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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2019

The board of directors (the "**Board**") of BAIC Motor Corporation Limited (the "**Company**") is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**we**" or "**our**") for the year ended December 31, 2019 ("**2019**") in conjunction with the comparative financial data of the previous year.

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2019

		As at December 31,	
		2019	2018
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**46,329,140**	43,217,822
Land use rights		**7,201,549**	7,378,380
Intangible assets		**13,039,160**	13,123,352
Investments accounted for using equity method		**16,104,148**	16,185,648
Financial assets at fair value through other comprehensive income		**1,278,650**	1,742,729
Deferred income tax assets	*4*	**10,540,458**	7,925,601
Other non-current assets		**659,261**	701,180
		95,152,366	90,274,712
Current assets			
Inventories		**19,924,603**	18,962,575
Accounts receivable	*5*	**21,586,635**	21,988,198
Advances to suppliers	*6*	**310,089**	465,988
Other receivables and prepayments	*7*	**5,037,690**	4,132,578
Restricted cash		**1,878,104**	820,174
Cash and cash equivalents		**49,322,499**	35,389,883
		98,059,620	81,759,396
Total assets		**193,211,986**	172,034,108

CONSOLIDATED BALANCE SHEET (Continued)
AS AT DECEMBER 31, 2019

	Note	As at December 31, 2019 RMB'000	2018 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	8	**8,015,338**	8,015,338
Perpetual bond		**1,998,160**	1,998,160
Other reserves		**21,008,386**	21,041,578
Retained earnings		**19,381,328**	17,360,387
		50,403,212	48,415,463
Non-controlling interests		**22,223,988**	20,822,318
Total equity		**72,627,200**	69,237,781
LIABILITIES			
Non-current liabilities			
Borrowings	9	**9,542,718**	14,907,282
Lease liabilities		**18,034**	–
Deferred income tax liabilities	4	**731,315**	758,006
Provisions		**2,507,635**	2,620,030
Deferred income		**3,487,262**	4,084,833
		16,286,964	22,370,151
Current liabilities			
Accounts payable	10	**44,707,450**	38,632,933
Contract liabilities		**950,986**	234,226
Other payables and accruals	11	**38,024,236**	28,789,066
Current income tax liabilities		**4,437,845**	1,992,153
Borrowings	9	**14,019,499**	8,955,960
Lease liabilities		**31,557**	–
Provisions		**2,126,249**	1,821,838
		104,297,822	80,426,176
Total liabilities		**120,584,786**	102,796,327
Total equity and liabilities		**193,211,986**	172,034,108

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019

		For the year ended December 31,	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**174,632,722**	151,920,390
Cost of sales	*13*	**(137,145,700)**	(114,913,751)
Gross profit		**37,487,022**	37,006,639
Selling and distribution expenses	*13*	**(10,294,174)**	(10,432,043)
General and administrative expenses	*13*	**(6,962,054)**	(6,436,554)
Net impairment losses on financial assets		**(313,323)**	(133,041)
Other gains, net	*12*	**1,766,265**	623,048
Operating profit		**21,683,736**	20,628,049
Finance income	*14*	**884,190**	760,930
Finance costs	*14*	**(948,590)**	(1,117,957)
Finance costs, net		**(64,400)**	(357,027)
Share of (loss)/profit of investments accounted for using equity method		**(304,910)**	903,836
Profit before income tax		**21,314,426**	21,174,858
Income tax expense	*15*	**(6,991,319)**	(6,903,525)
Profit for the year		**14,323,107**	14,271,333
Profit attributable to:			
Equity holders of the Company		**4,082,698**	4,429,465
Non-controlling interests		**10,240,409**	9,841,868
		14,323,107	14,271,333
Earnings per share for profit attributable to ordinary shareholders of the Company for the year (expressed in RMB)			
Basic and diluted	*16*	**0.50**	0.55

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2019

		For the year ended December 31,	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Profit for the year		**14,323,107**	14,271,333
Other comprehensive income			
Items that may be reclassified to profit or loss			
(Loss)/gain on cash flow hedges, net of tax		**(37,780)**	32,820
Share of other comprehensive income/(loss) of investments accounted for using the equity method		**7,664**	(5,223)
Currency translation differences		**(8)**	(37)
Items that will not be reclassified to profit or loss			
Changes in fair value of financial assets at fair value through other comprehensive income		**(463,334)**	(517,458)
Other comprehensive loss for the year		**(493,458)**	(489,898)
Total comprehensive income for the year		**13,829,649**	13,781,435
Attributable to:			
Equity holders of the Company		**3,607,979**	3,924,007
Non-controlling interests		**10,221,670**	9,857,428
		13,829,649	13,781,435

NOTES:

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 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 ordinary shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since December 19, 2014.

These financial statements are presented in Renminbi thousand Yuan ("**RMB'000**"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on March 26, 2020.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and disclosure requirements of the Hong Kong Companies Ordinance Cap 622.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) which are measured at fair value.

As at December 31, 2019, the current liabilities of the Group exceeded its current assets by approximately RMB6,238 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 RMB10,304 million and RMB5,148 million respectively as at December 31, 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, these financial statements have been prepared on a going concern basis.

(a) New standards, amendments to standards and interpretations adopted by the Group

The Group has applied the following for the first time for their annual reporting period commencing January 1, 2019:

- IFRS 16 — Leases
- Amendments to IAS 19 — Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28 — Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 9 — Prepayment Features with Negative Compensation
- Interpretation 23 — Uncertainty over Income Tax Treatments
- Annual Improvements 2015-2017 Cycle

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on January 1, 2019. This is disclosed in Note 2(c). Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards, amendments to standards and interpretations not yet adopted

Certain new standards, amendments to standards and interpretations have been published that are not mandatory for December 31, 2019 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to IAS 1 and IAS 8	Definition of Material	January 1, 2020
Amendments to IFRS 3	Definition of a Business	January 1, 2020
IFRS 17	Insurance Contracts	January 1, 2021

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(c) Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 “Leases” on the Group’s financial statements.

As indicated in Note 2(a) above, 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.

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 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%.

(i) Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- 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) Measurement of lease liabilities

	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:	
Non-current lease liabilities	7,209
Current lease liabilities	5,935
	13,144

(iii) Measurement of right-of-use assets

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.

(iv) Adjustments recognised in the balance sheet on January 1, 2019

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.

3 SEGMENT INFORMATION

(a) Description of segments and principal activities

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 of Beijing Benz brand, and providing other related services.

(b) **Profit and loss disclosures, segment assets and segment liabilities**

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

	Passenger vehicles – Beijing Brand *RMB'000*	Passenger vehicles – Beijing Benz *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
For the year ended December 31, 2019				
Total revenue	19,607,248	155,153,705	(128,231)	174,632,722
Inter-segment revenue	(128,231)	–	128,231	–
Revenue from external customers	19,479,017	155,153,705	–	174,632,722
Timing of revenue recognition				
– At a point in time	19,320,157	153,660,188	–	172,980,345
– Over time	158,860	1,493,517	–	1,652,377
	19,479,017	155,153,705	–	174,632,722
Segment gross (loss)/profit	(4,728,410)	42,215,432	–	37,487,022
Other profit & loss disclosure:				
Selling and distribution expenses				(10,294,174)
General and administrative expenses				(6,962,054)
Net impairment losses on financial assets				(313,323)
Other gains, net				1,766,265
Finance costs, net				(64,400)
Share of loss of investments accounted for using equity method				(304,910)
Profit before income tax				21,314,426
Income tax expense				(6,991,319)
Profit for the year				14,323,107
Other information:				
Significant non-cash expenses				
Depreciation and amortization	(3,359,292)	(4,082,323)	–	(7,441,615)
Provisions for impairments on assets	(348,634)	(314,285)	–	(662,919)
As at December 31, 2019				
Total assets	83,309,435	122,639,923	(12,737,372)	193,211,986
Including:				
Investments accounted for using equity method	16,104,148	–	–	16,104,148
Total liabilities	(44,060,161)	(77,050,212)	525,587	(120,584,786)

