



**北京汽车股份有限公司**  
BAIC MOTOR CORPORATION LIMITED\*

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

Stock code : 1958

\* For identification purpose only

**BEIJING<sup>®</sup>**



**ANNUAL REPORT 2021**

# 北京<sup>®</sup>

# BEIJING



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## Section I Corporate Information

- **LEGAL NAME OF THE COMPANY**

北京汽車股份有限公司

- **ENGLISH NAME OF THE COMPANY**

BAIC Motor Corporation Limited<sup>1</sup>

- **REGISTERED OFFICE**

A5-061, Unit 101, 5th Floor, Building No 1, Courtyard No. 99, Shuanghe Street, Shunyi District, Beijing 101300, China

- **HEADQUARTERS**

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- **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

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- **AUTHORIZED REPRESENTATIVES**

**Mr. Huang Wenbing**

5/F, 99 Shuanghe Street, Shunyi District, Beijing, China

**Mr. Wang Jianhui**

5/F, 99 Shuanghe Street, Shunyi District, Beijing, China

- **COMPANY SECRETARY**

**Mr. Wang Jianhui**

5/F, 99 Shuanghe Street, Shunyi District, Beijing, China

- **HONG KONG LEGAL ADVISOR**

**Linklaters**

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- **CHINA LEGAL ADVISOR**

**JunHe LLP**

20/F, China Resources Building, 8 Jianguomenbei Avenue, Dongcheng District, Beijing, China

- **AUDITORS (EXTERNAL AUDIT FIRM)**

**PricewaterhouseCoopers**

Certified Public Accountants and Registered PIE Auditor

22/F Prince's Building, Central, Hong Kong

**PricewaterhouseCoopers Zhong Tian LLP**

11/F, PricewaterhouseCoopers Center, 202 Hubin Road, Shanghai, China

<sup>1</sup> For identification purpose only

## Section I Corporate Information

- **PRINCIPAL BANKS**

- **Bank of Beijing, Jinyun Branch**

- Block A, Jinyun Building, A43 Xizhimen North Street, Haidian District, Beijing, China

- **China CITIC Bank, Olympic Village Branch**

- 1/F, Tower D, Tian Chuang Shi Yuan Building, No. 309 Huizhong Beili, Chaoyang District, Beijing, China

- **H SHARE REGISTRAR**

- **Computershare Hong Kong Investor Services Limited**

- Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

- **H SHARE STOCK CODE**

- 1958

- **INVESTOR ENQUIRIES**

- Investor hotline: (86) 10 5676 1958;

- (852) 3188 8333

- Website: [www.baicmotor.com](http://www.baicmotor.com)

- E-mail: [ir@baicmotor.com](mailto:ir@baicmotor.com)



## Section II Chairman’s Statement



**Jiang Deyi**  
*Chairman*

**1.031**

**Million Units**

In 2021, the Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz sold 1.031 million units of vehicles in total

RMB

**175.92**

**Billion**

In 2021, the Group recorded the consolidated revenue of RMB175.92 billion and the net profit of RMB15.15 billion for the year

### DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the “Board”), I am delighted to present the 2021 Annual Report of BAIC Motor Corporation Limited (the “Company”, together with its subsidiaries, the “Group” or “we”).

In 2021, in the face of a complex and challenging international environment and the domestic spread of pandemic, China’s annual GDP growth rate was 8.1%<sup>2</sup>, and continued to be at the forefront of major global economies. China’s economy continued to recover and achieved new results in high-quality development. Affected by adverse factors such as chip shortage and persistently high raw material prices, the automotive industry experienced steady but increasing production and sales in 2021, demonstrating strong resilience and momentum for development. New energy vehicles have entered a new market-driven stage, with both market scale and quality of development improving. According to the statistics of China Association of Automobile Manufacturers (“CAAM”), the sales volume of passenger vehicles in China in 2021 was 21.482 million units, representing a year-on-year increase of 6.5%. Of which, the sales volume of SUV model for the year was 10.101 million units, representing a year-on-year increase of 6.8%; the sales volume of sedan for the year was 9.934 million units, representing a year-on-year increase of 7.1%; and the sales volume of other two vehicle models increased slightly. China continued to rank first in the world in terms of sales volume of vehicles. With the promotion of “electrification, networking and intelligence”, the automotive industry is adhering to innovation-driven and promoting the transformation and upgrading of the global automotive industry.

2 The GDP growth rate for 2021 was 8.1% as published by the National Bureau of Statistics

## Section II Chairman's Statement

In 2021, in the face of many external challenges such as localized recurrence of pandemic, rising raw materials price and chronic chip shortage, the Group adhered to market-oriented reforms and focused on corporate development to carry out its work in an orderly manner, achieving consolidated revenue of RMB175.92 billion and net profit of RMB15.15 billion for the year.

In 2021, Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz sold a total of 1.031 million units of vehicles, all business segments were actively responding to challenges. Beijing Benz reported the sales of 561 thousand units of vehicles for the year, continued to rank among top joint-venture luxury brands in terms of sales volume. Beijing Hyundai continued its stable operation and responded positively to changes in market conditions and the impact of the pandemic, with sales of 361 thousand units of vehicles for the year. Beijing Brand focused on its core products and promoted reform and development, achieving a steady enhancement in quality of its products. Fujian Benz achieved rapid sales growth.

Based on 2021 results of operations, the Board of Directors recommended the payment of an annual dividend of RMB0.16 (inclusive of tax) per share to Shareholders, so as to practically provide a return to Shareholders.

In 2022, opportunities and challenges will co-exist in the automotive industry, with the rapid transformation of new and old drivers, the accelerated formation of the electrification pattern and the rapid emergence of a new service ecosystem, showing a steady and positive development trend in a continuous manner.

In the new year, the Group is determined to focus on its own business and accelerate the transformation to “electrification, intelligence and networking”. With market value as our guide, the Group will comprehensively deepen the reform and innovation of mechanisms on all fronts to stimulate the internal drivers of the Group, and continuously improve our operational capacities and management levels to achieve our annual operating targets for 2022.

In terms of the business operation strategy of various brands, in 2022, Beijing Brand will adopt “transformation and development, reform and innovation” as its operation strategy, maintain a certain scale and stabilize its development base. Beijing Benz will focus on strengthening supply assurance, lean production and green manufacturing, ensure the launch of new energy vehicle models and consolidate its leading position in the high-end luxury vehicle market. Beijing Hyundai will implement a comprehensive reform of its operation system to promote the healthy development of the enterprise.

Lastly, I would like to express my gratitude to all our staff and partners for their hard work, and to our Shareholders for their long-lasting support.



**Jiang Deyi**

*Chairman*

March 24, 2022



## Section III Summary of Financial and Performance Information

### I. FIVE-YEAR FINANCIAL SUMMARY

Summary of consolidated financial information of the Group for 2017 to 2021 is as follows:

(Unit: RMB million)

Item	For the year ended December 31,				
	2021	2020	2019	2018	2017
Revenue	<b>175,916</b>	176,973	175,410	151,920	134,159
Cost of sales	<b>(138,273)</b>	(134,833)	(137,776)	(114,913)	(98,659)
Gross profit	<b>37,643</b>	42,140	37,634	37,007	35,500
Selling and distribution expenses	<b>(10,312)</b>	(11,309)	(10,414)	(10,432)	(11,920)
General and administrative expenses	<b>(5,799)</b>	(7,984)	(7,195)	(6,437)	(5,007)
Net impairment losses on financial assets	<b>(87)</b>	(401)	(256)	(133)	–
Other gains/(losses), net	<b>2,515</b>	(101)	2,862	623	(1,055)
Finance income/(cost), net	<b>61</b>	100	(162)	(357)	(448)
Share of (loss)/profit of investments accounted for using equity method	<b>(1,101)</b>	(2,015)	(314)	904	(34)
Profit before income tax	<b>22,920</b>	20,430	22,155	21,175	17,036
Income tax expense	<b>(7,769)</b>	(7,475)	(6,998)	(6,904)	(6,038)
Profit for the year	<b>15,151</b>	12,955	15,157	14,271	10,998
Attributable to					
Equity holders of the Company	<b>3,858</b>	2,029	4,996	4,429	2,253
Non-controlling interests	<b>11,293</b>	10,926	10,161	9,842	8,745



## Section III Summary of Financial and Performance Information

Total assets, total liabilities and interests attributable to equity holders of the Company	As of December 31,				
	2021	2020	2019	2018	2017
Total assets	180,844	193,703	196,393	172,034	167,403
Total liabilities	105,957	120,109	124,018	102,796	107,762
Interests attributable to equity holders of the Company	52,583	51,088	50,007	48,415	40,836

Explanation: In April 2020, the Company acquired from Beijing Automotive Group Co., Ltd. (“BAIC Group”), a Controlling Shareholder of the Company, a 100% equity interest held by BAIC Group in BAIC International Development Co., Ltd. (“BAIC International”) and a 24.78% equity interest held by BAIC Group in BAIC Yunnan Ruili Motor Co., Ltd. (“BAIC Ruili”), the acquisition constituted a business combination under common control, therefore, the financial information for 2019 have been restated when the Company presented the consolidated financial information in 2020, please refer to the announcement of the Company dated March 13, 2020 for further details. Financial information for 2020 and 2019 are extracted from the Company’s 2020 Annual Report, and financial information for 2018 and 2017 are extracted from the Company’s 2018 and 2017 Annual Reports.

### II. FIVE-YEAR PERFORMANCE SUMMARY

The sales volume of vehicles of each passenger vehicle business segment of the Group for 2017 to 2021 is as follows:

(Unit: unit)

Brand	For the year ended December 31,				
	2021	2020	2019	2018	2017
Beijing Brand <sup>Note</sup>	72,434	81,792	166,992	156,159	235,841
Beijing Benz	561,008	610,816	567,306	485,006	422,558
Beijing Hyundai	360,565	446,082	662,590	790,177	785,006
Fujian Benz	37,196	29,920	28,182	28,616	22,476

Note: Based on strategic considerations including optimization of the product mix, in 2019, the Company ceased to produce and sell passenger vehicles of the Wevan brand; in June 2019, the Company ceased to sell the “BJ” series off-road vehicles (mainly two vehicle models, namely BJ40 and BJ80); for the business organization relationship between the Company and BAIC Group Off-road Vehicle Co., Ltd., see the section headed “Relationship with BAIC Group” in the Prospectus issued by the Company on December 9, 2014 (the “Prospectus”) and relevant disclosure in previous announcements of the Company.



## Section IV Company Profile and Business Overview

### I. OVERVIEW

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.

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" or "Hong Kong Stock Exchange") on December 19, 2014 (H shares stock abbreviation: BAIC Motor; H shares stock code: 1958).

### II. MAJOR BUSINESS OPERATIONS

The Group's major business operations include research and development, manufacturing and sales and after-sales services of passenger vehicles, production of core parts and components of passenger vehicles, car financing, international business and other related businesses. We keep optimizing industry chains and improving our brand strength.

#### 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.

Targeting at consumers who pursue a good, quality and intelligent life, products of Beijing Brand are designed according to the concept of "metropolitan beauty" with continual quality improvement. At present, Beijing Brand has a series of products, such as X3 and X5 compact SUV, X7 midsize SUV, U5/U5 PLUS compact sedan, U7 middle class sedan, EU5 pure electric compact sedan and EU7 middle class pure electric sedan. In April 2021, Beijing Brand announced Power Journey of Beijing Vehicles which covered oil-powered, hybrid and pure electric vehicles, @me Intelligent Platform technology route, and the product plan for era 3.0 "defining demand by scenario" and it will build three platforms, namely SUPER power, HEV hybrid and EV electric vehicle, with "cabin scenarios + vehicle networking + automatic self-driving" as the core goal of reform, to provide travelling experiences in all scenarios for users.

#### 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 Mercedes-Benz Group AG ("Mercedes-Benz Group") and its wholly-owned subsidiary, Daimler Greater China Ltd. ("Daimler Greater China"), together hold a 49.0% equity interest in Beijing Benz. Beijing Benz commenced the manufacturing and sales of passenger vehicles of Mercedes-Benz brand in 2006.

## Section IV Company Profile and Business Overview

At present, Beijing Benz has become a joint venture enterprise of Mercedes-Benz Group, which has three major vehicle model platforms in the world, namely front wheel drive vehicle, rear wheel drive vehicle and electric vehicle, and an engine plant and a power battery factory, and has realized the export of core parts and components of the engine and the whole machine, which makes Beijing Benz an important part of the global production network of Mercedes-Benz. Beijing Benz manufactures and sells various main vehicle models of Mercedes-Benz, namely E-Class long-wheelbase sedan, C-Class long-wheelbase sedan, A-Class long-wheelbase sedan, long-wheelbase GLC SUV, GLB SUV, GLA SUV, EQC pure electric SUV, EQB pure electric SUV, EQA pure electric SUV and AMG A 35 L. In recent years, Beijing Benz has won various honorary titles including “Global Excellent Operating Factory”, “Green Model Factory”, “Intelligent Manufacturing Benchmarking Enterprise” and “Pilot Model Project for Sino-German Intelligent Manufacturing Cooperation”.

Featured with “digitalization, flexibility, effectiveness and sustainability”, Shunyi factory of Beijing Benz is committed to setting a new benchmark for highly digital automobile production and will continue to provide diversified products up to global standards of Mercedes-Benz to Chinese consumers in the future .

### 3. Beijing Hyundai

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

Currently, Beijing Hyundai has production capacities in Beijing, Hebei and Chongqing, forming a nation-wide production and marketing system. Beijing Hyundai manufactures and sells a total of over ten types of products, covering a full range of major sedan models including middle class, compact, mini class, as well as SUV models, with vehicle models for sale including the seventh-generation Elantra, the tenth-generation Sonata, the fourth-generation Santa Fe, the fifth-generation TUCSON L, new ix35, Custo, LA FESTA EV, new generation MISTRA EV to fully meet the needs from different consumers.

### 4. Fujian Benz

Fujian Benz Automotive Co., Ltd. (“Fujian Benz”) is a joint venture of the Company. The Company holds 35.0% equity interest of Fujian Benz, and has reached an act-in-concert agreement with Fujian Motor Industry Group Co. (“FJMOTOR”), which holds 15.0% equity interest of Fujian Benz, on the operation, management and other matters of Fujian Benz, as well as the exercising of power by the directors appointed by FJMOTOR. Mercedes-Benz Vans Hong Kong Limited holds the remaining 50.0% equity interest of 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 and New Vito products.

### 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.



## Section IV Company Profile and Business Overview

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. (“Powertrain”) 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 the development of many types of engines and transmission products, and realized mass production of such products. Such products have been widely used for Beijing Brand passenger vehicles. The “Magic Core\*” (魔核) 1.5T engine was awarded the “China Heart” Top 10 engine prize in the year of 2021.

Beijing Benz commenced to manufacture engines in 2013 and currently owns two engine plants and the first power battery factory outside Germany. The product offerings of Beijing Benz include M274, M282, M264 and M254 engines and the first new-energy power battery.

Beijing Hyundai commenced to manufacture engines in 2004. Its specific product offerings cover four major series namely BETA, Kappa, Gamma and Gammall. 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 after-sales business of Beijing Brand, Mercedes-Benz brand and Hyundai brand through associates and joint ventures 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. (“BH Leasing”) and continuously promote the 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 automobile financial companies, commercial banks and lease finance companies, offering clients a great variety of financial products covering all car models now selling in the market, and meeting different customer demands. We offer interest-free fixed-rate loans, low/zero down payments, zero monthly payments and other financial products to meet the different financial needs of our customers.

MBLC is an associate of the Company. The Company and Daimler Greater China hold 35.0% and 65.0% equity interests in MBLC respectively. MBLC’s sale-leaseback volume has increased rapidly for six years in a row, which further 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 interests in 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 2021, BHAF was ranked amongst the 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 progressed steadily to business diversification.

BH Leasing is an associate of the Company. The Company, Hyundai Capital Services and Hyundai (China) Investment Co., Ltd. hold 50%, 40% and 10% equity interests in BH Leasing, respectively. BH Leasing provides sale-leaseback and direct leasing services to customers in the car sales market, which further stimulated the sales of new vehicles.

## Section IV Company Profile and Business Overview

### Sales service business

In April 2020, the Company and BAIC BluePark New Energy Technology Co., Ltd. (“BAIC BluePark”) jointly established BAIC BluePark Marketing Services Co., Ltd. (北京汽車藍谷營銷服務有限公司) (“BAIC BluePark Marketing Services”). BAIC BluePark Marketing Services is committed to providing the Company and BAIC BluePark with marketing business consultation, signing service agreements, promoting the sharing of channels, service resources and sales resources, etc., and enhancing the marketing competitiveness of the Beijing Brand as a whole.

### International business

We conduct the production and operation businesses of the South African production base and the marketing business in South African and SADC markets, through BAIC Automobile SA, a joint venture company, and the international marketing business in markets outside China and South Africa, through BAIC International Development Co., Ltd., a wholly-owned subsidiary, and promote the rapid development of international business, through overseas sales companies, KD technology<sup>3</sup> cooperation, vehicle distribution, etc., International business focuses on exporting passenger vehicle products of Beijing Brand.

### III. OTHER RELATED BUSINESSES

During 2021, we continued to conduct lightweight research and development, new energy technology changes, information big data and used car businesses through relevant joint ventures.

### IV. CORE COMPETITIVENESS

Amid intense market competition in 2021, the Group continued to maintain stable growth, which attributed to the following core competitiveness:

#### 1. Enhancing innovative product forms to meet increasingly diverse needs

The Company’s passenger vehicle brand portfolio is profoundly competitive and highly complementary and can satisfy the purchase demands of different groups for vehicles at different stages. Beijing Benz comprehensively built a “digitalized, flexible and green” intelligent factory and steadily advanced the introduction of new product projects, thus further consolidating its leading position in the high-end premium vehicle market. Beijing Hyundai focused on research and development, innovation, timely launched new products, comprehensively upgraded product lines, accelerated the introduction and application of new technologies including the transition to new energy vehicles, intelligence and networking. Beijing Brand upgraded its products, identified market anchors for increasingly diverse needs, and strengthened technological breakthroughs in innovative product forms to key local advantages and effectively enhance product competitiveness.

3 It means parts and components of a vehicle



## Section IV Company Profile and Business Overview

### 2. Diversified equity structure and good strategic partnership

BAIC Group, a Controlling Shareholder of the Company as well as one of the main automobile groups in China, has established a relatively complete automobile industry chain covering businesses including research, development and manufacturing of vehicles, components and parts, automobile service trade, comprehensive commuting service, finance and investment. Other Shareholders of the Company include state-owned investment platforms, Mercedes-Benz Group, key state-owned enterprises, related strategic and financial investors, which is a diversified and internationalized equity structure. Such diversified equity structure is conducive to sufficient utilization of resources of Shareholders, improvement in the management ability by the Company and deep exploitation of the development potential of the Company.

The Company has established close joint venture and cooperation relationships with Mercedes-Benz Group, Hyundai Motor and other famous enterprises in the industry, and has further expanded the breadth and depth of the cooperation. In addition to establishment of Beijing Benz, Fujian Benz, Beijing Mercedes-Benz Sales Service Co., Ltd. (“Benz Sales”) and MBLC by the Company and Mercedes-Benz Group, both parties have cooperated and exchanged with each other in technology, platform, human resource and other aspects to a greater extent. Close cooperation with strategic partners enhances the research and development ability of the Company, expands the talent team and enriches the experience of the Company in management, production and operation.

### 3. Experienced management team and core research and development team

The management team has extensive industry and management experience as well as multidisciplinary and compound knowledge systems and professional skills. The team members have worked for domestic and foreign leading automobile enterprises and accumulated extensive experience in enterprise management. They broaden the international vision rooted in local culture and ensure that the Company is able to formulate efficient and farsighted research and development strategies by grasping the future development trend and technologies of passenger vehicles and the law of industry development. Meanwhile, with the continuous improvement and optimization of the training system, the Company has carried out comprehensive improvement and continuously made progress in terms of pioneering, leading, basic and professional strengths.

