with high quality. Meanwhile, Beijing Hyundai is capable of effectively arranging factory production plans and mixed-model production to further reduce the manufacturing cost reasonably.

5. *Industry chain extension and cooperation*

In the first half of 2019, the Group made breakthroughs in capital operation and industrial cooperation, further enhancing its overall business strength:

On March 26, 2019, the Company, Daimler AG and its wholly-own subsidiary, Daimler Greater China, entered into amendment agreements of joint venture contract. According to such agreements, in order to push forward the M254 engine technical upgrading project, the Mercedes-Benz C-Class generation upgrading project and the manufacturing upgrading and transformation project of Beijing Branch of the Company, the Company, Daimler AG and Daimler Greater China agreed to make additional capital contributions with a total of USD892.8 million, in proportion to their shareholdings in Beijing Benz, among which, approximately USD455.3 million would be contributed by the Company.

On March 28, 2019, the Company and Daimler Greater China entered into a capital increase agreement, and proposed to make additional capital contributions of RMB700 million in aggregate to MBLC, in proportion to their respective shareholdings in MBLC, among which, the Company would made a capital contribution of RMB245 million.

On April 12, 2019, BAIC Hong Kong Investment Corp. Limited ("**BAIC HK**") (a wholly-owned subsidiary of the Company), Investment Universe Co., Limited ("**Investment Universe**"), The Industrial Development Corporation of South Africa Limited ("**IDC**") and BAIC Automobile SA Proprietary Limited ("**BAIC SA**") entered into a subscription agreement, pursuant to which BAIC HK, Investment Universe and IDC agreed to make additional capital contributions of USD75.4 million in aggregate to BAIC SA in proportion to their respective shareholdings, among which, BAIC HK would make an additional capital contribution of approximately USD15.1 million.

III. Outlook for the Second Half of 2019

In terms of the whole industry, according to the forecast by CAAM, the competition pressure in the automobile industry remained considerable, with a negative growth in the overall sales volume of the PRC automobile industry in 2019, as compared with 2018. In addition, the adjustment of several industry regulation policies in the second half of 2019 will create challenges for passenger vehicle manufacturing enterprises in terms of competition, transformation and upgrade.

Under pressure, in the second half of 2019, the Group will continue to actively respond to industry change and formulate and determine an operation policy for steady development:

In terms of Beijing Brand, the Group will continue to promote the strategy of production of new energy products under the overall management policy of "focus on two ends and improvement in three strengths", insist on the transformation and upgrade of the product structure, make changes and breakthroughs, so as to create better results and value for shareholders and customers. The major new vehicle model EU7 of Beijing Brand is planned to be launched in the market in the second half of 2019. Continuous efforts will be made to increase sales, with focus on new vehicle models including Zhida X3, EX5 and EU7 in the second half of 2019.

Beijing Benz will continuously strengthen production support to ensure the completion of new production bases and the launch of new vehicle models as scheduled. In terms of sales, it will continuously optimize sales management and make arrangement for the needs of electric development, so as to properly prepare for the subsequent launch of electric vehicle models. In terms of new vehicle models, Beijing Benz plans to launch various products including long-wheelbase GLC SUV facelift vehicle model, new GLB SUV, EQC pure electric SUV and A35-L AMG vehicle model in the second half of 2019.

Beijing Hyundai will strengthen system innovation, increase the sales volume through the launch of various new vehicles and a series of marketing activities, and at the same time further optimize the supplier management system and strengthen local competitiveness. In terms of new vehicle models, Beijing Hyundai plans to launch a number of products such as ENCINO pure electric vehicles, new ix25 SUV, new Verna sedan, the tenth-generation Sonata sedan and LA FESTA pure electric vehicle model in the second half of 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and Net Profit Attributable to Equity Holders of the Company

The Group's main business operations are the research and development, manufacturing, sales and after-sale services of passenger vehicles. The above business has brought sustained and stable revenue to the Group. The Group's revenue increased from RMB76,902.2 million for the six months ended June 30, 2018 (the "**first half of 2018**") to RMB87,764.0 million for the first half of 2019, representing a year-on-year increase of 14.1%, mainly due to the increase in the revenue of Beijing Benz and Beijing Brand.

The revenue associated with Beijing Benz increased from RMB70,218.7 million in the first half of 2018 to RMB77,807.4 million in the first half of 2019, representing a year-on-year increase of 10.8%, mainly due to (i) a year-on-year increase of 11.9% in Beijing Benz sales volume; and (ii) the increase in the proportion of the sales volume of models with relatively lower selling prices partially offsetting the rise in sales volume.