	Passenger vehicles – Beijing Brand *RMB'000*	Passenger vehicles – Beijing Benz *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
For the year ended December 31, 2018				
Total revenue	16,634,842	135,415,193	(129,645)	151,920,390
Inter-segment revenue	(129,645)	–	129,645	–
Revenue from external customers	16,505,197	135,415,193	–	151,920,390
Timing of revenue recognition				
– At a point in time	16,310,720	134,200,864	–	150,511,584
– Over time	194,477	1,214,329	–	1,408,806
	16,505,197	135,415,193	–	151,920,390
Segment gross (loss)/profit	(3,516,233)	40,522,872	–	37,006,639
Other profit & loss disclosure:				
Selling and distribution expenses				(10,432,043)
General and administrative expenses				(6,436,554)
Net impairment losses on financial assets				(133,041)
Other gains, net				623,048
Finance costs, net				(357,027)
Share of profit of investments accounted for using equity method				903,836
Profit before income tax				21,174,858
Income tax expense				(6,903,525)
Profit for the year				14,271,333
Other information:				
Significant non-cash expenses				
Depreciation and amortization	(3,376,628)	(3,768,322)	–	(7,144,950)
Provisions for impairments on assets	(228,974)	(608,269)	–	(837,243)
As at December 31, 2018				
Total assets	82,185,635	102,975,768	(13,127,295)	172,034,108
Including:				
Investments accounted for using equity method	16,185,648	–	–	16,185,648
Total liabilities	(43,406,394)	(60,298,075)	908,142	(102,796,327)

There is no customer accounting for 10 percent or more of the Group's revenue for each of the years ended December 31, 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 year ended December 31, 2019 (2018: 99.8%).

As at December 31, 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 99.9% (December 31, 2018: 98.4%).

4 DEFERRED INCOME TAXES

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Deferred income tax assets:		
– to be recovered after 12 months	**2,894,551**	2,205,181
– to be recovered within 12 months	**7,645,907**	5,720,420
	10,540,458	7,925,601
Deferred income tax liabilities:		
– to be settled after 12 months	**(699,805)**	(720,186)
– to be settled within 12 months	**(31,510)**	(37,820)
	(731,315)	(758,006)

The movements in deferred income tax assets and liabilities are as follows:

Deferred income tax assets	Provisions for impairment losses	Accruals	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	**327,006**	**6,300,307**	**1,298,288**	**7,925,601**
Credited/(charged) to statement of comprehensive income	**54,865**	**2,686,173**	**(126,181)**	**2,614,857**
At December 31, 2019	**381,871**	**8,986,480**	**1,172,107**	**10,540,458**
At January 1, 2018	186,514	5,539,579	1,309,695	7,035,788
Credited/(charged) to statement of comprehensive income	140,492	760,728	(11,407)	889,813
At December 31, 2018	327,006	6,300,307	1,298,288	7,925,601

Deferred income tax liabilities	Capitalized interest	Valuation surplus upon acquisition of a subsidiary	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	**(37,820)**	**(720,186)**	**–**	**(758,006)**
Credited to statement of comprehensive income	**6,311**	**20,380**	**–**	**26,691**
At December 31, 2019	**(31,509)**	**(699,806)**	**–**	**(731,315)**
At January 1, 2018	(41,899)	(740,855)	(95,053)	(877,807)
Credited to statement of comprehensive income	4,079	20,669	95,053	119,801
At December 31, 2018	(37,820)	(720,186)	–	(758,006)

Deferred income tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets in respect of losses and deductible temporary differences amounting to approximately RMB28 billion (December 31, 2018: RMB22 billion) that can be carried forward against future taxable income as at December 31, 2019.

The unrecognized tax loss amounting to approximately RMB25 billion (December 31, 2018: RMB21 billion) can be carried forward for utilization in future included in which approximately RMB3 billion, RMB2 billion, RMB7 billion and RMB13 billion being expired in less than 1 year, 1-2 years, 2-5 years and 5-10 years respectively.

5 ACCOUNTS RECEIVABLE

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables, gross *(note (a))*	**19,704,235**	17,791,971
Less: provision for impairment	**(326,060)**	(125,591)
	19,378,175	17,666,380
Notes receivable *(note (b))* measured at		
– FVOCI	**1,947,357**	4,179,986
– amortized cost	**261,103**	141,832
	21,586,635	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:

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Current to 1 year	**12,495,150**	12,798,972
1 to 2 years	**3,743,552**	1,758,269
2 to 3 years	**1,370,803**	3,160,637
Over 3 years	**2,094,730**	74,093
	19,704,235	17,791,971

Movements on the provision for impairment on trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
As at January 1	**125,591**	49,286
Provision for impairment recognized during the year	**200,469**	76,305
As at December 31	**326,060**	125,591

(b) Substantially all notes receivable are with maturity period of within six months.

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

(d) There is no trade receivable pledged as collateral.

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

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Pledged notes receivable	**1,655,008**	2,786,005

6 ADVANCES TO SUPPLIERS

In the ordinary course of business, the Group is required to make advance payments to certain suppliers according to the terms of respective agreements. The advance payments made to these parties are unsecured, non-interest bearing and will be settled or utilized in accordance with the terms of relevant agreements.

7 OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Deductible value-added tax and prepaid consumption tax	**4,035,806**	3,002,272
Receivable from disposals of property, plant and equipment	**453,997**	527,761
Receivable from sales of raw materials	**617,347**	575,774
Service fees	**80,379**	82,476
Deposits	**7,300**	16,787
Dividend receivable from a joint venture	**14,000**	–
Others	**132,005**	117,798
	5,340,834	4,322,868
Less: provision for impairment	**(303,144)**	(190,290)
	5,037,690	4,132,578

Movements on the provision for impairment on other receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
As at January 1	**190,290**	133,554
Provision for impairment recognized during the year	**112,854**	56,736
As at December 31	**303,144**	190,290

8 SHARE CAPITAL

	Number of ordinary shares of RMB1 each *(thousands)*	*RMB'000*
At January 1, 2018	7,595,338	7,595,338
Additions *(note (a))*	420,000	420,000
At December 31, 2018	8,015,338	8,015,338
At January 1, 2019 and December 31, 2019	**8,015,338**	8,015,338

Note:

(a) On May 3, 2018, the Company completed the placement of 420,000,000 H Shares with nominal value of RMB1.00 at a price of HK$7.89 per share.

9 BORROWINGS

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Non-current		
Borrowings from financial institutions *(note (a))*	**1,448,103**	4,815,733
Corporate bonds *(note (b))*	**8,094,615**	10,091,549
	9,542,718	14,907,282
Current		
Borrowings from financial institutions *(note (a))*	**4,808,866**	6,690,287
Add: current portion of non-current borrowings from financial institutions	**3,712,396**	266,480
Corporate bonds *(note (b))*	**5,498,237**	1,999,193
	14,019,499	8,955,960
Total borrowings	**23,562,217**	23,863,242

Maturity of borrowings

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Current to 1 year	**14,019,499**	8,955,960
1 to 2 years	**3,489,683**	6,163,302
2 to 5 years	**6,053,035**	6,445,811
Over 5 years	**–**	2,298,169
	23,562,217	23,863,242

Contractual repricing dates upon interest rate changes

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Within 6 months	**4,887,866**	7,667,149
6 to 12 months	**932,260**	2,067,180
	5,820,126	9,734,329

Weighted average annual interest rates

	As at December 31,	
	2019	2018
Borrowings from financial institutions	**3.43%**	3.54%
Corporate bonds	**3.87%**	4.17%

Currency denomination

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
RMB	**21,394,323**	21,880,423
Euro	**1,856,780**	1,982,819
US$	**311,114**	–
	23,562,217	23,863,242

Undrawn facilities at floating rates

	As at December 31,	
	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**10,304,111**	18,218,064
Over 1 year	**5,147,830**	5,500,724
	15,451,941	23,718,788

Notes:

(a) Balances at December 31, 2019 include borrowings of RMB2,120 million (December 31, 2018: RMB1,746 million) obtained from BAIC Group Finance Co., Ltd., an associate of the Group. The remaining balances were obtained from banks.