The Company is committed to developing the first-class research and development strength and has a research and development team with excellent quality and reasonable structure. The core research and development team consists of international and domestic senior professionals in relevant fields, including intelligentization, electrification, vehicle integration, NVH, power, etc., with strong strength and rich experience in research and development. The team fully promotes independent innovation, creates core technologies in depth, and continuously builds the independently developed “core”. The team has continuously made achievements, with the capacity for the development of complete vehicle systems, core parts and components, and integrated development of key sub-system technology and vehicle system. It is an important research and development organization for passenger vehicles of Beijing Brand.

## Section IV Company Profile and Business Overview

### 4. Geographic advantage of headquarters in Beijing

The headquarters of the Company is located in Beijing, the capital of China, where there are many scientific research institutions, colleges and universities, a great number of industry experts and talents, and the Company is able to obtain more high-quality human resource support, attract high-end industry talents and keep abreast of new technologies and breakthroughs in the industry in a timely manner, in order to support the improvement in the research and development strength of the Company. Meanwhile, Beijing boasts more convenient transportation, a more developed logistics system, more complete supporting facilities and infrastructures, which satisfy the demands of the Company for support necessary for production and operation.

### 5. Advanced manufacturing, techniques, quality and process management

We have specialized production facilities to manufacture and assemble passenger vehicles to improve efficiency and maintain product quality standards, and save unit product cost through production expansion. All of our brand production facilities are equipped with flexible production lines, as such we can apply differentiated production processes for different types of passenger vehicles. In order to ensure high quality operation of production, we carry out regular maintenance of the production facilities. Meanwhile, we have set up and implemented stringent quality control systems that comply with national and international standards, as we attach great importance to the consistency of product quality.

## V. CONTROLLING SHAREHOLDER

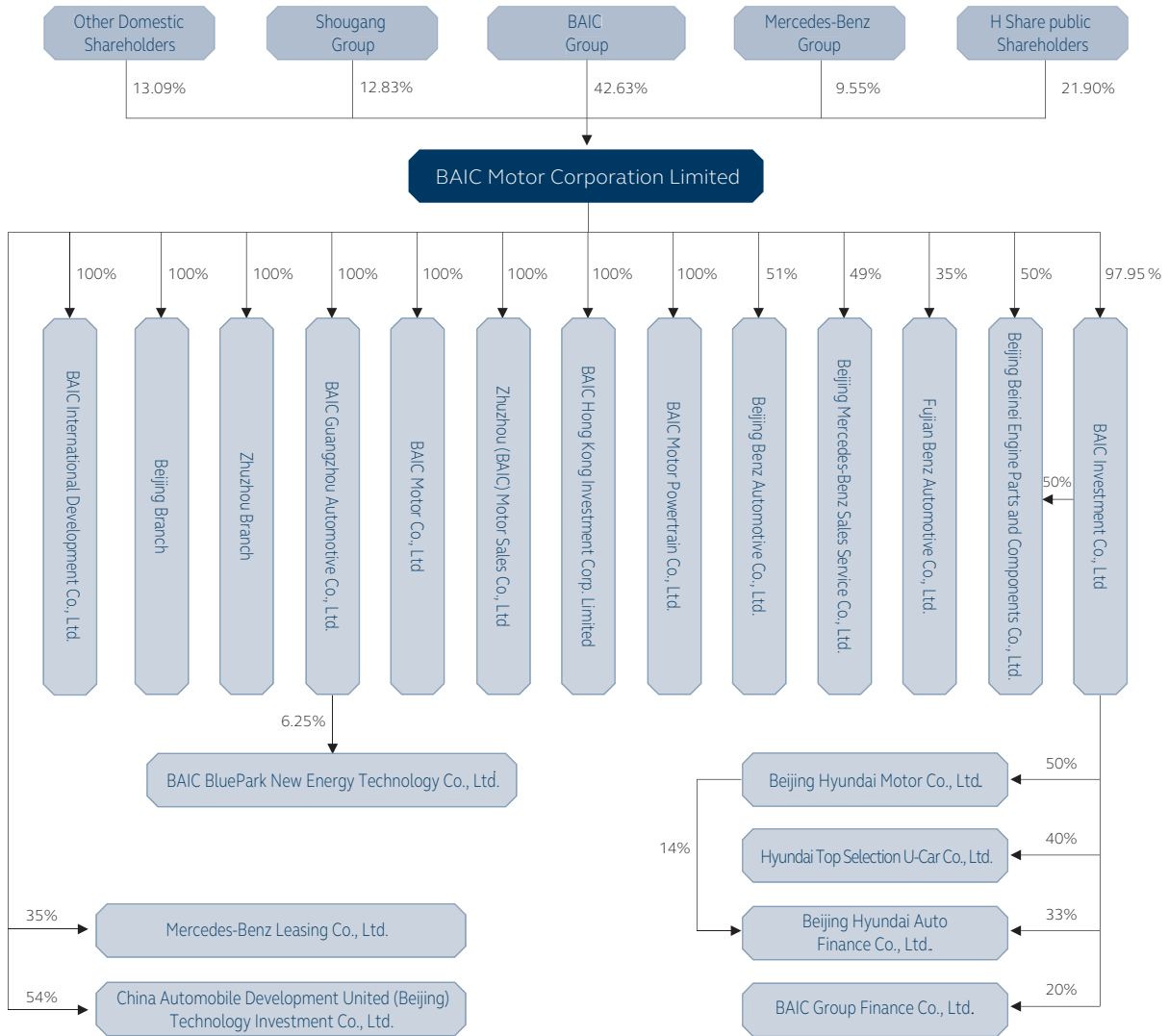
BAIC Group is the sole Controlling Shareholder of the Company and held 42.63% equity interest in the Company as of the Date of Issue of the Report. BAIC Group is one of the main automobile manufacturing groups in China and ranked 124th in 2021 Global Fortune 500. BAIC Group has an operating history of over 60 years. It has now developed into a comprehensive and modern automobile conglomerate with diversified business portfolio and integrating vehicle research and development and manufacturing, parts and components manufacturing, automobile service trade, education and investment and financing business, as well as incubation of new industries. The Group is a key platform built by BAIC Group for passenger vehicle resource integration and business development.



# Section IV Company Profile and Business Overview

## VI. SIMPLIFIED SHAREHOLDING STRUCTURE

The following chart sets out the major shareholding and investment structure of the Company as at December 31, 2021 (the “end of 2021”):





## Section IV Company Profile and Business Overview

### VII. THE INDUSTRY DEVELOPMENT OF PASSENGER VEHICLES DURING 2021

In 2021, facing the adverse factors such as chip shortage and persistently high raw material prices, the automotive industry rose to the challenge and took the initiative, with a steady increase in automotive production and sales throughout the year, demonstrating strong resilience and momentum for development. According to the statistics of CAAM, the wholesale volume of passenger vehicles reached 21.482 million units in 2021, representing a year-on-year increase of 6.5%, ending a three-year period of decline since 2018. The industry has the following characteristics:

The industry growth rate showed a high before and low after trend throughout the year, with the market showing a rapid year-on-year growth in the first half of the year due to a low base for the same period, and then the market grew at a lower rate year-on-year in several months in the second half of the year due to a high base for the same period, compounded by a shortage of chips.

According to the data of CAAM, in terms of market segment by type, the sales volume of all passenger vehicles, including sedans, SUV, MPV and CUV, showed growth. Of which, the sales volume of sedans for the year was 9.934 million units, representing a year-on-year growth of 7.1%; and the sales volume of SUV model for the year was 10.101 million units, representing a year-on-year growth of 6.8%.

According to the data of CAAM, in terms of market segment by series, the market share of Chinese-branded passenger vehicles increased significantly, with continued enhancement in product competitiveness and significant improvement in market reputation. The sales volume of Chinese-branded passenger vehicles reached 9.543 million units, representing a year-on-year increase of 23.1%, and the market share of those vehicles was 44.4%, representing an increase of 6.0 percentage points as compared with last year, close to best ever levels.

According to the data of CAAM, the sales volume of new energy passenger vehicles showed a rapid growth, with the sales volume of 3.334 million units for the year, representing a year-on-year growth of 167.5%. Market penetration has further increased, and the market has shifted from policy-driven to market-driven.

### VIII. BUSINESS OPERATIONS OF THE GROUP IN 2021

#### Production and sales of brands

In 2021, in the face of complicated circumstances, four business segments of the Group achieved the total sales of 1.031 million units of vehicles, among which Beijing Brand actively responded to challenges, fully promoting the implementation of operational control measures; Beijing Benz promoted product structure optimization and stably ranked among top joint-venture luxury brands in terms of sales volume; Beijing Hyundai actively responded and launched many new products in due course, and supported its operation in terms of marketing and network layout optimization; Fujian Benz achieved rapid growth and outperformed the market in terms of operating results.



## Section IV Company Profile and Business Overview

### 1. Beijing Brand

In 2021, in the face of many challenges such as the localized recurrence of the pandemic and intensified market competition, Beijing Brand responded actively and promoted main models, with sales capacity enhanced. Achieving the wholesale of 72 thousand units of vehicles during the year, the sale volume of new energy vehicles increased by 72.9% year-on-year and sale volume of main models such as EU5/EU5 PLUS reached a year-on-year increase. In terms of new products, in the year of 2021, Beijing Brand products were renewed one after another. Newly upgraded models of U5 plus and EU5 plus are on sale; the new model of fuel SUV MOFANG was first launched in November and will be put on sale in 2022.

### 2. Beijing Benz

In 2021, in the face of multiple challenges such as chip shortage, localized recurrence of pandemic, raw material price increase and dual control of energy consumption, Beijing Benz took active measures to cope with the situation, with the sales of 561 thousand units of vehicles during the year and stably ranked among top domestic premium brands in terms of sales volume. The average monthly sales volume of three main vehicle models of Beijing Benz, namely E-Class, C-Class and GLC SUV, exceeded 10 thousand units.

Meanwhile, the major projects proceeded as scheduled – the new Mercedes-Benz E350 e L plug-in hybrid electric sedan, the new Mercedes-Benz C-Class long-wheelbase vehicle, the EQA pure electric SUV and EQB pure electric SUV, the new Mercedes-Benz M254 engine were put in production as scheduled.

In terms of product quality, Beijing Benz GLA and GLC SUV were awarded the first place in the Jundi China Quality Rating by JD.POWER China Car Product Attractiveness Index Study in two major market segments. In terms of corporate building, with a well-established corporate culture system, an innovative model of joint ventures and fruitful and distinctive practical achievements, Beijing Benz was successively honored with the titles of Capital Spiritual Civilization Pioneer, National Intelligent Manufacturing Benchmark Enterprise and others.

### 3. Beijing Hyundai

In 2021, in the face of the increasing market competitiveness, chip shortage and the localized recurrence of the pandemic, Beijing Hyundai responded positively, achieving wholesale of 361 thousand units of vehicles and terminal sales of 384 thousand units of vehicles during the year.

In 2021, Beijing Hyundai launched a number of new products, such as the new generation MISTRA EV, the fifth-generation TUCSON L, and Custo, achieved a comprehensive product refresh through a brand-new platform improved its sales structure, and promoted the increase of the sales proportion of higher-priced models. By launching various phased thematic marketing campaigns, Beijing Hyundai strengthened public relations and the communication of technical brand characteristics, driving brand upgrade. Beijing Hyundai also focused on the network layout optimization, continued to promote fan marketing to achieve accurate marketing/service/line management, assisting in the transformation of customer value.

## Section IV Company Profile and Business Overview

### 4. Fujian Benz

In 2021, Fujian Benz achieved sales volume of 37 thousand units, representing a year-on-year increase of 24.3%. Benefiting from the improved product competitiveness of the V-Class and Vito facelifted model, sales volume exceeded 30 thousand units for the first time, reaching a record high and achieving rapid growth.

#### Production facilities

We have specialized production facilities to manufacture and assemble products. All production facilities are equipped with flexible production lines, which not only allow us to flexibly change production plans and respond quickly to changes in market demand, but also reduce 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 builds Mercedes-Benz's most comprehensive production base in the world. Based on the principle of "digitalization, flexibility, effectiveness and sustainability", it will also construct a high-end production base to continuously promote its own high-quality development. In order to protect the interests of users, Beijing Benz has established a quality centre based on Mercedes-Benz Group's global standards to ensure that every unit of Mercedes-Benz vehicles is up to its globally unified standards and quality management system.

All factories of Beijing Hyundai adhere to the production philosophy of "green, quality, intelligent and efficient" and adopt advanced intelligent equipment and international production management systems. Beijing Hyundai has cutting-edge production equipment, with the automation rate of their equipment exceeding 90%, guaranteeing precision and high-quality output. At the same time, Beijing Hyundai is able to flexibly arrange the production plan of the factory and the mixed production line of the vehicle models, which further reduces the manufacturing costs reasonably.

#### 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 2021, the Group followed the "customer first" principle, continued to optimize and upgrade the dealer network, comprehensively improved customer experience, and enhanced overall competitiveness. Beijing Brand closely aligned with its target customer base and continued to optimize and implement its channels to continuously improve its channel layout, while vigorously promoting the upgrade of its shop image and sales capacity to provide its customers with better services and a better car-buying experience. Beijing Benz and Beijing Hyundai always paid attention to network efficiency and quality, and committed to improving the profitability of dealers and original equipment manufacturers and realizing mutual trust and win-win results. Beijing Benz continued the promotion and implementation of the "2020 network upgrade plan" by enhancing shop image and functionality through hardware and software upgrades to improve customer experience and operational efficiency, and strengthened the three-in-one "new digital infrastructure", creating a seamless online and offline customer experience. Beijing Hyundai achieved stable dealer channel operation while actively promoting network streamlining and continuing to enhance the healthy development of our channels.



## Section IV Company Profile and Business Overview

### Research and development

The Group believes that our research and development capability is critical to the future development. During 2021, all of our brands vigorously promoted the construction of research and development system and capacity.

Beijing Brand has been promoting the reform and innovation of research and development systems, consolidating research in the basic areas of vehicle, focusing on “intelligent networking” and “electrification”, and adopting a combination of independent innovation and strategic cooperation to achieve breakthroughs in core technologies and core capabilities.

Beijing Benz has the largest research and development center among all joint venture enterprises of Mercedes-Benz Group, and introduced the Mercedes-Benz development system, continuously shortening the development cycle and strengthening the digital verification capability. The research and development center has an internationally advanced test laboratory for power battery testing, weather corrosion, emissions, engine, vibration and noise and electric drive testing, which is built and operated in strict accordance with the Mercedes-Benz Group’s standards, so as to establish the only fully functional prototype plant of the Mercedes-Benz Group abroad, which is able to finish high-quality localized prototype trials, significantly shortens the validation cycle for new product introduction and increases product maturity; meanwhile, Beijing Benz has a high-level research and development team, with a leading level technology in China in localization of components, product introduction and problem analysis, digital verification of research and development, problem analysis of new energy electric drive/battery systems, implementation and verification of localized technology solutions, and engineering change control, providing strong technical support for the research and development and production of Mercedes-Benz’s domestic traditional and new energy models.

In 2021, Beijing Hyundai continued to explore the market changes and consumer demands in China, and launched a number of new models to strengthen and expand its product portfolio. In the traditional field, Beijing Hyundai launched the first MPV model Custo to meet the needs of multi-child family, operated the TUCSON L HEV Hybrid and N-Line Sport to meet the needs of different customers, and continued to implement the HSMART+ technology strategy to optimize the local adaptation of smart grid technologies and increase the uptake rate. In new energy field, Beijing Hyundai launched the new-generation MISTRA pure electric model, increased investment in the research and development of the E-GMP platform, planned the IONIQ series to ensure its future competitiveness and enhance the brand’s image of technology and intelligence.

### Joint venture cooperation and industrial chain extension

During 2021, the Group continuously promoted the integration of industry and finance and industrial cooperation in various fields, further broadening the scope of cooperation, extending the industry chain, expanding the business market and enhancing its competitive strength.

## Section IV Company Profile and Business Overview

### IX. PROSPECT FOR THE DEVELOPMENT OF PASSENGER VEHICLE INDUSTRY IN 2022

In 2022, the domestic economy is expected to adhere to the general tone of seeking progress in a stable manner and efforts are made to achieve high-quality development. It is expected that the PRC passenger vehicle market is at the end of a short-term adjustment and will continue to grow at a moderate pace.

CAAM and relevant authorities believe that the main trend of the macroeconomy and the development of the automobile industry in 2022 will be as follows:

#### 1. Macroeconomic growth is about to gradually get back to normal

Consumption is expected to rise in 2022, however, the pandemic prevention and control measures will still put a constraint on the release of consumption recovery. Benefiting from the reshaping of the energy system and industrial chain as a result of the promotion of carbon neutrality, investment in the manufacturing sector is expected to remain high, with modest rebound in infrastructure investment and the bottoming out effect of real estate investment will decline. The gap between the demand of developed economies and the supply of developing economies is gradually closing, and China's exports will gradually decline, with the pulling effect of exports weakening. Overall, China's economy is expected to grow at a healthy pace in 2022.

#### 2. China's automotive market will continue to grow

According to the forecast of CAAM, it is expected that China's automotive market will continue to show a stable to positive development trend in 2022. The favourable factors are summarized in the following five areas: firstly, the long-term positive macroeconomic fundamentals of China will not change; secondly, automotive market has huge potential and strong demand; thirdly, the impact of the pandemic on the market is diminishing as pandemic prevention and control measures become normalized; fourthly, vehicle supply capacity will be further released as chip shortage eases; fifthly, robust demand for new energy automotive market further boosts steady growth in vehicle consumption.

#### 3. New energy subsidy policy will benefit the new energy market

According to the latest announcement, in terms of the new energy subsidy policies, the current framework of the technical indicator system and threshold requirements for the purchase subsidy will remain unchanged in 2022, the subsidy scale will not be capped, and it will be available throughout 2022. With the doubling of the scale of the new energy industry chain and the ability to reduce costs, strong incremental new energy vehicle volumes are expected by the end of 2022.



## Section IV Company Profile and Business Overview

### X. OPERATIONAL STRATEGY OF THE GROUP FOR 2022

#### Overall operational strategy

In 2022, the Group will focus on achieving “double improvements” in market scale and development quality, accelerating the strategic transformation and product iteration, pushing for deeper reforms and improving operational capabilities.

#### Operational strategy of Beijing Brand

In 2022, Beijing Brand will insist on focusing on its main business, maintaining a certain scale, stabilizing its development base and accelerating the transformation to “electrification, intelligence and networking”. With market value as its guide, Beijing Brand will deepen its reforms and innovative mechanisms on all fronts to continuously enhance its operational capabilities and achieve annual operating targets.

#### Operational strategy of Beijing Benz

In 2022, Beijing Benz will focus on strengthening supply support, lean production and green manufacturing to ensure the launch of new energy models and consolidate its leading position in the high-end luxury vehicle market.

#### Operational strategy of Beijing Hyundai

In 2022, Beijing Hyundai will carry work with the focus on five aspects of “stable operation, cost control, excellent management, strong synergy and risk prevention”, implement a comprehensive operation system reform, focus on improving profit so as to promote the healthy development of the company, and lay the foundation for the full realization of the strategic goals.

#### Operational strategy of Fujian Benz

In 2022, Fujian Benz will continue its steady development, ensure the stability of the supply chain, improve production efficiency and production quality to achieve steady growth in overall strength and operating results, continuing to strive to achieve the goal of “becoming a respected front-runner in travel solutions in the new era”.

## Section V 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-sales services of passenger vehicles. The above business has brought sustained and stable revenue to the Group. The revenue of the Group decreased from RMB176,973.0 million in 2020 to RMB175,915.7 million in 2021, representing a year-on-year decrease of 0.6%, mainly attributable to the decrease in revenue of Beijing Benz.