The revenue associated with Beijing Brand increased from RMB6,683.5 million in the first half of 2018 to RMB9,956.6 million in the first half of 2019, representing a year-on-year increase of 49.0%, mainly contributed by (i) a year-on-year increase of 12.2% in the sales volume of Beijing Brand; (ii) the increase in the proportion of the sales volume of models with relatively higher selling prices, leading to the increase in the revenue exceeding the increase in sales volume; and (iii) the decline in new energy subsidies partially offsetting the revenue growth.

The Group's net profit attributable to equity holders of the Company decreased from RMB2,820.3 million in the first half of 2018 to RMB2,090.2 million in the first half of 2019, representing a year-on-year decrease of 25.9%; the basic earnings per share decreased from RMB0.36 in the first half of 2018 to RMB0.25 in the first half of 2019, representing a year-on-year decrease of 30.6%, mainly due to the decline in profits of Beijing Hyundai and relevant supporting enterprises arising out of intensified competition in the domestic passenger vehicle industry and the overall market downturn of Korean-brand vehicles, etc.

Gross Profit

The Group's gross profit increased to RMB20,608.7 million in the first half of 2019 from RMB20,436.8 million in the first half of 2018, representing a year-on-year increase of 0.8%, mainly due to the increase in the gross profit of Beijing Benz and Beijing Brand.

The gross profit of Beijing Benz increased from RMB21,987.9 million in the first half of 2018 to RMB22,023.6 million in the first half of 2019, representing a year-on-year increase of 0.2%; the gross profit margin decreased from 31.3% in the first half of 2018 to 28.3% in the first half of 2019, mainly due to the increase in transportation expenses and the change of the product structure.

The gross profit of Beijing Brand increased from RMB-1,551.0 million in the first half of 2018 to RMB-1,414.9 million in the first half of 2019, and the gross profit margin increased from -23.2% in the first half of 2018 to -14.2% in the first half of 2019, mainly due to (i) a year-on-year increase of 12.2% in the sales volume of Beijing Brand; (ii) the increase in the proportion of the sales volume of vehicle models with a relatively higher gross profit; and (iii) the decline in new energy subsidies partially offsetting the gross profit increase.

Working Capital and Financial Resources

The Group usually satisfied its daily working capital requirements through self-owned cash and borrowings. The Group's net cash generated from operating activities decreased from RMB11,212.4 million in the first half of 2018 to RMB10,720.0 million in the first half of 2019, representing a year-on-year decrease of 4.4%, mainly due to an increase in cash paid for purchasing goods.

As at the end of June 2019, the Group had cash and cash equivalents of RMB46,815.2 million, notes receivable of RMB2,914.6 million, notes payable of RMB7,847.7 million, outstanding borrowings of RMB27,830.1 million, unused bank credit lines of RMB24,928.5 million and commitments for capital expenditure of RMB12,645.8 million. The above outstanding borrowings included RMB1,973.2 million equivalents of Euro loans and RMB103.9 million equivalents of USD loans as at the end of June 2019.

Capital Structure

The Group maintained a reasonable combination of equity and liability to ensure an effective capital structure.

The Group's asset-liability ratio (total liabilities/total assets) increased from 59.8% on December 31, 2018 (the "**end of 2018**") to 65.3% at the end of June 2019, representing a increase of 5.5 percentage points, mainly due to the increase in dividends payable resulting from the distribution of profits by the Company and Beijing Benz in the first half of 2019.

The Group's net gearing ratio ((total borrowings less cash and cash equivalents)/(total equity plus the total borrowings less cash and cash equivalents)) decreased from -20.0% at the end of 2018 to -40.3% at the end of June 2019, representing a year-on-year decrease of 20.3 percentage points, mainly attributable to (i) an increase in the total borrowings; and (ii) the increase in the total borrowings less than the increase in cash and cash equivalents.

On January 29, 2019, the Company issued 2019 first tranche of ultra short-term commercial paper in an amount of RMB1,500.0 million with the term of 270 days and the annual coupon rate of 3.25%, and all proceeds were used for repaying bank borrowings.

On April 26, 2019, the Company issued 2019 second tranche of ultra short-term commercial paper in an amount of RMB2,000.0 million with the term of 180 days and the annual coupon rate of 3.20%, and all proceeds were used for replenishing the working capital.

On May 10, 2019, the Company issued 2019 third tranche of ultra short-term commercial paper in an amount of RMB2,000.0 million with the term of 270 days and the annual coupon rate of 3.30%, and all proceeds were used for repaying 18 BAIC Motor SCP002 (18京汽股SCP002).