(b) Corporate bonds are analyzed as follows:

Issuer	Issue date	Interest rate per annum	Par value *RMB'000*	Carrying value *RMB'000*	Maturity
At December 31, 2019					
BAIC Investment Co., Ltd. ("**BAIC Investment**")	December 10, 2015	3.60%	1,500,000	1,499,391	5 years
BAIC Investment	March 17, 2016	3.15%	1,500,000	1,499,232	5 years
BAIC Investment	January 20, 2017	4.29%	800,000	799,643	7 years
The Company	September 10, 2014	5.74%	400,000	399,400	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	7 years
The Company	February 12, 2015	4.68%	500,000	499,941	5 years
The Company	April 22, 2016	3.45%	2,500,000	2,498,773	7 years
The Company	July 4, 2017	4.72%	2,300,000	2,298,467	7 years
The Company	May 10, 2019	3.30%	2,000,000	1,999,786	270 days
The Company	October 11, 2019	2.40%	1,000,000	999,423	270 days
The Company	October 21, 2019	2.79%	500,000	499,696	270 days
				13,592,852	

Issuer	Issue date	Interest rate per annum	Par value *RMB'000*	Carrying value *RMB'000*	Maturity
At December 31, 2018					
BAIC Investment	December 10, 2015	3.60%	1,500,000	1,498,769	5 years
BAIC Investment	March 17, 2016	3.15%	1,500,000	1,498,618	5 years
BAIC Investment	January 20, 2017	4.29%	800,000	799,564	7 years
The Company	September 10, 2014	5.74%	400,000	399,400	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	7 years
The Company	February 12, 2015	4.68%	500,000	499,500	5 years
The Company	April 22, 2016	3.45%	2,500,000	2,498,429	7 years
The Company	July 4, 2017	4.72%	2,300,000	2,298,169	7 years
The Company	August 15, 2018	3.60%	2,000,000	1,999,193	270 days
				12,090,742	

(c) As at December 31, 2019, all borrowings were unsecured (December 31, 2018: unsecured except for bank borrowings of RMB 100,000,000 which were secured by the Company's equity interest in BAIC Guangzhou Automotive Co., Ltd.).

(d) The fair values of the borrowings are not materially different to their carrying amounts, since the interests payable on these borrowings is either close to that calculated by current interest rate or the borrowings are of a short-term nature.

10 ACCOUNTS PAYABLE

	As at December 31, 2019 *RMB'000*	2018 *RMB'000*
Trade payables	**37,218,453**	29,746,240
Notes payable	**7,488,997**	8,886,693
	44,707,450	38,632,933

Aging analysis of trade payables is as follows:

	As at December 31, 2019 *RMB'000*	2018 *RMB'000*
Current to 1 year	**36,670,037**	29,723,797
1 to 2 years	**537,658**	13,597
2 to 3 years	**4,895**	2,797
Over 3 years	**5,863**	6,049
	37,218,453	29,746,240

11 OTHER PAYABLES AND ACCRUALS

	As at December 31, **2019** *RMB'000*	2018 *RMB'000*
Sales discounts and rebates	**17,658,968**	8,856,166
Other taxes payable	**3,569,233**	3,929,019
Payable for general operations	**2,892,069**	3,430,645
Payables for property, plant and equipment and intangible assets	**3,917,138**	3,130,033
Payable for services	**3,325,398**	2,929,696
Advertising and promotion	**2,602,469**	2,701,719
Wages, salaries and other employee benefits	**1,303,541**	1,136,396
Payables for transportation and warehouse expenses	**1,258,278**	1,123,783
Dividends payable	**533,596**	533,596
Interests payable		
– perpetual bond	**112,000**	112,000
– other borrowings	**287,831**	266,876
Derivative financial instruments *(note (a))*	**48,950**	180,391
Deposits	**60,344**	116,936
Others	**454,421**	341,810
	38,024,236	28,789,066

Note:

(a) Derivative financial instruments represented forward foreign exchange contracts entered by the Group to hedge against the relative currency movements for settlement of Euro denominated trade payables (the hedged forecast transactions).

12 OTHER GAINS, NET

	For the year ended December 31, **2019** *RMB'000*	2018 *RMB'000*
Government grants *(note (a))*	**2,356,742**	1,313,550
Gain from sales of scrap materials	**199,357**	104,184
Loss on disposals of property, plant and equipment and intangible assets	**(88,354)**	(64,651)
Loss on forward foreign exchange contracts with fair value through profit or loss	**(591,450)**	(819,266)
Foreign exchange (losses)/gains	**(110,825)**	133,727
Others	**795**	(44,496)
	1,766,265	623,048

Note:

(a) In December 2019, the Company received government grants amounting to RMB 2,000,000,000 relating to certain strategic restructure project within the Group for product improvements.

13 EXPENSES BY NATURE

	For the year ended December 31, 2019 RMB'000	2018 RMB'000
Changes in inventories of finished goods and work in progress	**574,065**	1,356,182
Raw materials and consumables used	**119,668,809**	98,330,845
Service fees and charges	**7,984,257**	7,465,758
Depreciation and amortization	**7,441,615**	7,144,950
Employee benefit costs	**5,143,854**	5,087,637
Taxes and levies	**4,732,280**	4,856,789
Advertising and promotion	**2,143,067**	2,506,611
Transportation and warehouse expenses	**3,605,787**	2,290,503
Daily operating expenses	**1,545,704**	1,428,661
Provision for impairment on non-financial assets	**349,596**	704,202
Warranty expenses	**481,820**	526,312
Auditor's remuneration- audit services	**8,038**	8,745
Others	**723,036**	75,153
Total cost of sales, selling and distribution expenses, and general and administrative expenses	**154,401,928**	131,782,348

14 FINANCE COSTS, NET

	For the year ended December 31, 2019 RMB'000	2018 RMB'000
Finance income		
Interest income on deposits in financial institutions	**884,190**	760,930
Finance costs		
Interest expense on borrowings from financial institutions	**404,241**	690,377
Interest expense on corporate bonds	**562,032**	515,108
Interest expense on lease liabilities	**1,405**	–
Amortization of discount on non-current provisions	**236,633**	202,072
	1,204,311	1,407,557
Less: amounts capitalized in qualifying assets	**(255,721)**	(289,600)
	948,590	1,117,957
Finance costs, net	**64,400**	357,027

15 INCOME TAX EXPENSE

	For the year ended December 31, 2019 RMB'000	2018 RMB'000
Current income tax	**9,620,275**	7,829,027
Deferred income tax credit	**(2,628,956)**	(925,502)
	6,991,319	6,903,525

According to the New and High-Technology Enterprise Certificate issued by relevant government regulatory bodies, certain entities of the Group in the PRC were recognized as new and high-technology enterprises with preferential income tax rate of 15%. Further some Group entities in the PRC are recognized as small and low-profit enterprises with preferential income tax treatment effective in 2019.

Except for the aforementioned companies and certain overseas subsidiaries in Hong Kong and Germany which are subject to statutory income tax rates in respective tax jurisdictions, provision for income tax is calculated based on the statutory income tax rate of 25% for each of the years ended December 31, 2019 and 2018 on the assessable income of respective Group entities in accordance with relevant PRC enterprise income tax rules and regulations.

The reconciliation between the Group's actual tax charge and the amount which is calculated based on the statutory income tax rate of 25% in the PRC is as follows:

	For the year ended December 31, 2019 RMB'000	2018 RMB'000
Profit before income tax	**21,314,426**	21,174,858
Tax calculated at the statutory tax rate of 25%	**5,328,606**	5,293,715
Preferential tax rates on profit or loss	**515,555**	506,123
Impact on share of results of investments accounted for using equity method	**150,260**	(225,959)
Income not subject to tax	**(3,471)**	(3,274)
Expenses not deductible for tax purposes	**13,811**	148,697
Tax losses/deductible temporary differences for which no deferred tax was recognized	**1,052,501**	1,223,727
Additional deduction on research and development expenses	**(65,960)**	(40,351)
Others	**17**	847
Tax charge	**6,991,319**	6,903,525

16 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 year.