Revenue associated with Beijing Benz decreased from RMB169,695.5 million in 2020 to RMB167,966.4 million in 2021, representing a year-on-year decrease of 1.0%, mainly attributable to a year-on-year decrease of 8.2% in sales volume of Beijing Benz.

Revenue associated with Beijing Brand increased from RMB7,277.5 million in 2020 to RMB7,949.2 million in 2021, representing a year-on-year increase of 9.2%, mainly attributable to (i) an increase in the sales proportion of relatively higher-priced models.

The Group's net profit attributable to equity holders of the Company increased from RMB2,028.8 million in 2020 to RMB3,858.2 million in 2021, representing a year-on-year increase of 90.2%; the basic earnings per share increased from RMB0.24 in 2020 to RMB0.48 in 2021.

#### Gross profit

The Group's gross profit decreased from RMB42,139.9 million in 2020 to RMB37,643.2 million in 2021, representing a year-on-year decrease of 10.7%, mainly attributable to the decrease in the gross profit of Beijing Benz and the increase in the gross loss of Beijing Brand.

The gross profit of Beijing Benz decreased from RMB45,976.9 million in 2020 to RMB42,255.0 million in 2021, representing a year-on-year decrease of 8.1%; the gross profit margin decreased from 27.1% in 2020 to 25.2% in 2021, mainly attributable to the decline in sales volume and the change in structure of vehicle models.

The gross profit of Beijing Brand decreased from RMB-3,666.2 million in 2020 to RMB-4,512.8 million in 2021, mainly attributable to the decrease in sales volume and the change in structure of vehicle models.

### 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 RMB26,007.6 million in 2020 to RMB12,903.0 million in 2021, representing a year-on-year decrease of 50.4%, mainly attributable to a decrease in the net cash inflow generated from operating activities of Beijing Benz.

As at the end of 2021, the Group had cash and cash equivalents of RMB40,968.6 million, notes receivable of RMB2,019.1 million, notes payable of RMB2,338.8 million, outstanding borrowings of RMB22,383.6 million, unused bank credit lines of RMB19,105.6 million, and commitments for capital expenditure of RMB34,845.1 million. The above outstanding borrowings included RMB2,235.9 million equivalents of USD borrowings as at the end of 2021.

### 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) decreased from 62.0% as at the end of 2020 to 58.6% as at the end of 2021, representing a year-on-year decrease of 3.4 percentage points, mainly attributable to a greater decrease 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)) changed from -60.3% at the end of 2020 to -33.0% at the end of 2021, mainly attributable to (i) an increase in total borrowings; and (ii) a decrease in cash and cash equivalents.



## Section V Management Discussion and Analysis

As at the end of 2021, the total outstanding borrowings was RMB22,383.6 million, including short-term borrowings of RMB14,750.9 million in aggregate and long-term borrowings of RMB7,632.7 million in aggregate. The Group will promptly repay the aforesaid borrowings at maturity.

As of the end of 2021, 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

The Group had no significant investments in equity interests in 2021.

Total capital expenditures of the Group decreased from RMB8,358.1 million in 2020 to RMB7,066.0 million in 2021, representing a year-on-year decrease of 15.5%. Capital expenditures of Beijing Benz decreased from RMB7,230.9 million in 2020 to RMB6,442.2 million in 2021. Capital expenditures of Beijing Brand decreased from RMB1,127.2 million in 2020 to RMB623.8 million in 2021.

Total research and development expenses of the Group increased from RMB2,601.5 million in 2020 to RMB2,651.4 million in 2021, representing a year-on-year increase of 1.9%, the majority of which were incurred by the Group for its product research and development activities. 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

The Group did not carry out material acquisitions or disposals of subsidiaries, associates or joint ventures during 2021.

### FOREIGN EXCHANGE GAINS OR LOSSES<sup>4</sup>

The Group's foreign exchange gains or losses (mainly from the businesses of Beijing Benz) changed from foreign exchange losses of RMB825.5 million in 2020 to foreign exchange gains of RMB604.3 million in 2021, 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 gains from Euro-denominated payments as a result of the rise in the exchange rate of RMB against Euro.

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 have a certain impact on the Group's results of operations.

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 decreased from 21,038 as at the end of 2020 to 18,694 as at the end of 2021. The staff costs incurred by the Group decreased from RMB5,363.9 million in 2020 to RMB5,201.8 million in 2021, representing a year-on-year decrease of 3.0%, mainly due to (i) the decrease in costs due to decrease in number of staff; and (ii) partial offset of decrease in cost by the increase in the average staff cost resulting from, among others, the increase in the annual average wage in society.

<sup>4</sup> Foreign exchange losses include foreign exchange forward contracts at fair value through profit or loss



## Section V Management Discussion and Analysis

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, effectively supporting the Group's talent recruitment, retention and motivation, as well as the realization 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 plan with certain guarantee on retirement income.

### PLEDGE OF ASSETS

As at the end of 2021, the Group had pledged trade receivables and pledged notes receivable of RMB200.0 million and RMB543.7 million, respectively.

### CONTINGENT LIABILITIES

As at the end of 2021, the Group had no material contingent liabilities.

### PRINCIPAL RISKS AND UNCERTAINTIES

#### 1. Risk from the COVID-19 outbreak

Since the COVID-19 outbreak, strict prevention and control measures, the decrease in economic activities, demand, income and profits have possibly affected almost every enterprise. With the economic improvement and waning of the outbreak, a year-on-year improvement in the passenger vehicle market is expected, but it is hard to recover to the pre-pandemic level as the buying power has not been restored fully, which has an adverse impact on the Group's financial position, results of operations and prospect. The Group will continuously pay attention to the impact of the COVID-19 outbreak on its financial position and results of operations, and will take relevant measures to cope with the impact of the COVID-19 outbreak in a timely manner.

#### 2. Risks relating to macroeconomic volatility

Macroeconomic performance will have an impact on consumer demands for automobiles, and therefore will affect the Group's operating performance. If China's economic growth slows 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.

#### 3. Risk of increased market competition

The Group operates in a highly competitive industry with fierce market competition. According to the statistics of CAAM, in 2021, the sales volume of passenger vehicles in China was 21.482 million units, representing a year-on-year increase of 6.5%, the automobile industry is at a critical stage of transformation and upgrading, facing further increased pressure. Meanwhile, enterprises in the industry continuously improved their core competitiveness through the increase in research and development investment, industry integration and otherwise, and thus the market competition increased. If the Group fails to take appropriate measures to maintain and improve its market position, its future results of operations 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.

#### 4. 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. Chip shortage and high prices of bulk raw materials will adversely affect the Group's results of operations.



## Section VI Report of the Board of Directors

The Board of Directors hereby presents the report of the Board of Directors to the Shareholders and 2021 audited consolidated financial statements of the Group as prepared in accordance with the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board.

### COMPANY PROFILE AND INITIAL PUBLIC OFFERING

The Company was incorporated as a joint stock limited company in the PRC on September 20, 2010. On December 19, 2014, the Company’s H Shares have been listed on the Main Board of the Stock Exchange in Hong Kong Special Administrative Region (“Hong Kong”).

### PRINCIPAL BUSINESS

Please refer to the section headed “MAJOR BUSINESS OPERATIONS” on pages 8 to 11 of “Company Profile and Business Overview” in this report for details.

### BUSINESS REVIEW

Please refer to the chapters headed “Company Profile and Business Overview” on pages 8 to 20 and “Management Discussion and Analysis” on pages 21 to 23 in this report for details regarding the business conditions, main risks and uncertainties faced by the Group in 2021, and the prospect of 2022. In addition, please refer to relevant information on pages 24 to 27 in this report for events after balance sheet date, information regarding the Group’s environmental performance and policies, the compliance with the relevant laws and regulations that have a significant impact on the Group and the Group’s relations with employees, suppliers and customers in 2021.

### OUTLOOK

Please refer to the chapter headed “OPERATIONAL STRATEGY OF THE GROUP FOR 2022” on page 20 of “Company Profile and Business Overview” in this report for details.

### PERFORMANCE

The 2021 annual results and the financial position at the end of 2021 of the Company and the Group are set out on pages 131 to 207 of the audited consolidated financial statements in this report.

### PROPERTY

Changes of property, plant and equipment of the Group in 2021 are set out in Note 7 to the consolidated financial statements.

### SHARE CAPITAL

As of the Date of Issue of the Report, the total share capital of the Company is RMB8,015,338,182 and is divided into 8,015,338,182 Shares, at par value of RMB1.0 per Share (comprising 5,494,647,500 Domestic Shares and 2,520,690,682 H Shares).

### TAXATION

The tax position of the Group for 2021 is set out in Note 34 to the consolidated financial statements.

### EVENTS AFTER BALANCE SHEET DATE

The details for events after balance sheet date of the Group are set forth in Note 43 to the consolidated financial statements.

## Section VI Report of the Board of Directors

### DISTRIBUTABLE RESERVES

The details of the change in the reserves of the Company and the Group for 2021 are set forth in Note 41 to the audited consolidated financial statements, and in the consolidated statement of changes in equity on pages 135 to 136, respectively, among which the information of the reserve distributable to Shareholders is set forth in Note 41 to the consolidated financial statements.

### PROFIT DISTRIBUTION

In accordance with the provisions of Article 197 of the Articles of Association of BAIC Motor Corporation Limited (“Articles of Association”), distributable profits will be determined based on either the Chinese Accounting Standards for Business Enterprises (“CASBE”) or the IFRSs, whichever is lower.

The Board recommends the Company to distribute an annual final dividend for the year 2021 of RMB0.16 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 the end of 2021, the total cash dividend distributed by the Company will be amounted to RMB1,282,454,109.12. The proposal will be submitted to the Company’s 2021 annual general meeting (the “2021 Annual General Meeting”) for consideration and approval. The expected date of distribution will be no later than September 15, 2022.

For the details of the distribution of annual dividends by the Company, please refer to the circular for the 2021 Annual General Meeting to be dispatched by the Company in due course.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company and the Group did not purchase, redeem or sell any of the Company’s listed securities in 2021.

### MAJOR CLIENTS AND SUPPLIERS

#### Major clients

The transaction amount of the top five clients of the Group in 2021 accounted for 3.6% of the Group’s total revenue in 2021. The transaction amount of the single largest client of the Group accounted for 1.1% of the Group’s total revenue in 2021.

#### Major suppliers

The transaction amount of the top five suppliers of the Group in 2021 accounted for approximately 65.7% of the Group’s cost of raw materials used in the cost of sales in the year. The transaction amount of the single largest supplier of the Group accounted for approximately 44.5% of the Group’s cost of raw materials used in the cost of sales in the year.

In 2021, Mercedes-Benz Group (the largest supplier of the Group), Beijing Hainachuan Lear Automotive System Co., Ltd. (the fourth largest supplier of the Group), and Beijing Electric Vehicle Co., Ltd. (the fifth largest supplier of the Group) are the Connected Persons of the Group.

None of the Directors of the Company (the “Directors”), their close associates or any Shareholders (who to the best of the Directors’ knowledge held more than 5% of the issued shares of the Company) had interests in the major clients and suppliers of the Group in 2021.



## Section VI Report of the Board of Directors

### RELATIONS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group provides a competitive remuneration portfolio to attract and incentivize employees. The Group reviews the employees' remuneration portfolio on a regular basis and makes necessary adjustment in order to be in line with the market standard. The Group also understands that it is of great importance to maintain good relations with suppliers and customers for the realization of the short-term and long-term goals. For the purpose of maintaining the competitiveness of brands and the leading position, the Group is committed to providing consistently premium products and services to customers. In 2021, the Group had no material and significant dispute with suppliers and customers.

### ENVIRONMENTAL PERFORMANCE AND POLICIES

The Group has actively responded to the environmental policies and strictly complied with the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, and other laws, regulations and relevant policies. In adhering to the environmental concept of "green operation for sustainable development", we continued to promote clean production, develop green products through eco-design, and reduce the impact of the full life cycle of products on the environment. We will continued to strengthen the management and control of pollutants and reduce the impact of production processes on the environment by enhancing production efficiency, improving technology and processes, optimizing emission management and treatment systems as well as environmental monitoring.

The Group, through the business philosophy of "improving efficiency through cost reduction", promoted both management-related energy conservation and project-related energy conservation, explored energy-

saving potential, improved energy utilization efficiency and reduced energy consumption, achieving continuous improvement in energy performance and transforming into a "carbon neutral" enterprise. The Company has established its operating guidelines as planning energy consumption, promoting energy conservation and improving its productivity and efficiency through energy conservation. The Company promoted energy conservation through technologies and management methods, and continuously reduced its own energy consumption and carbon dioxide emissions, thus achieving the coordinated development of its economic development and resource conservation.

In 2021, the Group strictly complied with relevant laws, regulations and China's environmental policies, and established corresponding compliance operation mechanisms. It prepared the environmental, social and governance report according to the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange. For details, see the chapter headed "Environmental, Social and Governance Report" on pages 79 to 124 of this report.

### COMPLIANCE WITH LAWS AND REGULATIONS

The Company is an exempted company incorporated in China with limited liability, and registered as a non-Hong Kong company under the Hong Kong Companies Ordinance. The Shares of the Company are traded on the Main Board of the Stock Exchange. The Company continuously reviews its current systems and procedures, emphasizes and strives to comply with the Company Law of the People's Republic of China (the "Company Law"), the Listing Rules, the Securities and Futures Ordinance (the "SFO"), applicable Hong Kong Companies Ordinance, and other relevant laws and regulations which have a significant impact on the Company. The Company endeavors to safeguard its Shareholders' interests, enhance corporate governance and strengthen the functions of the Board of Directors.

## Section VI Report of the Board of Directors

Laws and regulations that have a significant impact on the operation of the Group include but are not limited to the Company Law, the Regulation of the People's Republic of China on the Administration of Company Registration, the Securities Law of the People's Republic of China, the Foreign Investment Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Regulation on the Administration on Recall of Defective Auto Products, the Provisions on the Liability for the Repair, Replacement and Return of Household Automotive Products, the Trademark Law of the People's Republic of China, the Patent Law of the People's Republic of China and the Product Quality Law of the People's Republic of China. In case of violation of the aforesaid laws and regulations, the Group may be subject to corresponding civil legal liabilities and administrative penalties imposed by competent authorities, or corresponding criminal liabilities if such violation constitutes a crime.

The operation of the Group has always complied with national and local laws and regulations. The Group upholds honesty and integrity, and performs its social responsibility. In 2021, there was no material litigation or dispute against the Group.

The Group has always been adhering to putting the exercise of power under institutional checks, continuously improving and strengthening the Company's employee management system construction. In 2021, the Group further deepened and perfected the management system matching with the governance requirements of listed companies, and further facilitated the system which is easy to comply with, operate and implement. Meanwhile, the Group continued to enforce the policies such as the Implementation of the Decision-making System by State-owned Enterprises for the Major Issues, Major Personnel Appointments and Dismissals, Investments in Major Projects and Use of Large Sums of Money and the Requirements of Practice Integrity for State-owned Enterprises Leaderships.

The Company and its employees have been exercising their best endeavors to strictly follow the applicable rules, laws and industry standards. The Directors are not aware of any breach of laws or regulations which have a significant impact on the Group, nor are they aware of any litigation or cases of corruption, bribery, extortion, fraud and money laundering involving the Group in 2021.

### **BANK LOANS AND OTHER BORROWINGS**

The details for bank loans and other borrowings of the Group at the end of 2021 are set forth in Note 24 to the consolidated financial statements.

### **DONATIONS**

In 2021, the Group did not make any donations.

### **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

The basic information of the Directors, the supervisors (the "Supervisors") and senior management of the Company is set out in the chapter headed "Directors, Supervisors and Senior Management" on pages 68 to 78 of this report.



## Section VI Report of the Board of Directors

### CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following sets out changes in information of the Directors, Supervisors and senior management from January 1, 2021 to the Latest Practicable Date:

#### Directors and Supervisors

On March 24, 2021, Mr. Jiang Deyi, Mr. Liao Zhenbo, Mr. Chen Hongliang and Mr. Hu Hanjun were appointed as non-executive Directors of the Company, Mr. Huang Wenbing was appointed as an executive Director of the Company, Mr. Ye Qian, Mr. Hubertus Troska, Mr. Harald Emil Wilhelm, Mr. Jin Wei and Mr. Sun Li were appointed as non-executive Directors of the Company, and Mr. Ge Songlin, Ms. Yin Yuanping, Mr. Xu Xiangyang, Mr. Tang Jun and Mr. Edmund Sit were appointed as independent non-executive Directors of the Company, for a term of office commencing on March 24, 2021 and ending on the expiry date of the term of office of the fourth session of the Board of Directors. On the same day, Mr. Jiang Deyi was elected as the Chairman of the Company by the fourth session of the Board of Directors, and the chairmen and members of the Audit Committee of the Company (the "Audit Committee"), the Remuneration Committee of the Company (the "Remuneration Committee"), the Nomination Committee of the Company (the "Nomination Committee"), and the Strategy Committee of the Company (the "Strategy Committee") were elected. The term of office of the above personnel commenced on March 24, 2021 and will end on the expiry date of the term of office of the fourth session of the Board of Directors. With the establishment of the fourth session of the Board of Directors, the Directors of the third session of the Board of Directors, namely, Ms. Shang Yuanxian, Mr. Xie Wei, Mr. Qiu Yinfu, Mr. Lei Hai, Mr. Wong Lung Tak Patrick, Mr. Bao Robert Xiaochen, Mr. Zhao Fuquan and Mr. Liu Kaixiang, ceased to be the Directors. For details, see the relevant announcement of the Company dated March 24, 2021.

On June 18, 2021, Mr. Gu Tiemin was appointed as a non-executive Director and a member of the Remuneration Committee for a term commencing from June 18, 2021 until the expiration of the term of the fourth session of the Board of Directors. On the same day, Mr. Jin Wei ceased to serve as the non-executive Director and the member of the Remuneration Committee. For details, see the relevant announcements of the Company dated April 28, 2021 and June 18, 2021.

On March 24, 2021, Ms. Li Chengjun and Mr. Zhang Yanjun were elected as the fourth session of employee representative Supervisors at the employee representatives' meeting of the Company. On the same day, Mr. Sun Zhihua, Mr. Zhou Xuehui and Ms. Qiao Yufei were appointed as the fourth session of non-employee representative Supervisors at the 2021 First Extraordinary General Meeting of the Company. The above five Supervisors formed the fourth session of the Board of Supervisors of the Company (the "Board of Supervisors"), with terms of office commencing from March 24, 2021 and shall end upon the expiry of the term of the fourth session of the Board of Supervisors. On the same day, Ms. Li Chengjun was elected as the chairman of the fourth session of the Board of Supervisors at the first meeting of the fourth session of the Board of Supervisors, with a term of office commencing from March 24, 2021 and shall end upon the expiry of the term of the fourth session of the Board of Supervisors. With the establishment of the fourth session of the Board of Supervisors, Mr. Gu Zhangfei, Mr. Wang Min, Mr. Qi Chunyu, Mr. Meng Meng, Ms. Wang Bin, Mr. Li Shuangshuang, Mr. Pang Minjing and Mr. Zhan Zhaohui, who were the Supervisors of the third session of the Board of Supervisors, ceased to be the Supervisors. Please refer to the announcement of the Company dated March 24, 2021 for further details.

## Section VI Report of the Board of Directors

### SENIOR MANAGEMENT AND COMPANY SECRETARY

On February 4, 2021, the Board of Directors appointed Mr. Wang Jianhui as the vice president of the Company and secretary to the Board of the Company, for a term of office commencing on February 4, 2021 and ending on the expiry of the term of office for the third session of the Board of Directors.