As at the end of June 2019, the total outstanding borrowings was RMB27,830.1 million, including short term borrowings of RMB16,532.0 million in aggregate and long-term borrowings of RMB11,298.1 million in aggregate. The Group will repay the aforesaid borrowings in a timely manner at maturity.

As at the end of June 2019, none of the Group's debt covenants in effect includes any agreement on the obligations to be performed by controlling shareholders. In the meantime, the Group has also strictly followed all the terms and conditions in its debt covenants, and no default has taken place.

Significant Investments

Total capital expenditures of the Group decreased to RMB2,398.0 million in the first half of 2019 from RMB2,622.5 million in the first half of 2018, representing a year-on-year decrease of 8.6%. Among which, capital expenditures of Beijing Benz slightly decreased to RMB2,052.2 million in the first half of 2019 from RMB2,149.2 million in the first half of 2018, and capital expenditures of Beijing Brand decreased to RMB345.8 million in the first half of 2019 from RMB473.3 million in the first half of 2018, mainly due to the fact that the investment in capacity is drawing to an end.

Total research and development expenses of the Group increased to RMB1,211.3 million in the first half of 2019 from RMB1,109.2 million in the first half of 2018, representing a year-on-year increase of 9.2%, the majority of which were incurred by the Group for its product research and development activities. Based on the accounting standards and the Group's accounting policy, the amounts of the aforesaid total research and development expenses which complied with capitalization conditions had been capitalized accordingly.

Material Acquisitions and Disposals

On March 26, 2019, the Company, Daimler AG and its wholly-own subsidiary, Daimler Greater China, entered into amendment agreements of joint venture contract, agreeing to make additional capital contributions of USD892.8 million in aggregate to Beijing Benz, in proportion to their respective shareholdings in Beijing Benz, a non-wholly-owned subsidiary of the Company. Upon completion of the capital increase, the Company will continue to hold 51.0% equity interest in Beijing Benz, while Beijing Benz will remain a non-wholly-owned subsidiary of the Company.

On March 28, 2019, the Company and Daimler Greater China entered into a capital increase agreement, agreeing to make additional capital contributions of RMB700.0 million in aggregate to MBLC, in proportion to their respective shareholdings in MBLC. Upon completion of the capital increase, the Company will continue to hold 35.0% equity interest in MBLC.

On April 12, 2019, BAIC HK, a wholly-owned subsidiary of the Company, Investment Universe, IDC and BAIC SA entered into a subscription agreement, pursuant to which, BAIC HK, Investment Universe and IDC agreed to make additional capital contributions of USD75.4 million in aggregate to BAIC SA in proportion to their respective original shareholdings, by way of subscription of new shares of BAIC SA. Upon completion of the capital increase, BAIC HK will continue to hold 20.0% equity interest in BAIC SA.

For details of the aforesaid cooperation matters, please refer to relevant announcements of the Company dated March 26, 2019, March 28, 2019 and April 12, 2019 respectively.

Foreign Exchange Gains or Losses[3]

The Group's foreign exchange losses (mainly from the businesses of Beijing Benz) increased from RMB86.4 million in the first half of 2018 to RMB257.9 million in the first half of 2019, mainly due to (i) the effective control on the foreign exchange rate risks due to the judgment in foreign exchange forward contracts; and (ii) the increase in exchange losses from Euro-denominated payments as a result of the fall in the exchange rate of RMB against Euro.

3 Foreign exchange losses include foreign exchange forward contracts at fair value through profit or loss

The Group used foreign currencies (primarily Euro) to pay for part of its imported parts and components, and the Group also had borrowings denominated in foreign currencies. Foreign exchange fluctuations may affect the Group's operating results.

The Group has a well-developed foreign exchange management strategy that continuously and orderly controls foreign exchange rate risks of foreign exchange exposure. At present, the Group mainly uses foreign exchange forward contracts as our hedging tool.

Employee and Remuneration Policies

The Group's staffs increased from 20,431 at the end of 2018 to 21,289 at the end of June 2019. The staff costs incurred by the Group increased from RMB2,779.1 million in the first half of 2018 to RMB2,935.9 million in the first half of 2019, representing a year-on-year increase of 5.6%, mainly due to (i) an increase in the number of employees as a result of production volume growth; and (ii) the increase in the average staff cost resulting from, among others, the longer labor hours and the increase in the annual average wage in the society.

Through integrating human resources strategy on the basis of job classification, the Group has established a performance and competence based remuneration system, and will link the annual business objectives with the performance appraisal of staff through a performance evaluation system, providing effective ensurance in the recruiting, retaining and motivating talents, as well as the pursuit of the Group's human resources strategy.

In addition, the Group has established an enterprise annuity system to provide the qualified and voluntary employees with the supplementary pension system with certain guarantee on retirement income.