	For the year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Profit attributable to ordinary shareholders of the Company *(note (a))*	**3,970,698**	4,317,465
Weighted average number of ordinary shares in issue *(thousands)*	**8,015,338**	7,875,338
Earnings per share for profit attributable to ordinary shareholders of the Company for the year *(expressed in RMB)*	**0.50**	0.55

Notes:

(a) For the year ended December 31, 2019, the profit attributable to equity holders of the Company amounted to RMB 4,082,698,000 (2018: RMB4,429,465,000), including the profit attributable to ordinary shareholders and perpetual bond holders of approximately RMB3,970,698,000 and RMB112,000,000 (2018: RMB4,317,465,000 and RMB112,000,000), respectively.

(b) During the years ended December 31, 2019 and 2018, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.

17 DIVIDENDS

	For the year ended December 31,	
	2019	2018
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.17 per share (2018: RMB0.19 per share) *(note (a))*	**1,362,607**	1,522,914

Note:

(a) The Board of Directors proposes that the Company distributes a final dividend for the year 2019 of RMB0.17 per share (tax inclusive). The proposal will be submitted to the Company's 2019 annual general meeting for consideration and approval. This is not reflected as dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending December 31, 2020.

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 at the annual general meeting held in June 2019 and paid in September 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

According to the data of China Association of Automobile Manufacturers ("**CAAM**"), in 2019, the wholesale volume of passenger vehicles reached 21.444 million units, representing a year-on-year decrease of 9.6%. During the year, affected by a series of policies and measures to encourage consumer spending in the vehicle market, the greater downward pressure on the economy, early implementation of "China VI" standard[1], a significant decrease in new energy vehicles subsidies and other factors, the passenger vehicle industry showed the following characteristics:

Due to consumer demand adjustment, industrial policy reform and other factors, the passenger vehicle market as a whole is under structural pressure, with a decline in market demand; there was a decline in four major passenger vehicle market segments, with a significant drop in market shares of Chinese brands; the rapid growth momentum of new energy vehicles stalled; passenger vehicle enterprises further accelerated the survival of the fittest.

According to the data of CAAM, in terms of market segment by type, the sales volume of sedans reached 10.308 million units for the year, representing a year-on-year decline of 10.7%; the sales volume of SUV for the year was 9.353 million units, representing a year-on-year decrease of 6.3%, continuing the negative growth trend; MPV and CUV saw the most significant decrease in the overall sales volume, with the decline of 20.2% and 11.7% respectively.

Meanwhile, premium brands maintained an improvement in the sales volume. Major products of first-line domestic premium brands saw a steady year-on-year increase in the sales volume, showing the trend of consumption upgrades.

According to the data of CAAM, in terms of market segment by series, the sales volume of Chinese-branded passenger vehicles reached 8.407 million units, representing a year-on-year decrease of 15.8%, and the market share of those vehicles was 39.2%, representing a decrease of 2.9 percentage points as compared with last year. Chinese brands continued to have the largest share of the Chinese passenger vehicle market. Against the backdrop of a decline in the overall demand, there was an increased competition among enterprises and ongoing profound changes in the industry.

According to the data of CAAM, the sales volume of new energy passenger vehicles reached 1.060 million units, representing a year-on-year increase of 0.7%; the sales volume of pure electric passenger vehicles reached 0.834 million units, representing a year-on-year increase of 5.9%, maintaining the growth trend. In contrast, the sales volume of plug-in hybrid electric passenger vehicles reached 0.226 million units, representing a year-on-year decrease of 14.7%. The mileage range of new energy passenger vehicle products was further increased, and there was a further expansion in the product market.

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1 "China VI" standard means the National Stage VI Motor Vehicle Emission Standard, which is defined by the Limits and Measurement Methods for Emission From Light-duty Vehicles (China VI) published by the Ministry of Environmental Protection and the General Administration of Quality Supervision, Inspection and Quarantine of China in December 2016

Overview of the Group

We are a leading passenger vehicle manufacturer in China, and are one of the passenger vehicle manufacturers with the most optimized brand layout and business system in the industry. Our brands cover joint venture premium passenger vehicles, joint venture premium multi-purpose passenger vehicles, joint venture mid- to high-end passenger vehicles and proprietary brand passenger vehicles, which can maximally satisfy various customers' demands, and we are also the leader of pure electric passenger vehicle business in China.

The Company completed its H shares initial public offering and was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on December 19, 2014 (H shares stock abbreviation: BAIC Motor; H shares stock code: 1958).

Major business operations

The Group's major business operations include research and development, manufacturing and 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, has nearly ten models on the market, covering a full range of oil powered models and new energy models of sedan and SUV.

The products of Beijing Brand are targeted at consumers who value both vehicle performance and high-quality life, with the "metropolitan beauty" design and continual quality improvement. In 2019, the new "BEIJING" brand was launched, with the features of Beijing culture, namely confidence, grandness, refinement and leading, and the brand philosophy of "being a leader in networking, intelligentization, electrification and sharing, and protecting the good wish for a nice travel". At present, "BEIJING" brand has BEIJING-X3 compact SUV, BEIJING-U5 compact sedan, BEIJING-U7 middle class sedan and other best-selling vehicle models. In the future, it will enrich its product lineup.

While manufacturing traditional oil-powered passenger vehicles, Beijing Brand accelerates the electrification process, developing many pure electric new energy vehicle models based on traditional oil-powered car models. It has BEIJING-EU5, BEIJING-EU7 and other best-selling electric vehicle products. Its major vehicle models have a mileage range in the integrated operating condition reaching 500 km. Meanwhile, Beijing Brand is arranging for and advancing electrification work for the diversity of products including 48V, HEV and PHEV.

In recent years, the Company has actively promoted the optimization and integration of the resources and business system of Beijing Brand in order to focus on superior products and enhance its competitive strength: the Company advanced the disposal of the business and related assets of Wevan brand to Beijing Automotive Group Co., Ltd. ("**BAIC Group**"), the controlling shareholder of the Company, and its subsidiaries in 2018 and ceased to produce and sell passenger vehicles of Wevan brand in 2019; the Company ceased to accept the engagement by BAIC Group to manufacture "BJ" series off-road vehicles and ceased to sell "BJ" series off-road vehicle products, since June 2019. For details of the above asset and business adjustments, see relevant announcement of the Company published on October 30, 2018.

2. Beijing Benz

Beijing Benz Automotive Co., Ltd. ("**Beijing Benz**") is a subsidiary of the Company. The Company holds 51.0% equity interest of 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 of Beijing Benz. Beijing Benz commenced the manufacturing and sales of passenger vehicles of Mercedes-Benz brand in 2006.

Beijing Benz currently manufactures and sells many types of Mercedes-Benz vehicles, including E-Class long-wheelbase sedan, C-Class long-wheelbase and standard-wheelbase sedan, A-Class long-wheelbase sedan, long-wheelbase GLC SUV, GLA SUV, GLB SUV, EQC pure electric SUV and AMG A 35 L.

Beijing Benz has become the Mercedes-Benz passenger vehicle production base with the highest production volume, the largest area and the greatest comprehensiveness in the world. It has the first engine plant, power battery factory and prototype vehicle factory for Daimler Group outside Germany, and the largest research and development center among those in joint venture companies of Daimler AG. It is the only high-end vehicle joint venture company of Daimler Group in the world that has three main platforms, namely front wheel drive vehicle, rear wheel drive vehicle and power system, and an engine plant and a power battery factory.

3. Beijing Hyundai

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

Currently, Beijing Hyundai 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, and successively launched HEV, PHEV, pure electric and other differentiated new energy vehicle models. Vehicle models for sale mainly include fourth-generation Santa Fe, fourth-generation TUCSON, brand new Sonata, LA FESTA, ENCINO EV, etc.

Beijing Hyundai has capacities in Beijing, Hebei and Chongqing, which form a nationwide production and marketing system. In 2018, Beijing Hyundai surpassed the "10 Million Unit Club", with the total production and sales volume exceeding 10 million units in China.