On March 24, 2021, the fourth session of the Board of Directors appointed Mr. Huang Wenbing as the president, Mr. Chen Wei, Mr. Du Junbao, Mr. Li Deren, Mr. Yang Xueguang, Mr. Wu Zhoutao, Mr. Wang Jianhui, Mr. Gao Jianjun and Mr. Li Xingxing as vice presidents of the Company, and Mr. Wang Jianhui as the secretary to the Board and company secretary. The term of office of the above personnel commenced on March 24, 2021 and will end on the expiry of the term of office for the fourth session of the Board of Directors.

On September 30, 2021, Mr. Wu Zhoutao ceased to be the vice president of the Company due to job changes. On October 9, 2021, Mr. Li Xingxing ceased to be the vice president of the Company due to retirement.

Save as disclosed above, from January 1, 2021 up to the Latest Practicable Date, the Company did not appoint new Directors, Supervisors and members of senior management, or remove any Directors, Supervisors and members of senior management.

### SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each Director of the Board of Directors and each Supervisor of the Board of Supervisors has entered into a service contract with the Company for a term of three years or ending on the expiry of the term of office for the current session of the Board of Directors or the Board of Supervisors. The service contracts set out the main terms, key conditions and relevant rights, obligations and responsibilities of the appointed Directors and Supervisors, with particular emphasis on the duties of the independent non-executive Directors and the executive Directors, and they can be terminated in accordance with the relevant terms in the service contracts.

In 2021, none of the Directors or the Supervisors has entered into a service contract with the Company that cannot be terminated by the Company within a year without compensation (other than statutory compensation).

### REMUNERATION OF DIRECTORS AND SUPERVISORS

Details of remuneration of Directors and Supervisors in 2021 are set out in Note 42 to the consolidated financial statements.



## Section VI Report of the Board of Directors

### REMUNERATION FOR FIVE INDIVIDUALS WITH THE HIGHEST REMUNERATION

Details of remuneration for five individuals (excluding Directors and Supervisors) with the highest remuneration in the Company in 2021 are set forth in Note 32 to the consolidated financial statements.

### MANAGEMENT CONTRACTS

In 2021, no contract regarding the management and administration of overall business and any substantial part of the business has been entered into by the Company.

### CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed “CONNECTED TRANSACTIONS” on pages 35 to 46 in this report, none of the Company or any of its subsidiaries entered into any contracts of significance with the Controlling Shareholder or any of its subsidiaries other than the Group, nor was there any contract of significance between the Group and the Controlling Shareholder or any of its subsidiaries other than the Group in relation to provision of services in 2021.

### MATERIAL INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS, TRANSACTIONS OR ARRANGEMENTS

In 2021, save as disclosed in this report, none of the Directors or Supervisors or their connected entities directly or indirectly has material interest in any contracts, transactions or arrangements, which are significant to the businesses of the Group and entered into by the Company or any of its subsidiaries.

### RIGHTS AND INTERESTS OF DIRECTORS ON COMPETING BUSINESSES

In 2021, save as disclosed in this report, none of the Directors or their associates has any competing interests in the businesses which compete or are likely to compete with businesses of the Company, either directly or indirectly.



## Section VI Report of the Board of Directors

### DIRECTORS AND SUPERVISORS SERVING IN COMPETING BUSINESSES

The chart below summarizes the information of the Directors and Supervisors of the Company serving in BAIC Group and its connected companies as at the Date of Issue of the Report:

Name	Main Positions in the Group	Main Positions in Beijing Automotive Group Co., Ltd. and Its Connected Companies
Mr. Jiang Deyi	<ul style="list-style-type: none"> <li>Chairman of the Board and non-executive Director of the Company</li> <li>Chairman of the board of directors of Beijing Benz Automotive Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Chairman of the board of directors of Beijing Automotive Group Co., Ltd.</li> </ul>
Mr. Liao Zhenbo	<ul style="list-style-type: none"> <li>Non-executive Director of the Company</li> </ul>	<ul style="list-style-type: none"> <li>Deputy general manager of Beijing Automotive Group Co., Ltd.</li> </ul>
Mr. Chen Hongliang	<ul style="list-style-type: none"> <li>Non-executive Director of the Company</li> </ul>	<ul style="list-style-type: none"> <li>General manager assistant of Beijing Automotive Group Co., Ltd.</li> </ul>
Mr. Hu Hanjun <sup>Note</sup>	<ul style="list-style-type: none"> <li>Non-executive Director of the Company</li> </ul>	<ul style="list-style-type: none"> <li>Secretary to the board of directors of Beijing Automotive Group Co., Ltd.</li> <li>Director of Beijing Automotive Asset Operation Management Co., Ltd. (北京汽車資產經營管理有限公司)</li> <li>Director of BAIC ROCAR Automobile Service &amp; Trade Co., Ltd.</li> <li>Director of Bohai Automotive System Co., Ltd.</li> </ul>

Note: Mr. Hu Hanjun was appointed as non-executive Director of the Company on 24 March 2021.



## Section VI Report of the Board of Directors

The businesses of the Group are partially competing with those of BAIC Group and its subsidiaries. Executive Director of the Company, Mr. Huang Wenbing (appointed as an executive Director on March 24, 2021), devoted most of his time to managing the Company's daily operations.

Save as disclosed above, as of the Date of Issue of the Report, none of the Directors, Supervisors or their associates had any rights and interests in competing businesses or businesses that might be competing with the Group's business, nor did they have any other conflicts of interest with the Group.

### **INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at the end of the Reporting Period, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations which were required (a) to be notified to the Company and the Hong Kong Stock

Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register of the Company as referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

### **DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

As at the end of 2021, none of the Directors or Supervisors or any of their respective associates was granted by the Company or its subsidiaries any rights to, or exercised any rights to acquire shares or debentures of the Company or any other body corporate.

## Section VI Report of the Board of Directors

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at the end of 2021, to the best knowledge of the Directors, the following entities/persons (except for the Directors, Supervisors and senior management) had interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 in Part XV of the SFO, or recorded in the register required to be kept of the Company under section 336 of the SFO, or who were directly and/or indirectly deemed to have 5% or more interest of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings:

Name of Shareholder	Class of Shares	Number of Shares/ Underlying Shares Held <sup>Note 1</sup>	Percentage of Relevant Class of Shares (%) <sup>Note 2</sup>	Percentage of the Total Share Capital (%)
Beijing Automotive Group Co., Ltd.	Domestic Shares	3,416,659,704(L)	62.18	42.63
Shougang Group Co., Ltd.	Domestic Shares	1,028,748,707(L)	18.72	12.83
Shenzhen Benyuan Jinghong Equity Investment Fund (Limited Partner)	Domestic Shares	342,138,918(L)	6.23	4.27
Mercedes-Benz Group AG	H Shares	765,818,182(L)	30.38	9.55

Note 1: (L) – Long position, (S) – Short position, (P)-Lending pool.

Note 2: The percentage is calculated based on the number of Shares held by relevant persons/the number of relevant classes of Shares of the Company in issue as at the end of 2021.



## Section VI Report of the Board of Directors

### ARRANGEMENTS FOR SHARE PRE-EMPTIVE RIGHT AND SHARE OPTION

In 2021, no arrangement for share pre-emptive right and share option was made by the Company, and there is no specific provision under the PRC laws or the Articles of Association regarding share pre-emptive right.

### DEBENTURES ISSUED

The debentures issued by the Group in 2021 are set out below:

On March 17, 2021, the Group issued offshore corporate bond in an amount of USD350 million with a term of 3 years, the annual coupon rate of 2.00%, and the proceeds raised for repaying interest-bearing debts and replenishing daily working capital.

On March 17, 2021, the Group issued 2021 first-tranche ultra short-term debentures in an amount of RMB2,000 million with a term of 180 days, the annual coupon rate of 3.00%, and the proceeds raised for repaying interest-bearing debts and replenishing the daily working capital.

On April 15, 2021, the Group issued 2021 second-tranche ultra short-term debentures in an amount of RMB2,000 million with a term of 180 days, the annual coupon rate of 2.90%, and the proceeds raised for repaying interest-bearing debts and replenishing the daily working capital.

On October 22, 2021, the Group issued 2021 third-tranche ultra short-term debentures in an amount of RMB1,500 million with a term of 180 days, the annual coupon rate of 2.92%, and the proceeds raised for repaying interest-bearing debts and replenishing the daily working capital.

On November 8, 2021, the Group issued 2021 first-tranche corporate bonds in an amount of RMB1,000 million with a term of 3 years, the annual coupon rate of 3.45%, and proceeds raised for repayment of interest-bearing debts and replenishing daily working capital.

### EQUITY-LINKED AGREEMENTS

In 2021, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company or subsisted.

### PERMITTED INDEMNITY PROVISION

In 2021, no permitted indemnity provision (whether made by the Company or otherwise) was made which was or is in force for the benefit of the Directors or any directors of the associated companies of the Company (if made by the Company).

The Company has liability insurance to protect Directors, Supervisors and senior management against certain relevant lawsuits.

### RETIREMENT AND EMPLOYEE BENEFIT SCHEMES

For details of the retirement and employee benefit schemes of the Group, see relevant information set out in the section headed “EMPLOYEES” on pages 47 to 48 of this report.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For details, see the chapter headed “Corporate Governance Report” on pages 51 to 67 of this annual report.

## Section VI Report of the Board of Directors

### AUDIT COMMITTEE

The Audit Committee has reviewed the Company's and the Group's 2021 annual results, and the audited consolidated financial statements for 2021 prepared in accordance with the IFRSs.

### AUDITORS

PricewaterhouseCoopers ("PwC") and PricewaterhouseCoopers Zhong Tian LLP ("PwC Zhong Tian") were appointed as the Company's auditors in relation to the financial statements prepared under the IFRSs and China Accounting Standards, respectively, for the year ended 2021.

### SUMMARY OF THE FIVE-YEAR FINANCIAL INFORMATION

Summary of the Group's operation performance, assets and liabilities for the last five financial years is set out in the chapter headed "Summary of Financial and Performance Information" on pages 6 to 7 in this annual report. This summary does not form part of the audited consolidated financial statements.

### COMPLIANCE OF BAIC GROUP WITH THE NON-COMPETITION UNDERTAKING

The Company has received a confirmation letter from BAIC Group, which confirms that in 2021, BAIC Group has complied with every undertaking in the "Non-competition Undertakings" given to the Company.

### PUBLIC FLOAT

According to the information publicly available to the Company, or to the knowledge of the Directors, on the Date of Issue of the Report, the public held no less than 21.90% of Shares issued by the Company, which complies with a waiver regarding public float obtained by the Company when Listing. For details, please refer to the Prospectus, the announcement of the Company on partial exercise of over-allotment option dated January 12, 2015, and the announcement of the Company on completion of the placing of H Shares dated May 3, 2018.

### MATERIAL LITIGATION

As of December 31, 2021, the Company was not involved in any material litigation or arbitration. To the best knowledge of 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.

### CONNECTED TRANSACTIONS

#### Fully-exempted continuing connected transactions

##### Trademark and Technology Licensing Framework Agreement between the Company and BAIC Group

The Company entered into the Trademark and Technology Licensing Framework Agreement with BAIC Group on December 2, 2014 for an initial term commencing on the Listing date of the Company and expiring on the end of 2016, subject to renewal upon mutual consents by both parties. In order to continue using the licensed trademark of BAIC Group, both parties have renewed the agreement on October 20, 2016, the term of which commenced on January 1, 2017 and expired at the end of 2019, subject to renewal upon mutual consents by both parties. Both parties renewed the agreement on March 27, 2019, with the term commencing on January 1, 2020 and ending on December 31, 2022, subject to further renewal with the agreement of both parties.



## Section VI Report of the Board of Directors

Pursuant to the agreement, BAIC Group agreed to grant the Group (excluding Beijing Benz) a non-exclusive license for the use of certain registered trademarks (the “Licensed Trademarks”) and relevant production technologies owned by BAIC Group on a royalty-free basis. Our Group will use the Licensed Trademarks and the production technologies within the scope specified in the Trademark and Technology Licensing Framework Agreement.

BAIC Group is the sole Controlling Shareholder and a Connected Person of the Company. The transaction between the Company and BAIC Group constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

The Trademark and Technology Licensing Framework Agreement was on normal commercial terms and the Group paid the trademark licensing fee of RMB nil and the technology licensing fee of RMB nil to BAIC Group in 2021. The applicable percentage ratio calculated pursuant to Chapter 14A of the Listing Rules was less than 0.1% on an annual basis. Pursuant to Rule 14A.76 of the Listing Rules, the aforesaid continuing connected transactions are exempted from reporting, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

### **Non-exempt continuing connected transactions**

#### **1. Trademark Licensing Agreement between Beijing Benz and BAIC Group**

Beijing Benz, a non-wholly owned subsidiary of the Company entered into a trademark licensing agreement (the “Trademark Licensing Agreement”) with BAIC Group on February 28, 2013, with regard to its company name of “Beijing Benz”, the production and assembly of its existing vehicle models, and the agreement will remain effective within the term of the joint venture agreement of Beijing Benz. The trademark licensing arrangement is a part of the joint venture agreement between the Company and Mercedes-Benz Group in respect of Beijing Benz.

Pursuant to the agreement, Beijing Benz has the non-exclusive license granted by BAIC Group to use the “Beijing” trademark in the Company’s name, and the manufacturing and assembly of passenger vehicles, and Beijing Benz shall regularly pay the trademark licensing fee to BAIC Group. The trademark licensing fee payable to BAIC Group has determined with reference to an agreed percentage of the net revenue generated by each vehicle. The annual caps of the trademark licensing fee paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement for 2020, 2021 and 2022 were RMB939.8 million, RMB986.8 million and RMB1,036.2 million respectively. The above continuing connected transactions and the annual caps were considered and approved by the Board of Directors on March 27, 2019. For other details on the Trademark Licensing Agreement, see the announcement of the Company dated March 27, 2019.

In 2021, the trademark licensing fee paid by Beijing Benz to BAIC Group under the above agreement was RMB680.7 million.

#### **2. Property and Facility Leasing Framework Agreement between the Company and BAIC Group**

The Company entered into a property and facility leasing framework agreement (the “Property and Facility Leasing Framework Agreement”) with BAIC Group on December 2, 2014, with the term from the Listing date of the Company to the end of 2016, subject to renewal through mutual consents by both parties. Both parties renewed the Property and Facility Leasing Framework Agreement on October 20, 2016, with a term from January 1, 2017 to the end of 2019, subject to renewal through mutual consents by both parties.

## Section VI Report of the Board of Directors

Pursuant to the agreement, the Company and/or its subsidiaries will lease properties and facilities from BAIC Group and/or its associates for manufacturing specific passenger vehicles. The rent payable under the agreement was agreed based on arm's length negotiation between the parties to the agreement with reference to the local market price, in compliance with relevant rules and regulations of the PRC; individual agreements shall be entered into, which shall specify the specific terms and conditions (including property rents, payment methods and other usage fees), in respect of relevant leased properties and facilities. On March 27, 2019, the Company entered into a supplemental agreement to the Property and Facility Leasing Framework Agreement ("Property and Facility Leasing Supplemental Agreement") with BAIC Group to supplement certain provisions in respect of transaction type under the Property and Facility Leasing Framework Agreement and set up the annual cap for the rentals to be received by the Group from BAIC Group and/or its associates for properties and facility leasing in 2019. Pursuant to the Property and Facility Leasing Supplemental Agreement, the Company and/or its subsidiaries will lease properties and facilities to BAIC Group and/or its associates for manufacturing specific passenger vehicles.

The Company and BAIC Group renewed the amended Property and Facility Leasing Framework Agreement on March 27, 2019, for a term from January 1, 2020 to December 31, 2022, subject to renewal through mutual consents by both parties. The annual caps for 2020, 2021 and 2022 determined by the Company for the total annual rentals for properties and facility leasing to be paid to BAIC Group and/or its associates are RMB351.9 million, RMB387.1 million and RMB425.8 million respectively; the annual caps for 2020, 2021 and 2022 determined by the Company for the total

annual rentals for properties and facility leasing to be received from BAIC Group and/or its associates are RMB255.9 million, RMB255.9 million and RMB255.9 million respectively. The above continuing connected transactions and the annual caps were considered and approved by the Board of Directors on March 27, 2019. For other details on the Property and Facility Leasing Framework Agreement, please refer to the announcement of the Company dated March 27, 2019.

In 2021, the rentals for properties and facility leasing paid by the Group to BAIC Group and/or its associates were RMB130.6 million, and the rentals received from BAIC Group and/or its associates for properties and facility leasing were RMB0.

### 3. Financial Services Framework Agreement between the Company and BAIC Finance

The Company entered into a financial services framework agreement (the "Financial Services Framework Agreement") with BAIC Finance on December 2, 2014, for an initial term commencing on the Listing date of the Company and expiring at the end of 2016, subject to renewal through mutual consents by both parties. The Company renewed the Financial Services Framework Agreement with BAIC Finance on October 20, 2016, with the term from January 1, 2017 to the end of 2019, subject to renewal through mutual consents by both parties.

Pursuant to the agreement, BAIC Finance will provide financial services to the Company, mainly including (i) deposits; (ii) loans and entrusted loans; (iii) other financial services inclusive of notes discount and acceptance, finance leasing, settlement and entrusted loan agency; and (iv) any other services subject to relevant approvals from China Banking and Insurance Regulatory Commission ("CBIRC").



## Section VI Report of the Board of Directors

The Financial Services Framework Agreement provides for the following pricing principles:

- (a) Deposit services. Interest rates for the deposits placed by the Group with BAIC Finance will not be lower than: (i) the interest rate published by the People's Bank Of China ("PBOC") for deposits of a similar type for the same period; (ii) the interest rate for deposits of a similar type for the same period placed by the subsidiaries of BAIC Group (other than the Group); or (iii) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to us and our subsidiaries.
- (b) Loan services. Interest rates for the loans to be advanced by BAIC Finance to the Group will not be higher than: (i) the caps (if any) of the loan interest rate published by the PBOC for loans of a similar type for the same period; (ii) the interest rate for loans of a similar type for the same period offered by BAIC Finance to other subsidiaries of BAIC Group (other than the Group); or (iii) the interest rate for loans of a similar type for the same period offered by independent commercial banks to the Group.
- (c) Other financial services. The interest rates or services fees will be (i) subject to the benchmark fee (if applicable) for similar types of financial services published by the PBOC or CBRC from time to time; (ii) comparable to or

not exceeding the interest rates or fees charged by independent commercial banks or financial institutions to the Group for similar types of financial services; and (iii) comparable to or not exceeding the fees charged by BAIC Finance to the subsidiaries of BAIC Group (other than the Group) for similar financial services.

BAIC Group, the Controlling Shareholder and a Connected Person of the Company, holds 56.00% equity interest in BAIC Finance, an associate of BAIC Group, therefore, BAIC Finance is also a Connected Person of the Company. The transactions under the Financial Services Framework Agreement between the Company and BAIC Finance constitute connected transactions of the Company, pursuant to Chapter 14A of the Listing Rules.

As the loan services provided by BAIC Finance to the Group are on normal commercial terms and on terms that are no less favourable than those offered by independent third parties to the Group for comparable services in China, and that no security over the assets of the Group would be granted in respect of the loans, therefore, the loan service transactions are exempted from the reporting, announcement and independent Shareholders' approval requirements under the Rule 14A.90 of the Listing Rules.