Pledge of Assets

As at the end of June 2019, the Group had pledged notes receivable of RMB1,921.7 million.

Contingent Liabilities

As at the end of June 2019, the Group had no material contingent liabilities.

Material Litigation and Arbitration

As at June 30, 2019, the Company had no material litigation or arbitration. The Directors were also not aware of any material litigations or claims which were pending or had significant adverse effect on the Company.

Matters after the Reporting Period

Since the end of the Reporting Period, there has been no event that materially affected the Group.

INTERIM DIVIDEND

The Board has not made any recommendation on the payment of an interim dividend for the six months ended June 30, 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Group did not purchase, sell or redeem any of the Company's listed securities during the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has been building and maintaining a high level of corporate governance so as to protect the rights and interests of Shareholders and enhance the Company's corporate value and sense of responsibility. With reference to the Code on Corporate Governance as set forth in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"), the Company has established a modern and balanced corporate governance structure which comprises a number of independently operated bodies including the shareholders' general meeting, the Board, the board of supervisors of the Company (the "**Board of Supervisors**") and senior management. The Company had complied with the Corporate Governance Code throughout the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code for Securities Transactions**") in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by all our Directors and supervisors of the Company ("**Supervisors**"). In response to the Company's enquiries, all Directors and Supervisors have confirmed that they strictly complied with the Model Code for Securities Transactions during the Reporting Period.

THE BOARD, THE BOARD OF SUPERVISORS AND THE COMMITTEES

On May 22, 2019, Mr. Bodo Uebber resigned as a non-executive Director due to other job assignment. For details, please refer to the announcement of the Company dated May 22, 2019.

On June 18, 2019, the Company convened the 2018 annual general meeting. At the meeting, Mr. Jin Wei and Mr. Harald Emil Wilhelm were appointed as non-executive Directors, with the term of office commencing on June 18, 2019 until the expiration of the term of office of the third session of the Board. Upon the appointment of Mr. Jin Wei became effective, Ms. Jiao Ruifang ceased to act as a non-executive Director due to other job assignment. Meanwhile, Mr. Jin Wei, a non-executive Director, was appointed as a member of the remuneration committee under the Board (the "**Remuneration Committee**"). With the appointment of Mr. Jin Wei, Ms. Jiao Ruifang ceased to act as a member of the Remuneration Committee. For details, please refer to the relevant announcement of the Company dated June 18, 2019.

On March 19, 2019, Mr. Zhang Guofu ceased to act as an employee representative Supervisor, and Ms. Li Chengjun was elected as an employee representative Supervisor at the fourth meeting of the first session of the employee representative congress of the Company with the term of office commencing on March 19, 2019 and until the expiration of the term of office of the third session of the Board of Supervisors. For details, please refer to the relevant announcement of the Company dated March 19, 2019.

Save as disclosed above, during the Reporting Period and as at the date of this announcement, there was no change in the composition of the Board, the strategy committee under the Board, the Audit Committee, the nomination committee under the Board, the Remuneration Committee and the Board of Supervisors.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference. The Audit Committee comprises Mr. Wong Lung Tak Patrick (Chairman), Mr. Yan Xiaolei and Mr. Liu Kaixiang, among which two are independent non-executive Directors. The Audit Committee has reviewed with the management the accounting standards and practices adopted by the Group and reviewed the unaudited interim financial statements for the six months ended June 30, 2019, the 2019 interim results and the 2019 interim report of the Group.

PUBLICATION OF UNAUDITED INTERIM RESULTS AND 2019 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement will be published on the website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (www.hkexnews.hk) and the Company's website (www.baicmotor.com) respectively. The Company will dispatch to the shareholders in due course the 2019 interim report of the Company containing all the information required by the Listing Rules, which will also be published on the websites of the Company and the Stock Exchange.

By order of the board of directors
BAIC Motor Corporation Limited
WANG Jianhui
Secretary to the Board and Company Secretary

Beijing, the PRC, August 26, 2019

As at the date of this announcement, the Board comprises Mr. Xu Heyi, as chairman of the Board and non-executive Director; Ms. Shang Yuanxian and Mr. Yan Xiaolei, as non-executive Directors; Mr. Chen Hongliang, as executive Director; Mr. Xie Wei, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Harald Emil Wilhelm, Mr. Jin Wei and Mr. Lei Hai, as non-executive Directors; and Mr. Ge Songlin, Mr. Wong Lung Tak Patrick, Mr. Bao Robert Xiaochen, Mr. Zhao Fuquan and Mr. Liu Kaixiang, as independent non-executive Directors.

* *For identification purpose only*