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, as well as the exercising of power by the directors appointed by FJMOTOR. Daimler Vans Limited (Hong Kong) holds the remaining 50.0% equity interest of Fujian Benz. Fujian Benz commenced the manufacturing and sales of multi-purpose passenger vehicles of Mercedes-Benz brand in 2010.

Core parts and components for passenger vehicles

In addition to 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, new energy reducer 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. By digesting and assimilating Saab technology and through the combination of cooperative and independent development, we have broken through many technological difficulties, successively completed development of many types of engine and transmission products, and realized mass production of such products. Such products have been widely used for Beijing Brand passenger vehicles.

Beijing Benz commenced to manufacture engines in 2013 and owns the first engine manufacturing base under the Mercedes-Benz brand outside Germany. The construction of the second engine factory has been officially completed in 2019. Its 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 produced its first new energy power battery product in 2019.

Beijing Hyundai commenced to manufacture engines in 2004. Its specific product offerings cover two major series namely Kappa and GammaII. The engines produced are industry-leading in terms of technology and power, etc. The products are mainly for use in Hyundai-branded passenger vehicles manufactured by Beijing Hyundai.

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. ("**BAIC Finance**"), Mercedes-Benz Leasing Co., Ltd. ("**MBLC**"), Beijing Hyundai Auto Finance Company Limited ("**BHAF**") and BH Leasing Co., Ltd. and continuously promote rapid development of car financing businesses by methods including capital investment and business cooperation.

In respect of Beijing Brand's car financing business, we have conducted group strategic cooperation with various commercial banks, automobile financial companies and lease finance companies, offering clients a great variety of financial products covering all car models now selling on the market, lengthy interest-free period and favorable discount loans, and providing products of 24- and 36-installment interest-free fixed-amount loan products. Meanwhile, we have launched finance lease products including Baopai Loan, so as to provide customers with multiple options.

MBLC is an associate of the Company. The Company and Daimler Greater China each holds 35.0% and 65.0% equity interest of MBLC. MBLC's sale-leaseback volume in 2019 increased by nearly 30%, which continuously stimulated the sales of Beijing Benz's new models.

BHAF is an associate of the Company. The Company holds 33.0% and 14.0% equity interest of BHAF through its subsidiary, BAIC Investment, and its joint venture, Beijing Hyundai, respectively, while Hyundai Capital Services and Hyundai Motor hold the remaining equity interest. In 2019, BHAF was ranked amongst top ten in the industry in terms of the new retail loan contract volume, which further stimulated the sales of Beijing Hyundai's new models, and the size of businesses including the inventory financing expanded continuously, showing the stable progress in business diversification.

Other related businesses

In 2019, we conducted research and development of light materials, new energy technology changes, information big data and used car businesses through relevant joint ventures.

Production and sales of various brands in 2019

In 2019, facing the complicated situation, the Group's four business segments achieved the sales of a total of 1.425 million units of vehicles, representing a year-on-year decrease of 2.4%, and achieving relatively stable results of operations. Specifically, Beijing Brand actively responded to the severe market environment, with its sales performance stable and moving in a positive direction, and continuous optimization of its production and marketing structure; Beijing Benz continued to maintain strong momentum, with an increase in its market share; Beijing Hyundai actively responded to industry changes, with the launch of a number of new products, and focused efforts in terms of new products, new technologies, new brands and new experience; Fujian Benz outperformed the market under the pressure of slowdown in the market segment.

1. Beijing Brand

In 2019, facing the macroeconomic downturn and increased industry competition, Beijing Brand continued to advance the development strategy of new energy + intelligentization "dual-driver" and made a breakthrough in terms of brand upgrade and product structuring:

In terms of sales performance, in 2019, Beijing Brand recorded the wholesales of 167 thousand units of passenger vehicles, representing a year-on-year increase of 6.9%, and including the sales of 104 thousand units of pure electric new energy vehicles, representing a year-on-year increase of 133.2% and accounting for 62.5% of the total sales volume. The sales volume of EU5 pure electric sedans of the Company was 80 thousand units for the year, accounting for approximately 10% of the single vehicle model market, and was the highest in the industry, showing the strong product strength.

In terms of new vehicle models, in 2019, Beijing Brand continuously optimized its product structure, with the launch of BEIJING-X3 compact SUV, BEIJING-U7 middle class sedan, BEIJING-EU7 pure electric sedan and other vehicle models. Meanwhile, it completed the brand upgrade from "Senova" to "BEIJING" brand, thus reshaping and upgrading the brand positioning.

2. Beijing Benz

In 2019, Beijing Benz continued to saw a rapid and high-quality growth, with the sales volume of 567 thousand units of vehicles for the year, representing a year-on-year increase of 17.0%, and was ranked among top joint-venture premium brands in terms of growth rate, which supported the Mercedes-Benz brand in making a breakthrough again of the annual record sales volume in a single market. In 2019, Beijing Benz contributed to over 75% of the sales of Mercedes-Benz products in China, and continued to steadily increase its market share.

In 2019, Beijing Benz successfully put a series of new products into production, including new-generation GLB SUV, AMG A 35 L (the first AMG product) and EQC pure electric SUV (the first pure electric passenger vehicle of the brand new Mercedes-Benz brand).

In terms of product strength improvement, Beijing Benz made efforts to improve its product strength and advance quality improvement. In the vehicle user satisfaction evaluation held by China Association for Quality in 2019, it won two first-place prizes; in addition, in China Initial Quality Study by J.D.Power[2] in 2019, Mercedes-Benz E-Class sedan ranked first again among midsize premium vehicles in terms of quality of new models.

In terms of capacity optimization, Beijing Benz actively planned for new energy. It passed the access review for pure electric new energy vehicle enterprises in April 2019, obtaining the qualification for mass production of pure electric vehicle models. The power battery factory was fully completed in June, successfully delivering its first power battery. The second engine factory and the factory in Shunyi District were put into operation successively, thus further expanding the vehicle and engine production capacities.

3. Beijing Hyundai

In 2019, in the face of market decline and increased competition, Beijing Hyundai conformed to market changes, focused on its product quality, adjusted its pace of marketing in a timely manner, and advanced its business policy for destocking. For the year, it recorded the wholesales of 663 thousand units of vehicles, representing a year-on-year decrease of 16.2%, and the retail sales of 704 thousand units of vehicles, and achieved a relatively stable retail sales results.

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[2] J.D.Power is a brand under McGraw Hill Financial in the United States, providing insight and solutions on customer satisfaction and performance improvement, etc.

In 2019, Beijing Hyundai focused efforts in terms of new products, new technologies, new brands and new experience, under the "year of brand technology" strategy. Through the launch of six types of new products, including fourth-generation Santa Fe, two new-generation ix25 SUVs, new Elantra, two new-generation Verna sedans, Elantra PHEV and two ENCINO EV new energy vehicle models, it completely upgraded the product lines. Among which: new ix35 and new Elantra saw a steady performance, with a monthly sales volume exceeding 10 thousand units. In terms of new technology, it accelerated the introduction and application of new technologies including new energy, intelligentization and networking. It established the "SMART" image through the launch of the new technology brand "Zhi +(智+)" strategy. In terms of new experience, it enhanced user experience through scenario-based interactive marketing, promoting product image improvement.

With the launch of pure electric and PHEV products in 2019, Beijing Hyundai has become the first powertrain joint venture brand covering PHEV, HEV and pure electric vehicle products in China, continuously improving its product strength and market competitiveness.

4. Fujian Benz

In 2019, Fujian Benz recorded the sales volume of 28 thousand units, representing a year-on-year decrease of 1.5%, thus outperforming the market. Among which, Mercedes-Benz V-Class, New Vito and other vehicle models continued to be well recognized in their respective market segments.

Production facilities

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

The intelligent factory in Zhuzhou City of Beijing Brand has adopted an advanced digital and intelligent production quality management system with a focus on the design and manufacturing process for the quality of whole vehicle products. It has realized the transformation from documentation of development to digitization of implementation of technical standards, thus improving the accuracy of implementation of standards.

Beijing Benz continuously constructs the most comprehensive global production base of Mercedes-Benz, to meet the requirements of Made in China 2025 and green manufacturing system construction. In 2019, it successively completed the establishment and construction of the power battery factory, the second engine factory and the factory in Shunyi District and put into operation, thus laying a foundation for subsequent efforts for new energy products.