## Section VI Report of the Board of Directors

The Company renewed the Financial Services Framework Agreement with BAIC Finance on March 27, 2019, with the term from January 1, 2020 to December 31, 2022, subject to renewal through mutual consents by both parties. The annual caps on the maximum daily balance of deposits and the interest income from deposits under the Financial Services Framework Agreement for 2020, 2021 and 2022 are as follows:

Item	Annual cap for the year ended December 31, (RMB in million)		
	2020	2021	2022
Maximum daily balance of deposits placed by the Group with BAIC Group Finance Co., Ltd.	16,000.0	16,000.0	16,000.0
Interest income from deposits placed by the Group with BAIC Group Finance Co., Ltd.	292.8	292.8	292.8

The above continuing connected transactions and the annual caps were considered and approved by the Board of Directors on March 27, 2019, and approved at the 2018 annual general meeting of the Company on June 18, 2019. For other details on the Financial Services Framework Agreement, see the announcement of the Company dated March 27, 2019 and the circular of the Company dated May 24, 2019.

In 2021, the actual maximum daily balance of deposits placed by the Group with BAIC Finance was RMB15,968.0 million, and the actual Interest income from deposits placed by the Group with BAIC Finance was RMB289.3 million.



## Section VI Report of the Board of Directors

### 4. Products and Services Purchasing Framework Agreement between the Company and BAIC Group

The Company entered into a products and services purchasing framework agreement (the “Products and Services Purchasing Framework Agreement”) with BAIC Group on December 2, 2014, for an initial term of the Agreement commenced on the Listing date of the Company and expired at the end of 2016, subject to renewal through mutual consents by both parties. In order to effectively meet the Company’s requirements in terms of stable supply and high quality of products and comprehensive services and high quality, the Company renewed the Products and Services Purchasing Framework Agreement with BAIC Group on October 20, 2016, with the term from January 1, 2017 to the end of 2019, subject to renewal through mutual consents by both parties.

Pursuant to such agreement, BAIC Group and/or its associates will provide the Company and/or its subsidiaries with products including automobile equipment, raw materials, components and parts, vehicles, and services including labor services, logistics services, transportation services and consultancy services (“Purchased Products and Comprehensive Services”). In order to ensure that

the terms of individual transaction in respect of the purchase of products and comprehensive services by the Group from BAIC Group are fair and reasonable and in line with market practices, the Group has adopted the following pricing policies and measures: to have regular contact with the suppliers of the Group (including BAIC Group) to keep abreast of market developments and the price trend of comprehensive services; before placing an individual purchase order, to invite certain suppliers (including BAIC Group) from the approved list of suppliers of our Group to submit quotations or proposals; to have the suppliers and pricing of products and comprehensive services determined jointly by the Company’s tender assessment team according to the Company’s administrative measures for market quotations.

The Company renewed the Products and Services Purchasing Framework Agreement with BAIC Group on March 27, 2019, for the term from January 1, 2020 to December 31, 2022, subject to renewal through mutual consents by both parties. The annual caps for purchase of products and purchase of services under the Products and Services Purchasing Framework Agreement for 2020, 2021 and 2022 are as follows:

**Annual cap for the year ended December 31,  
(RMB in million)**

Item	2020	2021	2022
Purchase of products	50,346.0	52,920.8	55,603.1
Purchase of services	5,036.4	4,990.2	5,194.6

The above continuing connected transactions and the annual caps were considered and approved by the Board of Directors on March 27, 2019, and approved at the 2018 annual general meeting of the Company on June 18, 2019. For other details on the Financial Services Framework Agreement, see the announcement of the Company dated March 27, 2019 and the circular of the Company dated May 24, 2019.

In 2021, the actual amount of purchasing products and services under the Products and Services Purchasing Framework Agreement were RMB26,635.1 million and RMB3,552.6 million respectively.

## Section VI Report of the Board of Directors

### 5. Provision of Products and Services Framework Agreement between the Company and BAIC Group

The Company entered into a provision of products and services framework agreement (the “Provision of Products and Services Framework Agreement”) with BAIC Group on December 2, 2014, for an initial term of the Agreement commenced on the Listing Date of the Company and expired at the end of 2016, subject to renewal through mutual consents by both parties. The Company renewed the Provision of Products and Services Framework Agreement with BAIC Group on October 20, 2016, with the term from January 1, 2017 to the end of 2019, subject to renewal through mutual consents by both parties.

Pursuant to such agreement, BAIC Group and/or its associates will purchase various products comprising facilities, raw materials, components and parts, vehicles etc. (“Provision of Products”) and services comprising sales agency, processing agency, labor, logistics, transportation and consultancy services (“Provision of Services”) offered by the Company and/or its subsidiaries. In order to ensure that the

terms under such agreement are fair, the said agreement specifically provides that the terms of transactions contemplated thereunder are to be no less favorable than those entered into between the Company and independent third parties. The service fees charged to BAIC Group by the Group are determined on the basis of arm’s length negotiations between the relevant parties. To ensure that the terms of supplying products and services to BAIC Group are fair and reasonable, the Group will make reference to the relevant historical prices of products and services and will base such on the principle of cost coupled with a fair and reasonable margin.

The Company renewed the Provision of Products and Services Framework Agreement with BAIC Group on March 27, 2019, for the term from January 1, 2020 to December 31, 2022, subject to renewal through mutual consents by both parties. The annual caps for provision of products and services under the Provision of Products and Services Framework Agreement for 2020, 2021 and 2022 are as follows:

**Annual cap for the year ended December 31,  
(RMB in million)**

Item	2020	2021	2022
Provision of products	29,726.4	31,250.5	32,836.9
Provision of services	392.7	413.3	434.7

The transaction for Provisions of Products and the annual caps were considered and approved by the Board of Directors on March 27, 2019, and approved at the 2018 annual general meeting of the Company on June 18, 2019. The transaction for Provision of Services and the annual caps were considered and approved by the Board of Directors on March 27, 2019. For other details on the transactions for the Provision of Products and Provision of Services, see the announcement of the Company dated March 27, 2019 and the circular of the Company dated May 24, 2019.

In 2021, the amounts actually incurred for the Provisions of Products and Provision of Services under the Provision of Products and Services Framework Agreement were RMB17,209.4 million and RMB37.0 million respectively.



## Section VI Report of the Board of Directors

### 6. Continuing connected transactions in relation to Mercedes-Benz Group and its associates

In 2021, the Group has entered into a number of continuing connected transactions with Mercedes-Benz Group and its associates. In view of factors including protection of trade secrets and avoidance of unnecessary burden and losses to the business and operation of the Group, the Stock Exchange, at the time of Listing of the Company, has granted the Company an exemption from strict compliance with the written agreement and/or annual cap, announcements, annual reporting and/or independent Shareholders' approval requirements under the Listing Rules in respect of certain transactions with Mercedes-Benz Group, as follows:

Nature of transaction	Transaction summary and pricing policy	Exemption granted
<b>Sales of vehicles by Beijing Benz to Mercedes-Benz Group and its associates</b>	<ul style="list-style-type: none"><li>• <b>Transaction summary:</b> Mercedes-Benz Group and its associates purchased vehicles from Beijing Benz for the purposes of research and development, testing, marketing and promotion and self-use.</li><li>• <b>Pricing policy:</b> The market prices of relevant vehicles have been taken into consideration to ensure that the prices are fair and reasonable and on normal commercial terms</li></ul>	Signing of written agreement
<b>Purchases of parts and accessories by Beijing Benz from Mercedes-Benz Group and its associates</b>	<ul style="list-style-type: none"><li>• <b>Transaction summary:</b> Beijing Benz purchased from Mercedes-Benz Group and its associates' components (including chassis), spare parts and accessories for the purposes of production.</li><li>• <b>Pricing policy:</b> The market prices of similar products available in the market will be taken into consideration by Beijing Benz to ensure that the prices offered by Mercedes-Benz Group and/or its associates are reasonable and competitive in the market.</li><li>• <b>Transaction amount:</b> Not applicable.</li></ul>	Signing of written agreement, annual cap, annual reporting, announcement and independent Shareholders' approval

## Section VI Report of the Board of Directors

Nature of transaction	Transaction summary and pricing policy	Exemption granted
<p><b>Provision of the right to use intellectual property rights (including trademarks and technologies) by Mercedes-Benz Group and its associates to Beijing Benz</b></p>	<ul style="list-style-type: none"> <li>• <b>Transaction summary:</b> Beijing Benz is granted by Mercedes-Benz Group a non-exclusive license for the use of trademarks (including the “Benz” trademark in its company name) and technologies in the manufacture and assembly of Mercedes-Benz branded passenger vehicles upon the periodic payment of royalties to Mercedes-Benz Group and its associates.</li> <li>• <b>Pricing policy:</b> The prices for the use of technologies and trademarks have been agreed by Mercedes-Benz Group and the Group on arm’s length negotiations subject to our internal control procedures. The royalties payable for such licenses of technologies and trademarks are calculated as a percentage of the net revenue from vehicles and automobile parts and components which use the licensed technologies and trademarks. This net revenue is calculated based on the manufacturer’s suggested retail price less the value-added tax, gross margin of dealers, sales rebates to dealers, consumption tax and sales discounts.</li> <li>• <b>Transaction amount:</b> Not applicable.</li> </ul>	<p>Signing of written agreement, annual cap, annual reporting, announcement and independent Shareholders’ approval</p>
<p><b>Provision of services by Mercedes-Benz Group and its associates to Beijing Benz</b></p>	<ul style="list-style-type: none"> <li>• <b>Transaction summary:</b> Beijing Benz has entered into service procurement agreements with Mercedes-Benz Group and its associates, pursuant to which Mercedes-Benz Group and its associates provided technical support, training, specialist assistance, IT support, sales consulting, marketing and operational management services.</li> <li>• <b>Pricing policy:</b> The service fees charged by Mercedes-Benz Group and its associates to the Group are determined based on arm’s length negotiations subject to our internal control procedures. In relation to technical support services and specialist assistance services, Mercedes-Benz Group and the Company agreed that the service fees to be paid will be determined on a fixed fee rate on a daily basis with reference to the historical rates paid by Beijing Benz for the provision of similar services. The Group will take into account the market prices and comparable prices of similar services.</li> <li>• <b>Transaction amount:</b> Not applicable.</li> </ul>	<p>Signing of written agreement, annual cap, annual reporting, announcement and independent Shareholders’ approval</p>



## Section VI Report of the Board of Directors

Nature of transaction	Transaction summary and pricing policy	Exemption granted
<b>Beijing Benz provides Mercedes-Benz Group and its associates with services, parts and accessories</b>	<ul style="list-style-type: none"><li data-bbox="544 357 1166 482">• <b>Transaction summary:</b> Beijing Benz sold components and spare parts and provided aftersales referral services to Mercedes-Benz Group and its associates.</li><li data-bbox="544 519 1166 901">• <b>Pricing policy:</b> In relation to the aforesaid transactions, the Group will take into account the market prices of the relevant parts, components and services offered by other suppliers to Mercedes-Benz Group and its associates to ensure that the prices Beijing Benz offered to Mercedes-Benz Group and its associates are fair and reasonable and on normal commercial terms. The Group determines the prices of our components, parts and accessories by reference to the average profit margin in the market or based on the principle of the cost plus a reasonable margin.</li><li data-bbox="544 937 999 963">• <b>Transaction amount:</b> Not applicable.</li></ul>	Signing of written agreement, annual cap, annual reporting, announcement and independent Shareholders' approval

## Section VI Report of the Board of Directors

Upon completion of the placing of H Shares by the Company on May 3, 2018 and as at the date of this report, Mercedes-Benz Group held 9.55% equity interest in the Company and ceased to be a Connected Person at the listed company level; since Mercedes-Benz Group held 49% equity interest in Beijing Benz at the same time, a significant subsidiary of the Company, Mercedes-Benz Group and its associates remained Connected Persons of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules, and the transactions entered into between the Group and Mercedes-Benz Group and its associates continued to constitute connected transactions of the Company and shall be regulated as transactions with Connected Persons at the subsidiary level.

The annual caps for the continuing connected transactions arising from the sale of vehicles by Beijing Benz to Mercedes-Benz Group and its associates for 2020, 2021 and 2022 are RMB210.0 million, RMB210.0 million and RMB210.0 million respectively. The above continuing connected transactions and the annual caps were considered and approved by the Board of Directors on March 27, 2019. As each of applicable percentage ratios of the annual caps is less than 1%, pursuant to Rule 14A.76 of the Listing Rules, the aforesaid continuing connected transactions shall be fully exempted from reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In 2021, the actual amount of such transactions was RMB84.2 million.

### **Independent non-executive directors' review and confirmation**

Independent non-executive Directors have reviewed the aforesaid continuing connected transactions and have confirmed that in 2021, they have been entered into: in the ordinary and usual course of the Group's business; on normal commercial or better terms; with the terms no less favorable to the Company than those offered to or by (as the case may be) independent third parties, if those available for comparison are insufficient to determine whether the terms of such transaction is normal commercial terms; and in accordance with relevant agreements whose conditions are fair and reasonable and in the interest of the Shareholders as a whole.

### **Auditor's Letter**

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged our auditor, PwC, to report on the Group's continuing connected transactions in accordance with HKSAE3000 (Revised) "Hong Kong Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accounts. Based on its work, the Company's auditor provided the Board of Directors with a letter confirming that, with respect to the aforesaid continuing connected transactions: (1) nothing has come to our auditor's attention that causes it to believe that the disclosed continuing connected transactions have not been approved by the Board of Directors; (2) for transactions involving the provision



## Section VI Report of the Board of Directors

of goods or services by the Group, nothing has come to our auditor's attention that causes it to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (3) nothing has come to our auditor's attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; (4) with respect to the aggregate amount for each of the aforesaid continuing connected transactions, nothing has come to our auditor's attention that causes it to believe that the amount of the disclosed continuing connected transactions has exceeded the annual cap as set by the Company.

The Company has submitted a copy of the aforesaid auditor's letter to the Stock Exchange.

The Company confirmed that the entering into and implementation of specific agreements in relation to the above continuing connected transactions for 2021 has complied with the pricing principles of these continuing connected transactions.

Save as disclosed above and as in this annual report, there are no other related party transactions or continuing related party transactions set out in Note 39 to the consolidated financial statements which are discloseable connected transactions or continuing connected transactions under the Listing Rules. The connected transactions and continuing connected transactions have complied with the disclosure requirements under Chapter 14A of the Listing Rules.

### **MODEL CODE**

Having made all reasonable enquiries to the Directors and the Supervisors, in the year 2021, they confirmed that they have strictly followed the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Company has not adopted a standard lower than that provided by the Model Code in relation to Directors' and Supervisors' securities transactions.

### **ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of 2021 audited consolidated financial statements are consistent with the principal accounting policies for the preparation of 2020 audited consolidated financial statements.



## Section VI Report of the Board of Directors

### EMPLOYEES

#### Personnel Structure

As of the end of 2021, the Group had 18,694 full-time employees and the number of employees of different functions is set out in the table below:

Classification	Beijing Brand	Beijing Benz	Subtotal
Production workers	3,042	10,529	13,571
Technical staff	2,189	1,522	3,711
Sales, management and other personnel	430	982	1,412
Total	5,661	13,033	18,694

#### Employee motivation

The Group has established a comprehensive performance evaluation system to link the annual business objectives with the performance evaluation of different departments and employees. The Group implements a rigorous and comprehensive performance evaluation system built across the Company and cascaded down to its departments, branches and individuals to ensure full coverage of key indicators as well as effective implementation and achievement of indicators by level-by-level management. Through multiple measures and approaches, the Group's business and individual motivation are connected, thereby stimulating the creative capability of the organization and the individuals. In line with the notion of pursuing shareholder value and corporate social responsibility, we hope to contribute to the sustainable development of the Company.

#### Employee training

In 2021, according to its overall corporate strategy and talent plan, the Group took internal training as the main focus and supplemented by external training, combined with the needs of pandemic prevention and control, continued to work on training digital transformation and reform promotion, relied on the online learning platform to provide training on trends, management, capacity building and the Party's history, on the basis of continuous and proper development of talents at all levels and team construction to organize experience extraction for key businesses, thus improving the organizational efficiency, activating the vitality of personnel, strongly supporting the career development of employees and implementation of corporate strategies.



## Section VI Report of the Board of Directors

### Employees' remuneration

Based on human resources strategies, the Group has established a performance and competence-oriented remuneration system with a focus on the post value, and a competitive remuneration standard with reference to the remuneration level of relevant enterprises in Beijing and the same industry, providing effective guarantee for recruiting, retaining and motivating talents, as well as the realization of human resources strategy of the Group.

### Pension plan

In 2021, the Group has a total of 75 retired individuals who enjoy the basic pension insurance granted by the local social security bureau.

The Group has established a pension system to provide the qualified and voluntary employees with the supplementary pension plan offering certain guarantee on retirement income. The employees participating in the plan shall make relevant payment by a certain proportion. A third-party legal person trustee is entrusted to act as the account manager, custodian and investment manager to carry out fund management and investment activities. In accordance with the provisions of the pension system, such payment shall be payable at the time of employee retirement.

The Group makes fixed monthly contributions to various retirement benefit schemes based on a specified percentage of eligible employees' salaries and the relevant contribution ceilings, including.

(a) Mandatory Chinese government-funded pension scheme: The Group is required to make contributions to pension schemes established by municipal and provincial governments in the PRC under these schemes. In accordance with the relevant government policy, the Group is not allowed to use

the relevant contributions to reduce the existing contribution level even if the employee withdraws from the relevant scheme before the contributions are vested in him/her. In 2021, the Group did not use any forfeited contributions in the relevant schemes to reduce the existing level of contributions. As of 31 December 2021, the Group also had no forfeited contribution balances available for such purposes; and

(b) Voluntary supplementary pension scheme: The Group did not use forfeited contributions under these schemes (i.e., contributions that employees withdrew from the schemes before the contributions were vested in him/her and were processed by the Group on behalf of the employees) to reduce the current level of contributions in 2021. As of 31 December 2021, the balance of forfeited contributions available to the Group for such purpose was RMB7.5 million.

All references in this part of this annual report (Report of the Board of Directors) to other parts, sections of or notes in the annual report, form part of the Report of the Board of Directors.

**BY ORDER OF THE BOARD**

**Jiang Deyi**  
*Chairman*

March 24, 2022

## Section VII Report of the Board of Supervisors

In the year 2021, pursuant to the Company Law, the Articles of Association and Rules of Procedure of the Board of Supervisors of BAIC Motor Corporation Limited (“Rules of Procedure of the Board of Supervisors”), and in the spirit of accountability for the interest of the Company and safeguarding the legitimate rights of the Shareholders, all Supervisors have duly performed their supervisory duties to effectively monitor and inspect the execution of the duties of the Directors and senior management and the operation and management activities of the Company. In so doing, they have promoted the operational standard and healthy development of the Company.

### THE WORK OF THE BOARD OF SUPERVISORS

#### Convening meetings of the Board of Supervisors

In the year 2021, a total of four meetings of the Board of Supervisors were held, at which the Adjustment on the Structure of the Board of Supervisors, the Nomination of Candidates for the Fourth Session of the Board of Supervisors, the Work Report of the Board of Supervisors for 2020, the 2020 Annual Report, the 2021 Interim Report, the financial statements for the first quarter and the third quarter of 2021 were considered and approved.

#### Changes of members of the Board of Supervisors

On March 24, 2021, pursuant to the provisions of the Articles of Association, Ms. Li Chengjun and Mr. Zhang Yanjun were elected as employee representative Supervisors of the fourth session of the Board of Supervisors at the employee representatives’ meeting of the Company, and Mr. Sun Zhihua, Mr. Zhou Xuehui and Ms. Qiao Yufei were appointed as non-employee representative Supervisors of the fourth session of the Board of Supervisors at the 2021 first extraordinary general meeting of the Company. The above five Supervisors form the fourth session of the Board of Supervisors for a term of office commencing on March 24, 2021 and ending on the expiry of the term of office for the fourth session of the Board of Supervisors. On the same date, Ms. Li Chengjun was elected as the chairman of the fourth session of the Board of Supervisors at the first meeting of the fourth session of the Board of Supervisors, for a term of office commencing on March 24, 2021 and ending on the expiry of the term of office for the fourth session of the Board of Supervisors. For details, see the relevant announcement of the Company dated March 24, 2021.

#### Attendance at the Shareholders’ general meetings and the Board meetings

Pursuant to the Articles of Association and the Rules of Procedure of the Board of Supervisors, members of the Board of Supervisors attended the 2020 annual general meeting, the 2021 first domestic shareholders class meeting, the 2021 first H shareholders class meeting, the 2021 first extraordinary general meeting, and was in attendance at the Board meetings held on site. The Board of Supervisors also appointed certain Supervisors to act as the scrutinizers of the general meetings and Board meetings to ensure the legality of meeting procedures and matters voted on at the meetings, and reviewed relevant materials of the Board meetings held by teleconference.

By attending the general meetings and the Board meetings and reviewing relevant meeting materials, members of the Board of Supervisors enhanced their understanding of consideration of proposals of the general meetings and the Board of Directors, as well as the decision-making process of the Board. They have also enhanced their understanding of the financial position, connected transactions and production and operation of the Company, the supervision of the performance of the duties of the Directors and senior management, decisions on significant matters, standardization and effectiveness of operation and management activities; and in a timely manner, have informed the Company of possible risks and problems in production, operation, financial management and internal control, and have put forward reasonable suggestions on major operating decisions and financial risk control of the Company, and enhanced supervision of the Company for lawful operation. In so doing, they have played a positive role in promoting the Company’s standardized governance and improving the operational efficiency of the Company.

#### Status of supervision

In 2021, in consideration of the strategic arrangements, corporate operation management and the implementation of material projects of the Company, the Board of Supervisors investigated the key projects of its business and made recommendations for improvement to the risks of key projects.



## Section VII Report of the Board of Supervisors

Meanwhile, members of the Board of Supervisors made suggestions on the industrial chain optimization projects of their respective investment enterprises, suggested the establishment of a firm awareness of risk prevention, the thoroughly implementation of the industrial chain optimization work to implement a lean and healthy system and promote the healthy development of enterprises. In the face of the new situation and development of international business, members of the Board of Supervisors suggested that the overseas business should be carefully assessed and considered in a comprehensive manner, with specific analysis based on different markets, in order to further enhance operational capability and profitability.

The Board of Supervisors further safeguarded the interests of the Company and Shareholders by continuously strengthening the supervision and inspection of enterprises to prevent operational risks, which lays a solid foundation for the sustained, steady and healthy development of the Company.

### **INDEPENDENT OPINION OF BOARD OF SUPERVISORS ON LAWFUL OPERATION OF THE COMPANY**

In the year 2021, the Board of Directors made scientific decisions in compliance with the Company Law, the Listing Rules, the Articles of Association and relevant laws, regulations and systems. The Directors duly performed their duties diligently and in accordance with the laws; the members of senior management devoted to their duties and performed their duties faithfully and conscientiously implemented the decisions made by the Board of Directors, and ensured high standards of operation and prudent management of the Company. The Company continuously improved and effectively implemented the internal control systems according to its actual conditions, requirements of laws and regulations. The internal control systems complied with relevant national laws, regulations and actual requirements of the Company and played a relatively good role in preventing and controlling risks for the operation and management of the Company. The Company has established internal joint supervision mechanisms including discipline inspection and supervision, internal audit and compliance management, which effectively promote, prevent and address the operational risks of the Company, and promote compliant operation of the Company.

### **INDEPENDENT OPINION OF BOARD OF SUPERVISORS ON INSPECTION OF THE COMPANY'S FINANCIAL STATUS**

The chairman and members of the Board of Supervisors were in attendance at the meetings of the Audit Committee for the year, and supervised the financial position, risk management, internal audit and other work of the Company. The Board of Supervisors carefully read the 2021 financial budget report of the Company, reviewed the standard unqualified auditor's reports issued by PwC and PwC Zhong Tian, listened to the report of the Company's senior management on relevant audit and communicated with the auditors. The Board of Supervisors is of the view that the Company's 2021 financial report meets the requirements of the relevant accounting standards and regulations; and it gives a true and fair view of the Company's financial position and business performance; and the information reflecting the Company's operation is truthful, legitimate and complete without false information, misleading representation or material omissions.

During the year, the work of the Board of Supervisors was supported by the Shareholders, the Board of Directors and the management. We hereby would like to express our heartfelt gratitude to the Shareholders, the chairman of the Board, the Directors and the management.

**By order of the Board of Supervisors**

*Chairman of the Board of Supervisors*

**Ms. Li Chengjun**

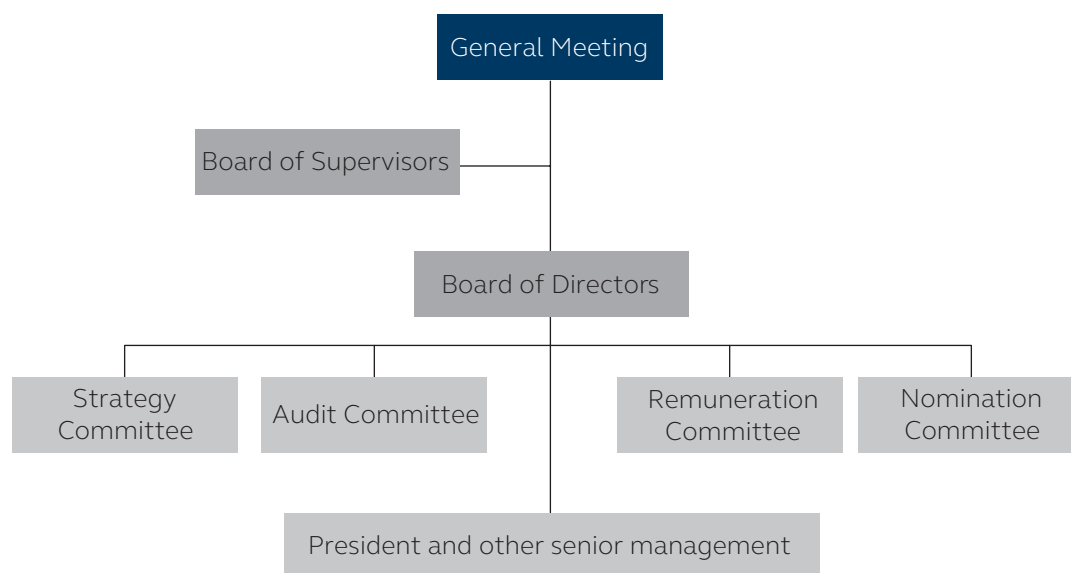
March 24, 2022

## Section VIII Corporate Governance Report

### CORPORATE GOVERNANCE PRACTICE

The Group has been building and maintaining a high level of corporate governance so as to protect the rights and interests of Shareholders and enhance corporate value and sense of responsibility. The Company has put together a sound and market-oriented corporate governance structure and established the general meeting, the Board of Directors, the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee (the “Special Committees”) and the Board of Supervisors, and implemented corporate governance practices in strict accordance with the Articles of Association. The Company has adopted the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules (the “Corporate Governance Code”).

The governance structure of the Company is as follows:



The Board of Directors and the Board of Supervisors of the Company completed the election of the new session on 24 March 2021. In the opinion of all Directors of the Company, the Company has complied with all applicable code provisions under the Corporate Governance Code throughout 2021 and the Group has complied with all applicable code provisions set out in the Corporate Governance Code in all material respects.

### GENERAL MEETING

#### Responsibility

The general meeting is the supreme decision-making

body of the Company and is responsible for lawfully exercising its functions and rights and making important decisions. The annual general meeting or the extraordinary general meeting provides a channel for direct communication between Directors and Shareholders. Therefore, the Company attaches great importance to the general meeting. Notice shall be sent to all the Shareholders to encourage their attendance, at least 20 working days before an annual general meeting, or 10 working days or 15 days (whichever is longer) before an extraordinary general meeting, requesting that all the Directors, Supervisors and secretary to the Board attend the meetings, while the president and other senior management should be in attendance at the meetings.



## Section VIII Corporate Governance Report

In 2021, the Company held four general meetings, including the 2020 annual general meeting, the 2021 first domestic shareholders class meeting, the 2021 first H shareholders class meeting and the 2021 first extraordinary general meeting. The attendance of Directors at general meetings in 2021 is set out on page 56 of this report:

### Substantial Shareholders

BAIC Group is the Controlling Shareholder of the Company and as at the Date of Issue of the Report, BAIC Group holds 42.63% of the Shares of the Company. During 2021, BAIC Group did not circumvent the general meeting to make direct or indirect intervention in the Company's decision making and business operation.

For 2021, information on other substantial Shareholders and information on the persons with a voting right of 5.0% or above at the general meeting (classes of Shares by Domestic Share and H Share) are set out in the chapter headed "Report of the Board of Directors" on pages 24 to 48 of this report.

### BOARD OF DIRECTORS

#### Responsibility

Pursuant to the Articles of Association, the Company established the Board of Directors which is accountable to the general meeting. The Board of Directors comprises 15 Directors, including one executive Director, nine non-executive Directors and five independent non-executive Directors. The Directors are elected at the general meeting for a three-year term of office, and are eligible for re-election and re-appointment upon expiry of the term. The Board of Directors determines key decision plans of the Company, and reviews and monitors the Company's business operation. The Board of Directors has authorized the Company's senior management to oversee the day-to-day management of the Company, with operational authority and responsibility. In order

to facilitate the Board of Directors to consider specific matters of the Company, the Board has set up four Special Committees, namely the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board of Directors has delegated various responsibilities to the Special Committees within their scope of duties.

All the Directors undertake that they will, in good faith, comply with the applicable laws and regulations and carry out their duties in the interests of the Company and the Shareholders during their term of office.

#### Composition of the Board of Directors

As of the Date of Issue of the Report, the Board of Directors comprised fifteen members, and the biographical details of the Directors are set out in the chapter headed "Directors, Supervisors and Senior Management" on pages 68 to 78 in this report. In the year of 2021, the Board of Directors complied at all time with Rule 3.10(1) and Rule 3.10(2) of the Listing Rules regarding the appointment of at least three independent non-executive Directors (specifically, at least one of the independent non-executive Directors shall possess appropriate professional qualification or expertise relating to accounting or financial management), and Rule 3.10A of the Listing Rules regarding the appointment of one-third of the Board members to be independent non-executive Directors.

All the Directors (including independent non-executive Directors) have brought different valuable work experience and expertise to the Board so as to effectively carry out the duties of the Board of Directors. All the Directors agreed to comply with the provisions as set out in the Corporate Governance Code and disclose to the Company in a timely manner information regarding the number of positions held, nature of the position(s), identity, term of office and other significant undertakings in other listed companies or organizations.

## Section VIII Corporate Governance Report

As each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, the Company considers each of the above persons to be independent. The independent non-executive Directors are invited to serve as members of the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. In 2021, there were no dissenting voices from the independent non-executive Directors on Board resolutions and other non-Board related matters.

In the year 2021, none of the Directors, Supervisors and senior management has any financial, business or family relationships or any relationships in other material aspects with each other or with the Company for which disclosure may be required.

### **Performance and continuing professional development**

All the newly appointed Directors have received the necessary job performance training and relevant materials of the Company to ensure that they have an appropriate understanding of the Company's operation, business and their corresponding responsibilities as required by the relevant regulations, laws, rules and ordinances. The Company also arranges research activities and seminars for the Directors regularly to help them understand the Company's latest business development, and the laws, regulations and latest news at the regulatory level on a timely basis. Meanwhile, the Company also updates the Directors on the Company's business performance, operational situation and market prospect regularly to facilitate the Directors to fulfill their duties.

Training received by all the Directors in 2021 is set out on page 56 of this report.

### **Appointment, re-election and re-appointment of Directors and Supervisors**

The appointment, re-election and re-appointment and removal procedures and requirements of Directors and Supervisors are set forth in the Articles of Association. The Nomination Committee is responsible for reviewing the composition of the Board of Directors and putting forward suggestions on the appointment, re-election and re-appointment and succession plan of Directors. Executive Directors, non-executive Directors and independent non-executive Directors shall serve a term of three years. The employee representatives Supervisors are elected democratically by the employee representative congress, while non-employee representatives Supervisors are elected by the general meeting. The term of office of each Supervisor is three years, renewable upon re-election.

The fourth session of the Board of Directors and the Board of Supervisors of the Company were established on March 24, 2021.

Information on the service contracts with all Directors and Supervisors is set out in the chapter headed "Report of the Board of Directors" on page 29 of this report.

### **Board meeting**

Pursuant to the Articles of Association, the Board of Directors shall hold at least four regular meetings each year, which shall be convened by the chairman. A 14-day advance written notice along with materials relating to the issues to be considered shall be served to all Directors, in order to provide the Directors with an opportunity to attend the meetings and help them fully understand all relevant issues to be considered so as to ensure effective decision-making of the Board.



## Section VIII Corporate Governance Report

For meetings of the Special Committees, a 3-day advance written notice shall be served to all the committee members. The meeting notice, includes meeting agenda and relevant Board paper to ensure adequate time for the committee members to review and prepare for the meeting. Where the Directors or committee members are not able to attend the meeting in person, the Company will communicate with them well in advance to ensure their rights to thoroughly express opinions and to participate in decision-making for the issues to be considered.

The minutes of the Board meetings and the Special Committees meetings shall record in detail the matters considered and resolutions passed including the questions raised by the Directors. Upon compilation, the draft minutes of the Board meetings and the Special Committees meetings shall be sent to the Directors within a reasonable time in a reasonable manner after the meetings.

During 2021, the Board held nine meetings. The main matters considered are as follows:

<b>Name of Board Meeting</b>	<b>Date</b>	<b>Main Matters Considered</b>
47th meeting of the third session of the Board	February 4, 2021	Nomination of certain candidates for the fourth session of the Board of Directors of the Company Remuneration of the Independent Directors of the Fourth Session of the Board of Directors Amendments to the Articles of Association and Rules of Procedure of the General Meeting of the Company 2021 Annual Investment Plan Guarantees for BAIC Hong Kong's financing of up to RMB2,405 million Appointment of relevant senior management
48th meeting of the third session of the Board	March 9, 2021	Nomination of certain candidates for the fourth session of the Board of Directors of the Company Supplementary nomination of certain candidates for the fourth session of the Board of Directors of the Company
1st meeting of the fourth session of the Board	March 24, 2021	Election of Chairman of the Board of Directors Election and appointment of members of the Nomination Committee of the Board of Directors Election and appointment of members of the Strategic Committee of the Board of Directors Election and appointment of members of the Audit Committee of the Board of Directors Election and appointment of members of the Remuneration Committee of the Board of Directors



## Section VIII Corporate Governance Report

Name of Board Meeting	Date	Main Matters Considered
		Appointment of the President Appointment of Secretary to the Board, Company Secretary and Assistant Company Secretary Appointment of relevant Vice President Appointment and removal and authorisation of the Chairman to appoint and remove authorised representatives of the affairs of the Hong Kong regulatory authorities as required Production and Operation Plan for 2021 (draft) 2020 Final Account Report (draft) 2020 Profit Distribution Plan (draft) 2020 Annual Results Announcement 2020 Report of the Board of Directors 2020 Environmental, Social and Governance Report General Mandate for the Issuance of Shares General Mandate for the Repurchase of Shares 2021 Credit Line Application General Mandate to Issue Debt Financing Instruments Re-appointment of International and Domestic Auditors for 2021
2nd meeting of the fourth session of the Board	April 8, 2021	2020 Annual Report
3rd meeting of the fourth session of the Board	April 28, 2021	Financial Statements for the First Quarter of 2021 Nomination of Directors and Members of the Remuneration Committee of the Board
4th meeting of the fourth session of the Board	June 4, 2021	Transfer of shareholding in PetroChina Beirui
5th meeting of the fourth session of the Board	August 18, 2021	Capital increase to BAIC Investment Co., Ltd.
6th meeting of the fourth session of the Board	August 30, 2021	2021 Interim Report (Draft)
7th meeting of the fourth session of the Board	October 28, 2021	Financial Statements for the Third Quarter of 2021



## Section VIII Corporate Governance Report

Attendance of Directors at the meetings of the Board, the Strategy Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, the general meetings and their training in 2021 are set out as follows:

Name of Director	Number of Meetings Attended						
	Board meeting	Strategy Committee meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General Meeting	Training Received <sup>Note 1</sup>
<b>Chairman and Non-executive Director</b>							
Jiang Deyi	8/9	5/5	-	-	4/4	0/4	A/B/C/D
<b>Executive Director</b>							
Huang Wenbing <sup>Note 2</sup>	7/7	4/4	-	-	2/2	3/3	A/B/C/D
<b>Non-executive Directors</b>							
Liao Zhenbo	9/9	5/5	-	-	-	0/4	A/B/C/D
Chen Hongliang <sup>Note 3</sup>	9/9	5/5	-	1/1	-	0/4	A/B/C/D
Hu Hanjun <sup>Note 4</sup>	7/7	4/4	5/5	-	-	0/3	A/B/C/D
Ye Qian <sup>Note 5</sup>	7/7	4/4	-	-	-	0/3	A/B/C/D
Hubertus Troska	9/9	5/5	-	-	-	0/4	A/B/C/D
Harald Emil Wilhelm	9/9	-	-	-	-	0/4	A/B/C/D
Gu Tiemin <sup>Note 6</sup>	3/3	-	-	-	-	0/0	A/B/C/D
Sun Li <sup>Note 7</sup>	7/7	4/4	-	-	-	0/3	A/B/C/D
<b>Independent Non-executive Directors</b>							
Ge Songlin	9/9	5/5	-	-	4/4	0/4	A/B/C/D
Yin Yuanping <sup>Note 8</sup>	7/7	-	-	-	2/2	0/3	A/B/C/D
Xu Xiangyang <sup>Note 9</sup>	7/7	4/4	-	-	2/2	0/3	A/B/C/D
Tang Jun <sup>Note 10</sup>	7/7	-	5/5	-	-	0/3	A/B/C/D
Edmund Sit <sup>Note 11</sup>	7/7	-	5/5	-	-	3/3	A/B/C/D

Note 1: A: attending seminars and/or meetings and/or forums and/or briefings; B: speaking at seminars and/or meetings and/or forums; C: attending training provided by lawyers or training related to the Group's business; D: reading materials on various topics, including corporate governance, responsibilities of directors, amendments to the Listing Rules and other related regulations.

Note 2: Mr. Huang Wenbing was appointed as a member of the Strategy Committee, the Remuneration Committee and the Nomination Committee on March 24, 2021.

Note 3: Mr. Chen Hongliang ceased to act as a member of the Remuneration Committee on March 24, 2021.

Note 4: Mr. Hu Hanjun was appointed as a member of the Strategy Committee and the Audit Committee on March 24, 2021.

Note 5: Mr. Ye Qian was appointed as a member of the Strategy Committee on March 24, 2021.

Note 6: Mr. Gu Tiemin was appointed as a member of the Remuneration Committee on June 18, 2021.

Note 7: Mr. Sun Li was appointed as a member of the Strategy Committee on March 24, 2021.

Note 8: Ms. Yin Yuanping was appointed as the chairman of the Remuneration Committee and a member of the Nomination Committee on March 24, 2021.

Note 9: Mr. Xu Xiangyang was appointed as a member of the Strategy Committee and the Nomination Committee on March 24, 2021.

Note 10: Mr. Tang Jun was appointed as a member of the Audit Committee and the Remuneration Committee on March 24, 2021.

Note 11: Mr. Edmund Sit was appointed as the chairman of the Audit Committee and a member of the Remuneration Committee on March 24, 2021.

## Section VIII Corporate Governance Report

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities by the Directors, Supervisors and senior management. After making all reasonable enquiries to all Directors, Supervisors and senior management, it is confirmed that they complied with the Model Code in 2021.