Adhering to the production philosophy of "green, quality, intelligent and efficient" and with advanced intelligent equipment and international production management systems, Beijing Hyundai has cutting-edge production equipment with the automation rate of their equipment exceeding 90%, thus can effectively arrange production plans and produce different vehicle models in a single production line.

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 high-quality service guarantee. All brands have independent marketing channels.

In 2019, Beijing Brand continued to optimize its network planning and stabilize its network structure, with a network of over 350 channel dealers for its oil-powered vehicles, covering all tier-1, -2 and -3 cities, and over 80% of tier-4, -5 and -6 cities where competitive products were mainly sold; Beijing Benz optimized and upgraded its dealer network to build a "smart" dealer network; Beijing Hyundai had a dealer network of more than 1,000 dealers, covering more than 300 cities across China, with stable channel operation. Meanwhile, Beijing Hyundai actively maintained the healthy development of its network system.

Research and development

The Group believes that our research and development capability is critical to the future development. During 2019, all of our brands have vigorously promoted the construction of research and development system and capacity.

In 2019, Beijing Brand made several achievements in terms of innovation of research and development management, and new vehicle model research and development. BEIJING-X3 and BEI-JING-EU7, both of which were blockbusters, were successfully launched and got good market reputation, reflecting the research and development progress of Beijing Brand in intelligent networking, electrification, styling, perceived quality, etc. Meanwhile, Beijing Brand developed a number of pure electric vehicle products based on midsize SUV and midsize sedans. It continued to deepen its strategic cooperation with intelligentization technology companies such as Baidu, iFLYTEK and Bosch, and comprehensively promoted the implementation of the "NOVA-PLS" intelligentization strategy.

In 2019, Beijing Benz introduced Mercedes-Benz Development System based on its research and development center, and continuously shortened the development cycle and strengthened the digital verification capability. The research and development center has seven advanced laboratories which have been established and operated strictly according to the standards of Daimler AG, including climate corrosion, vehicle emission, engine and vibration noise, as well as prototype vehicle factories and test runways, new energy power battery testing centers which have been introduced specially for pure electric new energy vehicle models, thus providing important technical support for research and development, and production of traditional vehicle models and new energy vehicle models of Mercedes-Benz made in China.

In 2019, Beijing Hyundai completed the development and mass production of over ten types of new and facelift vehicles and promoted the launch of the third-generation platform (i-GMP), intelligentization technology reserve, the establishment of new energy research and development system, etc. Meanwhile, Beijing Hyundai Technology Center, Namyang R&D Center in South Korea and Hyundai Motor Yantai R&D Center were linked to supply products and services that met the needs of the Chinese market.

Joint venture cooperation and industrial chain extension

In 2019, the Group continuously promoted the integration of industry and finance, industrial cooperation and otherwise, with further broadening of the scope of cooperation, extension of the industrial chain, expansion of the business market and enhancement of its competitiveness.

1. Expansion of production facilities and product mix of Beijing Benz

On March 26, 2019, the Company, Daimler AG and its wholly-owned subsidiary Daimler Greater China entered into amendment agreements of joint venture contract. In order to promote the M254 engine technology transformation project, the Mercedes-Benz C-Class vehicle update and upgrade project, as well as the manufacturing upgrade and transformation project of Beijing Branch of the Company, the Company, Daimler AG and Daimler Greater China agreed to make additional capital contributions of approximately USD892.8 million in total in proportion to their respectively shareholdings in Beijing Benz, of which approximately USD455.3 million shall be contributed by the Company.

Through the capital increase, Beijing Benz will further expand the size and scope of its business, improve its business operation and product competitiveness, thus getting ahead in the new round of development and competition.

2. Additional capital contribution to MBLC

On March 28 and December 5, 2019, the Company and Daimler Greater China successively entered into two capital increase agreements, pursuant to which the Company and Daimler Greater China shall respectively make additional capital contributions of RMB700 million and RMB500 million in total to MBLC in proportion to their respective shareholdings in MBLC. The Company shall successively make capital contributions of RMB245 million and RMB175 million. Upon completion of the capital increase, the Company will continue to hold 35.0% equity interest in MBLC.

Driven by, amongst others, successful development of automobiles under the brand of Mercedes-Benz in China, MBLC's business has been continuously and rapidly growing in the recent years. The capital contribution in 2019 will further drive the business development of the Company and increase its market share.

3. Additional capital contribution to BAIC SA

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 approximately USD75.4 million in aggregate to BAIC SA in proportion to their respective original shareholdings, of which approximately USD15.1 million shall be contributed by BAIC HK.

BAIC SA is the Sino-South Africa project model under the "Belt and Road" Initiative of China. Through the capital increase, the business strength of BAIC SA will be further enhanced, thus facilitating the industrial arrangements and development of the Group under the "Belt and Road" Initiative.

4. Capital Contribution to National Innovation Center

On December 24, 2019, the Company, as one of the new shareholders, Beijing New Energy Vehicle Technology Innovation Center Co., Ltd. ("**National Innovation Center**"), existing shareholders of National Innovation Center and relevant parties signed a capital increase agreement, pursuant to which the Company will subscribe for the additional registered capital of National Innovation Center in an amount of approximately RMB50 million. Upon completion of the capital increase, the Company will hold 12.02% equity interest in National Innovation Center.

National Innovation Center is a national new energy technology innovation center. Through the capital increase, the Company will further enhance its strength in terms of new energy technology and innovation capability, thus laying a foundation for subsequent efforts for new energy products.

PERFORMANCE ANALYSIS AND DISCUSSION

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 revenue of the Group increased from RMB151,920.4 million in 2018 to RMB174,632.7 million in 2019, representing a year-on-year increase of 15.0%, mainly attributable to the increase in revenue from Beijing Benz and Beijing Brand.

Revenue associated with Beijing Benz increased from RMB135,415.2 million in 2018 to RMB155,153.7 million in 2019, representing a year-on-year increase of 14.6%, mainly attributable to (i) a year-on-year increase of 17.0% in sales volume of Beijing Benz; and (ii) the increase in the proportion of the sales volume of vehicle models with relatively lower selling prices offsetting part of the sales increase.

Revenue associated with Beijing Brand increased from RMB16,505.2 million in 2018 to RMB19,479.0 million in 2019, representing a year-on-year increase of 18.0%, mainly attributable to (i) a year-on-year increase of 6.9% in sales volume of Beijing Brand; (ii) an increase in the proportion of the sales volume of vehicle models with relatively higher selling price, leading to a greater increase in the revenue than in the sales volume; and (iii) a decrease in new energy subsidies offsetting part of revenue growth.

The Group's net profit attributable to equity holders of the Company decreased from RMB4,429.5 million in 2018 to RMB4,082.7 million in 2019, representing a year-on-year decrease of 7.8%; the basic earnings per share decreased from RMB0.55 in 2018 to RMB0.50 in 2019, representing a year-on-year decrease of 9.1%, mainly due to a decrease in the profits of Beijing Brand and certain investment enterprises as a result of increased competition in the domestic passenger vehicle industry, the market downturn, etc.

Gross profit

The Group's gross profit increased from RMB37,006.6 million in 2018 to RMB37,487.0 million in 2019, representing a year-on-year increase of 1.3%, mainly attributable to the increase in the gross profit of Beijing Benz.

The gross profit of Beijing Benz increased from RMB40,522.9 million in 2018 to RMB42,215.4 million in 2019, representing a year-on-year increase of 4.2%; the gross profit margin decreased from 29.9% in 2018 to 27.2% in 2019, mainly due to an increase in the proportion of the sales volume of vehicle models with relatively lower gross profit.

The gross profit of Beijing Brand decreased from RMB-3,516.2 million in 2018 to RMB-4,728.4 million in 2019, mainly attributable to (i) the increased vehicle promotions; and (ii) the impacts of the decrease in new energy subsidies.

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 increased from RMB21,733.4 million in 2018 to RMB35,952.8 million in 2019, representing a year-on-year increase of 65.4%, mainly attributable to an increase in the net cash inflow generated from operating activities of Beijing Benz.