### AUTHORIZATION OF THE BOARD OF DIRECTORS

The Board of Directors reserves the right of decision making on all major matters of the Company, including approving and supervising all matters relating to policies, overall strategy, internal control and risk management system, significant transactions (especially transactions involving conflicts of interest), financial data, nomination of Director candidates and other major financial, production and operational matters. The Directors can seek independent and professional opinions when performing their duties, with the expenses borne by the Company. Meanwhile, the Directors are encouraged to make independent consultation from the Company's senior management.

The senior management is authorized to take charge of the Company's day-to-day management, administration and operation, and the Board of Directors will regularly review the performance of the senior management and execution of relevant resolutions. The management shall obtain approval of the Board of Directors before entering into any major transactions.

### FUNCTIONS OF CORPORATE GOVERNANCE

The Board of Directors confirmed that corporate governance is the joint responsibility of all Directors, and its function includes the following: formulate and review the Company's policies and practices on corporate governance; review and monitor the training and continuous professional development of the Directors and senior management; review and monitor the Company's policies and practices on compliance with the regulatory requirements; formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and review the Company's compliance with the Corporate Governance Code and disclosure of information in the corporate governance report.

### REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Board of Directors has established the Remuneration Committee with the responsibilities including confirming and reviewing the remuneration policies and proposals of the Directors and senior management. In 2021, except for the independent non-executive Directors and independent Supervisors who received Directors' and Supervisors' remuneration from the Company, the remaining Directors and Supervisors did not receive remuneration from the Company as Directors or Supervisors. The executive Directors received the senior management's remuneration in the Company. The remuneration standard of independent non-executive Directors and independent Supervisors is determined in accordance with the Company's actual situation and with reference to the average market level. The remuneration standard of each independent non-executive Director and independent Supervisor is RMB120,000 per year (before tax), which shall be calculated starting from the effective date of their term of office.



## Section VIII Corporate Governance Report

Details of remuneration of Directors and Supervisors in 2021 are set out in Note 42 to the consolidated financial statements.

The remuneration paid by the Company to the senior management (including one Director) in 2021 is as follows:

Remuneration Range (RMB)	Number of Personnel
3,000,001-3,500,000	1
Below 1,500,000	7

### LIABILITY INSURANCE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Company has liability insurance to protect Directors, Supervisors and senior management against certain relevant lawsuits in 2021.

### CHAIRMAN AND PRESIDENT

According to the requirement of code provision C.2.1 (previous code provision A.2.1) of the Corporate Governance Code, the roles of chairman and president should be separated. In 2021, the chairman of the Board of the Company was Mr. Jiang Deyi. The president (chief executive) was Mr. Huang Wenbing. The Company has clearly defined the responsibilities of the chairman and the president and the detailed definitions are provided in the Articles of Association.

### SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS

#### Strategy Committee

The Board of Directors has established the Strategy Committee to operate formally and perform corresponding duties effective from the Listing date of the Company. The Strategy Committee is mainly responsible for carrying out research and making recommendations in respect of the medium and long-term development strategies of the Company. The specific terms of reference of the Strategy Committee can be found on websites of the Stock Exchange and the Company.

As of the end of 2021, the Strategy Committee comprised ten members, namely Mr. Jiang Deyi (chairman), Mr. Liao Zhenbo, Mr. Chen Hongliang, Mr. Hu Hanjun, Mr. Huang Wenbing, Mr. Ye Qian, Mr. Hubertus Troska, Mr. Sun Li, Mr. Ge Songlin and Mr. Xu Xiangyang, of which two were independent non-executive Directors, seven were non-executive Directors and one was executive Director.

Ms. Shang Yuanxian, Mr. Xie Wei, Mr. Qiu Yinfu, Mr. Lei Hai and Mr. Zhao Fuquan ceased to act as members of the Strategy Committee on March 24, 2021. Mr. Huang Wenbing, Mr. Hu Hanjun, Mr. Ye Qian, Mr. Sun Li and Mr. Xu Xiangyang were appointed as members of the Strategy Committee on March 24, 2021.

During 2021, the Strategy Committee held a total of five meetings. Attendance of the committee members at the meetings is set out on page 56 of this report.

## Section VIII Corporate Governance Report

### Audit Committee

The Board of Directors has established the Audit Committee to operate formally and perform corresponding duties effective from the Listing date of the Company. The Audit Committee is mainly responsible for reviewing and monitoring the Company's financial reporting processes, including, among others, proposing the engagement or change of external auditors; monitoring internal audit system of the Company and its implementation; being responsible for the communication of internal auditors and external auditors; reviewing the financial information and its disclosure; reviewing risk management and internal monitoring system of the Company. The specific terms of reference of the Audit Committee can be found on the websites of the Stock Exchange and the Company.

As of the end of 2021, the Audit Committee comprised three members, namely Mr. Edmund Sit (chairman), Mr. Hu Hanjun and Mr. Tang Jun, of which two were independent non-executive Directors and one was a non-executive Director.

Mr. Wong Lung Tak Patrick ceased to act as the chairman of the Audit Committee on March 24, 2021, and Ms. Shang Yuanxian and Mr. Liu Kaixiang ceased to act as members of the Audit Committee on March 24, 2021. Mr. Edmund Sit was appointed as the chairman of the Audit Committee on March 24, 2021, and Mr. Hu Hanjun and Mr. Tang Jun were appointed as members of the Audit Committee on March 24, 2021.

During 2021, the Audit Committee held a total of five meetings, which reviewed and presented reasonable comments on the financial reporting system, compliance procedures, internal monitoring and control (on resources, qualifications, training programs and budget of the employees in the accounting and finance departments of the Company), and risk management system and procedures.

The decisions of the Board of Directors were in line with the recommendation and suggestion made by the Audit Committee on selection, appointment, resignation or removal of external auditors.

Meanwhile, the Audit Committee has reviewed the Group's first and third quarters' financial statements, the interim results and annual results for the financial year of 2021, the work plan of external auditors and the relevant auditing arrangements as well as the report prepared by PwC for accounting matters and major discoveries during the audit process.

During 2021, the Audit Committee held a total of five meetings. Attendance of the committee members at the meetings is set out on page 56 of this report.

### Remuneration Committee

The Board of Directors has established the Remuneration Committee to operate formally and perform corresponding duties effective from the Listing date of the Company. The Remuneration Committee is mainly responsible for formulating assessment standards of Directors and senior management and evaluating their performance to confirm and review the remuneration policies and plans of senior management. The specific terms of reference of the Remuneration Committee can be found on the websites of the Stock Exchange and the Company.

As of the end of 2021, the Remuneration Committee comprised five members, namely Ms. Yin Yuanping (chairman), Mr. Huang Wenbing, Mr. Gu Tiemin, Mr. Tang Jun and Mr. Edmund Sit, of which three were independent non-executive Directors, one was a non-executive Director and one was an executive Director.

Mr. Bao Robert Xiaochen ceased to act as the chairman of the Remuneration Committee on March 24, 2021, and Mr. Chen Hongliang, Mr. Wong Lung Tak Patrick and Mr. Liu Kaixiang ceased to act as members of the Remuneration Committee on March 24, 2021. Mr. Jin Wei ceased to act as a member of the Remuneration Committee on June 18, 2021. Ms. Yin Yuanping was appointed as the chairman of the Remuneration Committee on March 24, 2021, and Mr. Huang Wenbing, Mr. Tang Jun and Mr. Edmund Sit were appointed as members of the Remuneration Committee on March 24, 2021. Mr. Gu Tiemin was appointed as a member of the Remuneration Committee on June 18, 2021.



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The Remuneration Committee has made recommendations and suggestions to the Board of Directors on the remuneration packages for certain executive Directors and senior management.

During 2021, the Remuneration Committee held one meeting, which considered and discussed relevant employee incentive schemes. Attendance of the committee members at the meeting is set out on page 56 of this report.

### Nomination Committee

The Board of Directors has established the Nomination Committee to operate formally and perform corresponding duties effective from the Listing date of the Company. The Nomination Committee is mainly responsible for considering the structure, size and composition of the Board, reviewing the suitable candidates of Directors and senior management and making proposals to the Board. The specific terms of reference of the Nomination Committee can be found on the websites of the Stock Exchange and the Company.

As of the end of 2021, the Nomination Committee comprised five members, namely Mr. Jiang Deyi (chairman), Mr. Huang Wenbing, Mr. Ge Songlin, Ms. Yin Yuanping and Mr. Xu Xiangyang, of which three were independent non-executive Directors, one was a non-executive Director and one was an executive Director.

Ms. Shang Yuanxian, Mr. Bao Robert Xiaochen and Mr. Zhao Fuquan ceased to act as members of the Nomination Committee on March 24, 2021. Mr. Huang Wenbing, Ms. Yin Yuanping and Mr. Xu Xiangyang were appointed as members of the Nomination Committee on March 24, 2021.

During 2021, the Nomination Committee held a total of four meetings, which put forward opinions and suggestions to the Board and the Board of Supervisors on the change of Directors, Supervisors and senior management. Attendance of the committee members at the meetings is set out on page 56 of this report.

### DIRECTOR NOMINATION METHOD AND PROCEDURE

A Director may be nominated by Shareholders or the Board.

Any Shareholders holding individually or jointly more than 3% of the total outstanding Shares in the Company with voting rights may propose a candidate for election as a non-employee representative Director at the general meeting in writing, at least 10 working days prior to a general meeting.

The Board may propose a list of Director candidates, according to the number of Directors to be appointed, up to the number specified in the Articles of Association, and submit the same to the Board for review. After the selection of Director candidates, the Board may submit a written proposal to the general meeting. Where there is a need to fill the casual vacancy of Directors, a list of Director candidates shall be proposed by the Board at the general meeting for election or replacement.

Written notices indicating the intent to nominate Director candidates and their acceptance of the nomination, as well as written information on the nominees shall be delivered to the Company at least 10 business days prior to the date of the general meeting. The Board shall provide the Shareholders with biographical details and basic information on the Directors candidates.

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Prior to submission to the Board, the list of all Director candidates shall be reviewed by the Nomination Committee, which shall put forward suggestions to the Board and Shareholders. The Nomination Committee shall review the biographical details of candidates and conduct due diligence, and evaluate their educational backgrounds, professional qualifications, industry-related experience, character and integrity, etc., by reference to the “Board Diversity Policy”. In the case of independent non-executive Directors, the Nomination Committee shall evaluate the independence of the candidates in accordance with the Corporate Governance Code and the Listing Rules. With regard to Directors who offer themselves for re-election upon the expiry of the term of their office, the Nomination Committee shall review the overall contribution and performance of the candidates during their term of office (including the attendance rates of the candidates at Special Committees meetings, Board meetings and ordinary meetings, their participation and performance in the Board).

### DIVIDEND POLICY

The profit distribution policy is summarized as follows:

When distributing its profit after tax for the year, the Company shall set aside 10% of the profit as its statutory reserve fund. After allocation to the statutory reserve fund, subject to the approval by a resolution of the general meeting, the profit after tax may also be appropriated to the discretionary reserve fund. After making up losses and appropriation to reserve funds in accordance with the Articles of Association, balance of the profit after tax shall be distributed in proportion to the shareholdings of the Shareholders, except where non-pro rata distribution is provided pursuant to the Articles of Association.

The Company may distribute dividends in one or both of the following manners:

- (I) cash;
- (II) shares.

The Company shall maintain consistent and stable profit distribution policies as practicable and shall consider cash dividend as the first priority. The specific ratio of dividend to be distributed shall be resolved by the Shareholders at the general meetings.

The Company shall calculate, declare and pay dividends and other amounts which are payable to holders of Domestic Shares in Renminbi within 3 months after the date of declaration. The Company shall calculate and declare dividends and other amount which are payable to holders of overseas listed foreign shares in Renminbi, and shall pay such amounts in foreign currency within 3 months after the date of declaration. The exchange rate shall be the average central parity rate for the relevant foreign currency announced by the PBOC 5 working days prior to the declaration of the dividend and other amounts. The dividend distribution of the Company shall be implemented by the Board according to the authorization delegated by the general meeting through an ordinary resolution.



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### BOARD DIVERSITY POLICY

The Nomination Committee has formulated the “Board Diversity Policy” on the nomination and appointment of new Directors, in which it stipulates that the selection standard of Director candidate includes various factors such as gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service. The final candidate will be selected based on the comprehensive capability and the contributions that the individual is expected to bring to the Board. The composition of the Board of Directors (including their gender, age and term of office) will be disclosed in the annual report each year.

The Nomination Committee shall consider and adopt the composition of Board of Directors in accordance with the above measurement standard. By taking into account the Directors’ skills and experience and their suitability to the Company, the Nomination Committee believes that the Company’s existing Board structure in 2021 is reasonable and meets the requirements of “Board Diversity Policy”, without the need of adjustment.

### Reasons for implementing the diversity policy

The Company firmly believes that diversity is the basis for the effective and successful operation of the Board. In order to achieve sustainable and balanced development, the Company regards increasing diversity at the Board level as one of the key elements to support the achievement of its strategic objectives and its sustainable development. All appointments by the Board are based on the principle of meritocracy, and the benefits of Board diversity are fully taken into account in the selection of candidates, under objective conditions.

It helps the Nomination Committee and the Board ensure that the Board has suitable skills, experience and diversified opinions, which are balanced and meet the business requirements of the Company.

In the selection of Director candidates, as an automobile enterprise, the Company has taken into diversified consideration, the industry, economy, management and other related education, as well as experience in the automobile industry.

### Measurable objectives

The selection of candidates will be based on a series of diversity criteria, including but not limited to gender, age, cultural and educational background, race, professional experience, skill, knowledge and length of service. The final decision will be based on merit of candidates and the contribution that the candidates are expected to bring to the Board.

### Implementation and monitoring

The Nomination Committee shall review the structure, size and composition (including the skills, knowledge and experience) of the Board once a year, and put forward suggestions on Board changes arising out of change in strategies of the Company, and shall supervise the implementation of the diversity policy by the Board, according to the policy of the committee in relation to Board diversity.

As at the date of this report, the composition of the Board at the diversity level is summarized as follows:

1. Gender: There are 15 Directors, consisting of 1 female Director and 14 male Directors;
2. Educational background: There are 15 Directors, consisting of 4 Directors holding a doctoral degree, 8 Directors holding a master’s degree and 3 Directors holding a bachelor’s degree;



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3. Age: There are 15 Directors, consisting of 3 Directors aged at or above 60 and 12 Directors aged below 60;
4. Position: There are 15 Directors, consisting of 1 executive Director, 9 non-executive Directors and 5 independent non-executive Directors;
5. Nationality: There are 15 Directors, consisting of 13 Chinese Directors and 2 German Directors.

### RESPONSIBILITY OF DIRECTORS IN RELATION TO THE FINANCIAL STATEMENTS

The Board of Directors shall fulfill its duty to prepare the 2021 financial statements of the Group so as to present a true and fair view of the Group's production and operational condition, and of the business performance and cash flow of the Company.

The management of the Company has provided the Board of Directors with the necessary explanation and data to facilitate the Directors to review the Company's financial statements submitted for the approval by the Board of Directors. The Company has provided all members of the Board of Directors with updated information on the performance and prospects of the Company on a monthly basis.

The Directors are not aware of any significant uncertainties, that are, events or incidents that may cause significant concern on the on-going operation of the Company.

The results of the Company and the Group for the year 2021, and the financial positions of the Company and the Group at the end of 2021 are set out in the audited consolidated financial statements on pages 131 to 207 in this report.

### COMPANY SECRETARY

Mr. Wang Jianhui serves as the secretary to the Board (with effect from January 17, 2019) and the company secretary of the Company (with effect from January 29, 2019), responsible for advising the Board of Directors on corporate governance, ensuring compliance with policies and procedures of the Board of Directors, relevant laws and regulations. In order to maintain good corporate governance and ensure compliance with the Listing Rules and applicable laws in Hong Kong, the Company continued to appoint TMF Hong Kong Limited to assist Mr. Wang Jianhui (internal contact person) in performing his duties as the company secretary of the Company. On January 12, 2022, the Stock Exchange confirmed that Mr. Wang Jianhui was qualified to act as the company secretary of the Company under Rule 3.28 of the Listing Rules.

Mr. Lee Kwok Fai has resigned as the company secretary assistant of the Company with effect from January 29, 2022. For details, see the relevant announcement of the Company dated January 28, 2022.

In the year 2021, Mr. Wang Jianhui and Mr. Lee Kwok Fai attended no less than 15 hours of relevant professional training respectively, in compliance with the requirement under Rule 3.29 of the Listing Rules.

### CONTROL MECHANISM

#### Board of Supervisors

The fourth session of the Board of Supervisors comprises five Supervisors. The powers and functions of the Board of Supervisors include, but not limited to, reviewing and providing written opinions on the periodic reports prepared by the Board; monitoring the financial activities of the Company; supervising the performance of duties of Directors and senior management; proposing the removal



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of the Directors and senior management who have acted in breach of the laws, administrative regulations, the Articles of Association or the resolutions passed at the general meeting; requesting that the Directors and senior management to conduct rectification for actions causing damage to the interest of the Company; and proposing that extraordinary general meetings be convened.

In the year 2021, the Board of Supervisors monitored the financial activities and the legality and compliance of the duties carried out by the Directors and senior management of the Company. Four meetings were held in total, with attendance rate (including authorizing other Supervisors to attend the meeting) of 100%. The Supervisors also attended the general meetings and Board meetings as non-voting delegates and duly performed the duties of the Board of Supervisors.

### INTERNAL CONTROL AND RISK MANAGEMENT

#### Responsibility of the Board

The Board is responsible for supervising the design, implementation and monitoring of risk management system by the management to ensure the establishment and maintenance of an effective risk management system of the Group. The Board keeps supervising risk management and internal control systems of the Group and reviews the effectiveness of the risk management and internal control systems of the Group at least once annually. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee under the Board is responsible for conducting regular or irregular reviews on the operation of the risk management and internal control systems of the Company in order to ensure the effectiveness of their operation. The management should report to the Board in respect of the operation of the risk management and internal control systems at least once annually. The Board and the Audit Committee are all clear that the effective risk management and internal control systems can only minimize the possibility of the occurrence of risks as possible, not to completely eradicate the same. The Board can only take reasonable measures, but cannot absolutely guarantee to eradicate risks.

#### Risk management and internal control systems

The Company's legal compliance business department and the audit department established under the legal and compliance department are responsible for the risk management, internal control, operation maintenance and evaluation functions. Risk management and internal control system construction and system operation are included in the legal compliance business department, which is responsible for providing a related working mechanism of risk management and internal control and the generalized risk management and internal control methods and tools and designing relevant operating modes, establishing relevant organizations of risk management, organizing related professional training of risk and internal control together with the human resources department, as well as establishing risk and internal control business processes and incentive and communication mechanisms. The audit department is responsible for organizing self-evaluation of risk management and internal control and entrusting an independent third party to implement the risk management and internal control evaluation.

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The Board of Directors has reviewed the effectiveness of risk management and internal control systems of the Group for 2021 and considered that such systems were effective and adequate.

The Company has set up a comprehensive risk management system involving three lines of defense. The first line of defense is a business department (risk owner) consisting of process system, internal control system and risk database. The second line of defense is the key risk management and control defense line based on functional department management (risk management). The third line of defense is the internal audit business (risk guarantor) known for independence and professionalism. The three lines of defense cooperate with each other, jointly constructing a comprehensive and well-established risk management system which focuses on the key risks, emphasizes synergy and is complementary in professional areas.