As at December 31, 2019 (the "**end of 2019**"), the Group had cash and cash equivalents of RMB49,322.5 million, notes receivable of RMB2,208.5 million, notes payable of RMB7,489.0 million, outstanding borrowings of RMB23,562.2 million, unused bank credit lines of RMB15,451.9 million, and commitments for capital expenditure of RMB13,714.9 million. The above outstanding borrowings included RMB1,856.8 million equivalents of Euro borrowings and RMB311.1 million equivalents of USD borrowings as at December 31, 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 62.4% at the end of 2019, representing a year-on-year increase of 2.6 percentage points, mainly attributable to a greater increase in liabilities than in assets.

The Group's net gearing ratio ((total borrowings less cash and cash equivalents)/(total equity plus total borrowings less cash and cash equivalents)) decreased from -20.0% at the end of 2018 to -55.0% at the end of 2019, representing a year-on-year decrease of 35 percentage points, mainly attributable to (i) an increase in cash and cash equivalents; and (ii) a smaller increase in the total equity than in cash and cash equivalents.

As at the end of 2019, the total outstanding borrowings was RMB23,562.2 million, including short-term borrowings of RMB14,019.5 million in aggregate and long-term borrowings of RMB9,542.7 million in aggregate. The Group will promptly repay the aforesaid borrowings at maturity.

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

Significant investments

Total capital expenditures of the Group increased from RMB6,414.1 million in 2018 to RMB8,329.4 million in 2019, representing a year-on-year increase of 29.9%. Among which, capital expenditures of Beijing Benz decreased from RMB10,644.0 million[3] in 2018 to RMB7,583.8 million in 2019. Capital expenditures of Beijing Brand decreased from RMB968.3 million in 2018 to RMB745.6 million in 2019, mainly due to the fact that the investment in capacity is drawing to an end.

Total research and development expenses of the Group increased from RMB2,402.9 million in 2018 to RMB3,080.6 million in 2019, representing a year-on-year increase of 28.2%, the majority of which were incurred by the Group for its product research and development activities expenses. Based on accounting standards and the Group's accounting policy, expenses of the aforesaid research and development 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, pursuant to which the parties agreed to make additional capital contributions of approximately USD892.8 million in aggregate to Beijing Benz, a non wholly-owned subsidiary of the Company, in proportion to their respective shareholdings in Beijing Benz. 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, pursuant to which the parties agreed 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 approximately 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.

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[3] Including the expenditures for the acquisition of the transferred assets of Beijing Branch of the Company by Beijing Benz in 2018

On December 5, 2019, the Company and Daimler Greater China entered into a capital increase agreement, pursuant to which the parties agreed to make additional capital contributions of RMB500.0 million in total 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 December 24, 2019, the Company, as one of the new shareholders, entered into the capital increase agreement with existing shareholders, other new shareholders of National Innovation Center and National Innovation Center, in relation to additional capital contributions to National Innovation Center. Pursuant to the agreement, the Company proposed to subscribe for the additional registered capital amounting to approximately RMB49.0 million, at a consideration of approximately RMB50.0 million. Upon completion of the capital increase, the Company will hold 12.02% equity interest in National Innovation Center.

For details of the aforesaid cooperation matters, please refer to relevant announcements of the Company dated March 26, 2019, March 28, 2019, April 12, 2019, December 5, 2019, December 24, 2019 and January 22, 2020 respectively.

Foreign exchange losses[4]

The Group's foreign exchange loss (mainly from the business of Beijing Benz) increased from RMB685.5 million in 2018 to RMB702.3 million in 2019. Such increase in foreign exchange loss was mainly due to (i) the increase in exchange losses from Euro-denominated payments as a result of the decline in the exchange rate of RMB against Euro; and (ii) effective control on the foreign exchange rate risks due to the judgment on foreign exchange forward contracts partially offsetting part of 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 rate 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 positions. At present, the Group mainly uses foreign exchange forward contracts as our hedging tool.

Employee and remuneration policies

The Group's staff increased from 20,431 at the end of 2018 to 21,712 at the end of 2019. The staff costs incurred by the Group increased from RMB5,087.6 million in 2018 to RMB5,143.9 million in 2019, representing a year-on-year increase of 1.1%, 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 society.

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

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[4] Foreign exchange losses include foreign exchange forward contracts at fair value through profit or loss

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

Pledge of assets

As at the end of 2019, the Group had pledged notes receivable of RMB1,655.0 million.

Contingent liabilities

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

Risk factors

1. ***Risks relating to macro-economic volatility***

   Macro-economic performance will have an impact on consumer demands for automobiles, and therefore will affect the Group's operating performance. In 2019, China saw a GDP growth of 6.1%, with downward pressure on the economy. In addition, as the outbreak of the novel coronavirus pneumonia, macroeconomic uncertainty has further increased. If China's economic growth continues to slow down, the purchasing power of residents will be affected, leading to a decrease in the customer demand for the Group's products, thus adversely affecting the Group's financial situation, operating results and prospects. The Group will continuously pay attention to China's macroeconomic situation, and take measures in due course to respond to fluctuations in the economic environment.

2. ***Risk of increased market competition***

   The Group operates in a highly competitive industry with fierce market competition. According to the statistics of CAAM, the sales volume of passenger vehicles in China in 2019 was 21.444 million units, representing a year-on-year decrease of 9.6%. As there was greater pressure on the automobile industry, there was negative growth in production and sales volumes as well as major economic benefit indicators of the industry. Meanwhile, enterprises in the industry continuously improve their core competitiveness through the increase in research and development investment, industry integration and otherwise, and comprehensively compete on product, price, marketing, quality, cost and otherwise, thus the market competition continues to intensify. If the Group fails to take appropriate measures to maintain and improve its market position, its future operating results will be adversely affected. The Group will continuously pay attention to the market conditions and take measures in due course to maintain and improve its market position.

3. ***Risks relating to the price fluctuation and supply of raw material***

   The key raw materials used by the Group in the research and development, production and sales of automobiles include steel, aluminum, rubber, plastics and paint, etc. With the annually continuous increase in production and sales, the key materials for production annually procured by the Group from its suppliers have also grown in volume with each passing year. If there is a surge in the prices of bulk raw materials, even though part of its impact can be offset by the Group through measures such as changing allocation and raising prices, it will still adversely affect the Group's operating results.

4. Risks relating to emission and environmental protection policies

Exhaust emissions of traditional vehicles are viewed as one of the primary sources of air pollution. The Chinese government is constantly raising the emission standards of traditional vehicles. "China VI" emission standards came into force in advance in key regions on July 1, 2019. The Group has taken initiative to fulfill its social responsibilities and support the implementation of the regulations in relation to emission and air quality in vehicles. However, the increased promotion costs, raw material costs and development expenditures will also affect the Group's operating results.

5. Risks relating to adjustment to the purchase tax relief policy for passenger vehicles

The Vehicle Acquisition Tax Law of the People's Republic of China came into force on July 1, 2019, when the purchase tax on small-displacement vehicles returned to 10%. The policy impacts the sales of passenger vehicles with low displacement. Although the Group properly adjusts its sales policy in response to this policy change, the Group's sales may still be affected. Therefore, our operating results may be adversely affected within a certain period of time after the policy adjustment.

6. Risks relating to fluctuation of subsidy policy for new energy vehicles

In February 2019, four ministries, including the Ministry of Finance and Ministry of Industry and Information Technology, jointly promulgated a new subsidy policy for new energy vehicles. In 2019, subsidies continued to decline in respect of new energy vehicles. Such changes of subsidy policy for new energy vehicles may affect the Group's sales of new energy vehicles, and thus adversely affect the operating results of the Group within a certain period after the policy adjustment. The Group will focus on minimizing the negative impact of change in the subsidy policies for new energy, by constantly strengthening the research and development capability of new energy vehicles and continuing to implement measures on strict procurement and cost saving.

OUTLOOK OF 2020

Prospect for the development of passenger vehicle industry in 2020

In 2020, it is expected that the economic growth trend will be slowing in the internal and external economic environment, Sino-US trade frictions and novel coronavirus pneumonia will cause uncertainties in macro economy. Affected by the economic downturn, stringent measures for environmental protection, supply upgrade, demand differentiation and other factors, it is expected that the passenger vehicle market of China is in a period of cyclical adjustment, and it will take two to three years to return to positive growth trend.

The State Information Center and relevant authorities believe that the main trend of the macro economy and the development of the automobile industry in 2020 will be as follows:

1. Continued downtrend with a smaller decline

The adverse factors leading to the economic downturn still exist, and there are some uncertainties in industrial policies. However, the market pull is expected to be small, and the support from markets will remain weak. As a whole, the demand is still weak and the vehicle market is at the bottom.

2. Unabated downward pressure on the macro economy

Internal and external factors, especially the outbreak of novel coronavirus pneumonia, will put certain downward pressure on the overall economy in the first quarter of 2020 and even in the first half of the year, the GDP growth rate may drop to between 5% and 6% from more than 6%.

3. Industrial policies focusing on structural adjustment

Due to the long-term impact of environmental protection policies, it is expected that industrial policies will be more stringent in 2020. The policy to ban oil-powered vehicles in specified regions has been gradually developed and perfected. The dual-credit scheme has promoted the efforts of vehicle enterprises for the transition to new energy vehicles and small-displacement vehicles. As a result, the electrification of commercial vehicles is accelerated, further reducing room for oil-powered taxies and online ride-hailing vehicles. There is a supply-side upgrade and reform.

Proprietary brands will accelerate their development towards high-end and middle-large size products. Under the guidance of industrial policies, the number of new energy products launched will further increase. The application of new technologies including intelligent interaction, 5G Internet of Things and self driving will be further accelerated.

Operational strategy of the Group for 2020

Overall operational strategy

In the face of the pressure and challenges in 2020, the Group will focus on change and development, firmly adhere to the strategic policy of new energy + intelligentization “dual-driver”, continuously deepen joint venture cooperation, and has formulated differentiated business strategies for business segments.

Operational strategy of Beijing Brand

In 2020, Beijing Brand will take “brand upgrade, three strengths, and breakthrough through reform” as its management principle. In terms of brand upgrade, it will establish a complete identification system for the new brand, determine competitive strategies for differentiation of the new brand, incorporate brand appeal and lead the business chain forward. In terms of three strengths, it will sublimate the connotation of new “BEIJING” brand, with a focus on the brand. It will focus its efforts on products and the implementation of the dual-driver strategy. In terms of breakthrough through reform, it will further deepen the mechanism reform and continuously improve its core capabilities.

Operational strategy of Beijing Benz

In 2020, Beijing Benz will take active actions to comprehensively build a "digitalized, flexible and green" intelligent factory and properly manage new product introduction projects, so as to further consolidate the leading position in the high-end premium vehicle market.

Operational strategy of Beijing Hyundai

In 2020, Beijing Hyundai will take "change, breakthrough, regeneration" as its management principle, advancing its operations in four aspects, namely the successful launch of major new vehicles, system improvement to strengthen its internal strength, the recovery of profitability, and the strengthening of its future competitiveness. It will also launch a number of new models incorporating intelligent networking technologies while vigorously developing and launching new energy vehicles to improve its product competitiveness.

Operational strategy of Fujian Benz

In 2020, Fujian Benz will continue its steady development and strive to achieve the goal of "becoming a respected front-runner in travel solutions in the new era".

SUBSEQUENT EVENTS

(a) On January 8, 2020, the Company issued 2020 first tranche of corporate bonds in an amount of RMB600 million with a term of 3 years and annual coupon interest rate of 3.39%.

On March 10, 2020, the Company further issued 2020 first tranche of ultra-short-term bond in an amount of RMB1,500 million with a term of 269 days and annual coupon interest rate of 2.39%.

(b) On February 13, 2020, BAIC Investment, a subsidiary of the Company, entered into an agreement with BAIC Finance, pursuant to which BAIC Investment agreed to further contribute RMB500 million to the newly increased registered capital of BAIC Finance. BAIC Investment will continue to hold 20% of equity interests in BAIC Finance upon completion of this capital increase.

(c) On March 13, 2020, the Company and BAIC Group entered into an equity transfer agreement, pursuant to which the Company agreed to purchase, and BAIC Group agreed to dispose of 100% equity interest in BAIC International Development Co., Ltd. ("**BAIC International**") and 24.78% equity interest in BAIC Yunnan Ruili Motor Co., Ltd. ("**BAIC Ruili**") held by BAIC Group respectively, at a total cash consideration of approximately RMB80,593,623. Upon completion of the transaction under the equity transfer agreement, BAIC International will become a wholly-owned subsidiary and BAIC Ruili will become a non wholly-owned subsidiary of the Company.

(d) After the outbreak of Coronavirus Disease 2019 ("**COVID-19 outbreak**") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date of this announcement, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

USE OF PROCEEDS OBTAINED FROM THE INITIAL PUBLIC OFFERING

The Company was listed on the Main Board of the Stock Exchange on December 19, 2014. The net proceeds from the initial public offering of the Company were approximately RMB8,523.8 million.

The Company's usage of the proceeds from the initial public offering is consistent with those as set forth in the chapter headed "Future Plans and Use of Proceeds" in the Prospectus. As at December 31, 2019, the proceeds from the initial public offering of the Company have been fully utilized.

PROFIT DISTRIBUTION

In accordance with the provisions of Article 193 of the Articles of Association of BAIC Motor Corporation Limited, distributable profits will be determined based on either the Chinese Accounting Standards for Business Enterprises or the International Financial Reporting Standards (the "**IFRS**"), whichever is lower.

The Board recommends the Company to distribute an annual final dividend for the year 2019 of RMB0.17 per share (tax inclusive) in cash to the shareholders whose names appear on the register of members at the close of business on the record date determined in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Based on the total ordinary share capital of 8,015,338,182 shares as at December 31, 2019, the total cash dividend distributed by the Company will be amounted to RMB1,362,607,490.94. The proposal will be submitted to the Company's 2019 annual general meeting (the "**2019 Annual General Meeting**") for consideration and approval. The expected date of distribution will be no later than September 4, 2020.

For the details of the distribution of annual dividends by the Company, please refer to the circular for the 2019 Annual General Meeting to be despatched by the Company in due course.

MATERIAL LITIGATION AND ARBITRATION

As at December 31, 2019, the Company was not involved in any material litigation or arbitration. To the knowledge of the directors of the Company (the "**Directors**"), there is also no ongoing material litigation or claim against the Company or material litigation or claim against the Company which may have material adverse effect to the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company and the Group did not purchase, dispose of or redeem any of the Company's listed securities in 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In 2019, the Company has complied with the code provisions of the Code on Corporate Governance (the "**Code on Corporate Governance**") as set forth in Appendix 14 to the Listing Rules. The Directors of the Company as a whole believe that as of December 31, 2019, the Company had complied with all the code provisions under the Code on Corporate Governance.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

Having made all enquiries to all Directors and supervisors of the Company (the "**Supervisors**"), the Board confirms that, in 2019, the Directors and Supervisors have all strictly followed the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 to the Listing Rules. The Company has not adopted a standard lower than that provided for by the Model Code in relation to the securities dealings of the Directors and Supervisors.

AUDIT COMMITTEE

The audit committee under the Board has reviewed the Company's 2019 annual results and audited consolidated financial statements as at December 31, 2019 prepared in accordance with the IFRS.

DATE FOR ANNUAL GENERAL MEETING AND CLOSURE OF SHARE REGISTER OF MEMBERS

For details of the resolutions to be considered and approved at the 2019 Annual General Meeting, the book closure date of H shares, the record date for payment of dividends, and the date of the 2019 Annual General Meeting, please refer to the circular for the 2019 Annual General Meeting to be despatched by the Company in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.baicmotor.com) respectively. The Company will despatch to the shareholders the 2019 annual 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
BAIC Motor Corporation Limited
Xu Heyi
Chairman

Beijing, the PRC, March 26, 2020

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*