The risk management and internal control systems of the Company are a set of comprehensive and self-contained risk management system which absorbs the insights from others' strengths. For example, the compilation of the Risk Management and Internal Control Manual learned from the COSO-ERM<sup>5</sup>, the Enterprise Risk Management Integration Framework and the Guidelines for Internal Control jointly issued by five ministries; the establishment of risk database learned from the "Risk Intelligence Map" of a professional risk management organization and the Guidelines for Comprehensive Risk Management issued by State-owned Assets Supervision and Administration Commission of the State Council. The entire risk management and internal control systems have the following features:

1. A comprehensive system. The Company has built a risk prevention and control network involving all staff and full value chains, based on process system, risk database and the Risk Management and Internal Control Manual.
2. Rapid response. The Company actively promotes professional risk management philosophy via professional methods carried out by professionals through risk manager system to implement risk responsibility, from level to level and set up the Risk Management Committee, established a professional risk management team consisting of risk specialists, risk liaison officers and risk internal trainer. The unit responsible of risk management department is responsible for establishing a set of key risk reporting mechanisms on a monthly basis.

The Group conducts a comprehensive self-evaluation work which covers the relevant year for the comprehensive risk management and internal control system once a year, evaluating by using hundreds of indicators from the two dimensions of the design integrity and the running availability to undertake the system assessment. In 2021, the self-evaluation work for risk and internal control involved a total of 778 indicators, consisting of 273 design integrity indicators and 505 running availability indicators. In respect of the flawed entries discovered during the evaluation, the Company adopts special rectification work, assigns a person of primary responsibility, clarifies the rectification plans, deliverables and schedule requirements, and completes the rectification work within a time limit.

<sup>5</sup> COSO is an abbreviation of the Committee of Sponsoring Organizations of the Treadway Commission. In September 2004, it officially published the Enterprise Risk Management-Integrated Framework (COSO-ERM). It started the first amendment to the risk management framework in 2014 and published the updated Enterprise Risk Management Framework (COSO-ERM) in September 2017.



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### **The procedures of processing and releasing inside information**

The Group has established a compliance system of internal monitor and control information reporting which consists of internal major information contacts, which mainly includes regular material information reporting and temporary material information reporting, for the purpose of ensuring the high efficiency and order of the transmission and usage of the Group's internal information. Meanwhile, the information disclosure management department combines the Group's actual operating environment, changes to regulatory policies and the major concern of capital markets as well as in accordance with the regulatory requirements, proactively acquiring and discriminating the sensitive information which will result in the abnormal fluctuation of the Group's stock price, ensuring the proactively acquiring and discriminating of the Group's inside information and forming a bilateral and two-dimensional compliance system of information monitor and control with the functions of "reporting proactively" and "monitoring proactively".

The Company has formulated and published systems including the Management System of Information Disclosure and the Measures for the Administration of Major Internal Information Reporting as the internal monitor and control and safeguard measures for processing and releasing inside information procedures and applied them within the Group.

### **AUDITORS' REMUNERATION**

The Company has appointed PwC and PwC Zhong Tian as the auditors of the Company's 2021 annual financial statements prepared under IFRS and PRC Accounting Standards, respectively. The general meeting authorized the management of the Company to determine its service remuneration.

The remuneration for the year 2021 paid or payable to the above Company's auditors, for audit and audit-related services amounted to RMB7.1 million and there was no non-audit services fee.

### **COMMUNICATION WITH THE SHAREHOLDERS AND INVESTOR RELATIONS**

The Company believes that effective communication with the Shareholders is very important for enhancing investor relations and helping investors to better understand the Company's business, performance and strategies. The Company also firmly believes that timely and non-selective disclosure of the Company's information is very important for Shareholders and investors to make informed investment decisions.

#### **Information disclosure**

The Company attaches great importance to fulfilling the legal obligation of information disclosure. It has strictly complied with the related provisions of the Listing Rules and the rules and procedures on the administration of information disclosure to disclose information that may have material impact on the investors' decision-making in a timely, accurate and complete manner, thus ensuring that all Shareholders are equally and fully informed.

In 2021, the Company released a total of 62 announcements in accordance with the Listing Rules. All announcements of the Company were published on the websites of the Stock Exchange and the Company. For details, please visit [www.hkexnews.hk](http://www.hkexnews.hk) and [www.baicmotor.com](http://www.baicmotor.com).

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### Communication with investors

In order to promote effective communication, the Company has adopted the Shareholder Communication Policy to establish good communication channels between the Company and the Shareholders, such as website (www.baicmotor.com), hotlines (tel: +86 10 5676 1958; +852 3188 8333) and e-mail (ir@baicmotor.com) for investors' inquiries. The Company shall publish the latest information on the business operation and development, corporate governance practices and other information on its website for public access.

The general meeting of the Company provides an opportunity for Shareholders and Directors to communicate directly. The Company's chairman and chairmen of the Special Committees under the Board will try their best to attend the annual general meeting to answer queries from the Shareholders, while the Company's external auditors will also attend the above meeting to answer questions thereon.

The Board is responsible for overseeing the implementation and monitoring of the Shareholder Communications Policy to ensure that the Company establishes and maintains an effective Shareholder Communication Policy. The Board oversees the Shareholder Communication Policy on an ongoing basis and reviews the effectiveness of the Shareholder Communication Policy at least once a year. The Board has reviewed the effectiveness of the Shareholder Communication Policy in 2021 and considers it to be effective and adequate.

### Shareholders' rights

In order to protect the interests and rights of the Shareholders, the Company shall present resolutions in the form of stand-alone motion to the general meeting for consideration (including the election of individual Directors). The motions presented to the general meeting for consideration shall be voted in accordance with the Listing Rules, and the voting results shall be published on the websites of the Company and the Stock Exchange in a timely manner after the meeting.

Pursuant to the Articles of Association, Shareholders individually or collectively holding 10% or more of the Company's issued and outstanding Shares with voting right can make a formal request in writing to the Board of Directors to convene an extraordinary general meeting for specific purposes. The general meeting shall be held within two months after such requests being put forward by the Shareholders.

According to the Articles of Association, Shareholders individually or collectively holding more than 3% of the Shares may submit an extraordinary proposal to the Board in writing 10 days before the date of the general meeting. The Board shall notify other Shareholders within two days upon the receipt of the proposal and include it for consideration at the general meeting. The written proposal shall be addressed to the Board. Please visit the Company's website for relevant procedures for nomination of Directors for election. Shareholders who want to make inquiries regarding the Company to the Board of Directors can do so through the abovementioned communication channels.

### Articles of Association

At the 2021 First Extraordinary General Meeting of the Company held on March 24, 2021, certain amendments to the Articles of Association were considered and approved. The revised Articles of Association were uploaded onto the websites of the Stock Exchange and the Company on March 24, 2021 for public access.



## Section IX Directors, Supervisors and Senior Management

As of the Latest Practicable Date, the profiles of Directors, Supervisors and senior management are as follows:

### DIRECTORS

**Mr. Jiang Deyi (姜德義)**, born in February 1964, holds a doctor of engineering degree. He is a senior economist and senior engineer. **He currently acts as the chairman of the Board of Directors and a non-executive Director of the Company**, the secretary of the party committee and chairman of the board of directors of BAIC Group, the chairman of the board of directors of Beijing Benz, the vice chairman of BAIC Motor Sales, rotating president of the 9th Council of the China Automobile Association, and a member of the 13th Beijing Municipal Committee of the Chinese People's Political Consultative Conference.

Mr. Jiang has more than 30 years of experience in corporate management. Since 1986, he served as the plant director of Beijing Liulihe Cement Plant (北京市琉璃河水泥廠), the deputy general manager and president of BBMG Corporation (北京金隅股份有限公司), the secretary to the party committee and the chairman of BBMG Group Company Limited (北京金隅集團有限責任公司) (BBMG Corporation), the secretary to the party committee and the chairman of BBMG Corporation (北京金隅集團股份有限公司) and other positions.

Mr. Jiang has acted as the chairman of the Board and non-executive Director of the Company since October 27, 2020.

**Mr. Liao Zhenbo (廖振波)**, born in December 1961, holds a bachelor's degree in engineering. **He currently acts as a non-executive Director of the Company** and the deputy general manager of BAIC Group.

Mr. Liao has over 30 years of experience in the automotive industry. Since 1983, he has served successively as the assistant engineer, the engineer and the senior engineer of technology foundation department and vehicle test department under technology centre of Dongfeng Motor Corporation (東風汽車集團有限公司) ("Dongfeng Motor Corporation"), the project manager, the deputy director (section chief) and the senior international business operator of international cooperation section under international cooperation department of Dongfeng Motor Corporation, the director of international cooperation division under strategic planning department of Dongfeng Motor Corporation, the deputy head and the head of the strategic planning department of Dongfeng Motor Corporation, the deputy chief engineer and the chief engineer for corporate planning in Dongfeng Motor Corporation, the vice president of Shenzhen Bak Battery Co., Ltd. (深圳市比克電池有限公司) and general manager of prismatic batteries business unit of Shenzhen Bak Power Battery Co., Ltd. (深圳市比克動力電池有限公司), and the president of Shenzhen Bak Power Battery Co., Ltd. and other positions.

Mr. Liao has acted as a non-executive Director of the Company since October 27, 2020.

**Mr. Chen Hongliang (陳宏良)**, born in January 1965, holds a master's degree in engineering and is a researcher-level senior engineer. **He currently serves as a non-executive Director of the Company**, the general manager assistant, and head of the operation and management department of BAIC Group, the chairman of the board of directors of Beijing Hyundai, the director of Benz Leasing, the director of CAAM, the standing director of Beijing Association of Automobile Manufacturers (北京汽車行業協會), the standing director of Beijing Automobile Economic Research Association (北京汽車經濟研究會), and the vice president of the Beijing Federation of Industry Economics (北京工業經濟聯合會).

## Section IX Directors, Supervisors and Senior Management

Mr. Chen has over 30 years of experience in the automobile industry. Since 1988, he has acted as the deputy workshop director, the workshop director and the deputy factory director of Nanjing Automobile Factory (南京汽車製造廠), the deputy director of the vehicle body plant, the deputy director of the general manager office, the head of the procurement department (at the deputy division director level), the director of the assembly plant, the secretary of the party committee, the deputy general manager and the deputy secretary of the party committee of NAVECO Ltd., the deputy general manager of the passenger vehicle business department of BAIC Group (at the division director level), the secretary of the party committee and general manager of Zhuzhou Branch of the Company, a member of the party committee and the vice president of the Company, the secretary of the party committee and the senior executive vice president of Beijing Benz, and the executive Director, president, deputy secretary of the party committee of the Company and other positions.

Mr. Chen has acted as an executive Director of the Company since June 23, 2017, and was re-designated as a non-executive Director of the Company on December 31, 2020.

**Mr. Hu Hanjun (胡漢軍)**, born in October 1971, holds a master's degree in business administration and is a senior economist. **He currently serves as a non-executive Director of the Company**, the secretary to the board of directors, the head of the department of strategy and investment management of BAIC Group, the director of Beijing Automotive Asset Operation Management Co., Ltd., Beijing General Aviation Co., Ltd., BAIC ROCAR Automobile Services & Trade Co., Ltd. ("BAIC ROCAR"), BAIC International HK Co., Ltd. (北京汽車國際香港有限公司) and Bohai Automotive System Co., Ltd. ("Bohai Automotive").

Mr. Hu has nearly 30 years of experience in the automobile industry. Since 2009, Mr. Hu has acted successively as an assistant to the general manager and the head of finance operation department of Beijing ROCAR Automobile Services & Trade Co., Ltd. (北京騰龍汽車服務貿易有限公司), a member of the party committee and the deputy general manager of BAIC ROCAR, a member of the joint party committee of BAIC Rocar Services & Trade (北汽騰龍服務貿易), the deputy general manager of BAIC ROCAR, the head of asset management department and strategy and investment management department of BAIC Group and other positions.

Mr. Hu has acted as a non-executive Director of the Company since March 24, 2021.

**Mr. Huang Wenbing (黃文炳)**, born in March 1973, holds a bachelor's degree and is a senior engineer. **He currently serves as an executive Director**, the secretary of the party committee and the president of the Company, the director of Beijing Benz and Benz Sales, the chairman of Fujian Benz, the chairman of BAIC SA, an executive director and the general manager of BAIC Investment, and the chairman of BAIC Hong Kong.

Mr. Huang has more than 20 years of experience in the automotive industry. Since 1995, he has served successively in various positions including the technician of quality management department in Yuejin Motor Group (躍進汽車集團公司), the quality supervisor of the assembly plant of Nanjing FIAT, head of the quality management department in Wu Xi Branch of Yuejin Motor Group, the director of quality control department and the deputy general manager of Zhuzhou Branch of the Company, the deputy head of quality center of the Company, and the general manager of Zhuzhou Branch of the Company, and the director of the production and technology center and the director of the operation center of the Company, the vice president of the Company and secretary of the Party Committee of the Institute and other positions.



## Section IX Directors, Supervisors and Senior Management

Mr. Huang has acted as an executive Director of the Company since March 24, 2021.

**Mr. Ye Qian (葉芊)**, born in September 1984, holds a master's degree in business administration. **He currently serves as the non-executive Director of the Company**, the managing director of Beijing Shougang Fund Co., Ltd. (北京首鋼基金有限公司) ("Shougang Fund"), a member of the executive committee of Shougang Concord Century Holdings Limited, an executive director of Shougang Century Holdings Ltd., a director of AVIC Fund Management Co., Ltd., and a supervisor of Beiqi Foton Motor Co., Ltd.\* (北汽福田汽車股份有限公司).

Mr. Ye has more than 10 years of experience in investment management. He has served successively in Great Wall Motor Company Limited (長城汽車股份有限公司), Representative Office in Hong Kong & Macao of CCPIT, and China Chamber of International Commerce.

Mr. Ye has acted as a non-executive Director of the Company since March 24, 2021.

**Mr. Hubertus Troska**, born in March 1960, German, holds an MBA degree. **He currently serves as a non-executive Director of the Company**, the deputy chairman of the board of directors and director of Beijing Benz. He is a member of the board of directors of Mercedes-Benz Group AG, in charge of the business in the Greater China. Since December 2012, he has been a member of the Board of Directors of Daimler AG (now Mercedes-Benz Group AG). Mr. Hubertus Troska is also the chairman of the board of directors and CEO of Daimler Greater China Ltd. and is responsible for all strategic and operational activities of Daimler and Mercedes-Benz Group AG in China. He is also a member of the board of directors of Mercedes-Benz Group.

Mr. Hubertus Troska has been working in Daimler for more than 30 years and served in Daimler AG in various management positions at headquarters and in various business areas worldwide, covering six markets including the United States, Mexico and Turkey. He was formerly the Global Head of Mercedes-Benz Truck, the President of Mercedes-AMG GmbH and Head of Product Marketing for Mercedes-Benz Automotive Group.

Mr. Hubertus Troska has served as a non-executive Director of the Company since November 18, 2013.

**Mr. Harald Emil Wilhelm**, born in April 1966, German, holds an MBA degree. **He currently serves as a non-executive Director of the Company**. Since April 2019, he has been a member of the board of directors of Mercedes-Benz Group AG (formerly Daimler AG), in charge of finance and control as well as the Mercedes-Benz mobility business. Mr. Wilhelm is also a member of the board of directors of Mercedes-Benz AG and the chairman of the board of supervisors of Mercedes-Benz Mobility AG. He is also a member of the board of supervisors, a shareholder representative and a member of the audit committee of Daimler Trucks Holding AG.

Mr. Harald Emil Wilhelm has nearly 30 years of enterprise management experience since he worked for Deutsche Aerospace AG. He has held many financial management positions at Airbus SE since 2000, and has worked as a chief financial officer of Airbus SE and Airbus Commercial Aircraft since June 2012. Before working for Airbus SE, Mr. Wilhelm acted as the vice president, mergers & acquisitions at Daimler-Benz Aerospace AG.

Mr. Harald Emil Wilhelm has served as a non-executive Director of the Company since June 18, 2019.



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**Mr. Gu Tiemin (顧鐵民)**, born in May 1968, holds a master's degree in law. **He currently serves as a non-executive Director of the Company**, is a senior economist and a lawyer. He is currently an expatriate full-time director of Beijing State-owned Capital Operation and Management Co., Ltd. (北京國有資本運營管理有限公司), and serves as a non-executive director of BBMG Corporation (北京金隅集團股份有限公司).

Mr. Gu has over thirty years' experience in government and business administration. He successively acted as a section member, chief section member and deputy director of the Enforcement and Supervision Division of the Legal Office of Beijing Municipal People's Government (北京市人民政府法制辦), deputy director of the Legal Affairs Office of the People's Government of Xuanwu District, Beijing (Head of Division), director of the Article and Law Department of the Beijing Foreign Trade and Economic Cooperation Commission, director of the Legal and Fair Trade Department (WTO Affairs Division), Beijing Municipal Bureau of Commerce, deputy secretary general of the Jinhua Municipal Government, Zhejiang Province (hanging position), deputy director of Beijing Municipal Bureau of Commerce, deputy director of Beijing International Technical Cooperation Center (Beijing Technical Exchange Training Center)(北京國際技術合作中心(北京技術交流培訓中心)), deputy general manager of Beijing Shouong Group, deputy secretary to the Party Committee of Beijing International Technical Cooperation Center (Beijing Technical Exchange Training Center), secretary to the Party Committee and chairman of the board of directors of Beijing International Technical Cooperation Co. Ltd. and other positions since 1991.

Mr. Gu has served as a non-executive Director of the Company since June 18, 2021.

**Mr. Sun Li (孫力)**, born in August 1965, holds a master's degree in business administration and is a senior economist. **He currently serves as a non-executive Director of the Company** and a full-time investment director of investment enterprises of Beijing Energy Holding Co., Ltd. (北京能源集團有限責任公司).

Mr. Sun has more than 30 years' experience in business management. Since 1988, he successively served as a cadre of the Economic Information Department of China Public Relations Association, a cadre of the News Department of the General Office of the Ministry of Water Resources, a senior staff member of the News Department, a principal staff member of the News Department, the deputy director of the News Department of the General Office, a cadre of the Office of Preparation for Water Resources Dispatch Building of the Ministry of Water Resources, the head of general manager office of Beijing International Power Development and Investment Corporation, the head of the office of board of directors, manager of human resources department, party branch secretary, and head of the general manager office of Beijing Energy Investment Holding Co., Ltd. (北京能源投資(集團)有限公司), the head of the general manager office, head of human resources department of Beijing Energy Holding Co., Ltd. (北京能源集團有限責任公司), and the secretary of party committee and executive director of Beijing Yuanshen Energy Saving Technology Co., Ltd. (北京源深節能技術有限責任公司) and other positions.

Mr. Sun has acted as a non-executive Director of the Company since March 24, 2021.

**Mr. Ge Songlin (葛松林)**, born in September 1955, holds a doctoral degree in engineering in Italy and is a senior engineer at a professor level. **He currently serves as an independent non-executive Director of the Company**, the specialized deputy secretary general of Society of Automotive Engineering of China, the secretary general of the working committee of Science and Technology Award of China Automobile Industry (中國汽車工業科技獎勵工作委員會) and an editor-in-chief of the academic journal Automotive Engineering, a distinguished professor at Hefei University of Technology, Jiangsu University and Changsha University of Science and Technology and a member of the academic committee of the key laboratory of Shanghai Jiaotong University and other positions.



## Section IX Directors, Supervisors and Senior Management

Mr. Ge has nearly 40 years of experience in the automobile industry. Since 1982, he has served successively as an assistant lecturer, lecturer, associate professor and professor in Hefei University of Technology. In 1992, he went to University of Florence in Italy for a doctoral degree study and later in 1997 he served as a senior engineer in the automobile industry department of the Ministry of Machine-Building Industry and the deputy secretary general of Society of Automotive Engineering of China after returning to China, etc..

Mr. Ge has served as an independent non-executive Director of the Company since April 21, 2017.

**Ms. Yin Yuanping (尹援平)**, born in March 1956, holds a bachelor's degree in economics. **She currently serves as the independent non-executive Director of the Company**, and the vice council president of China Enterprise Confederation/China Enterprise Directors Association (中國企業聯合會/中國企業家協會, the "CEC") as well as the president of China Enterprise Management Science Foundation (中國企業管理科學基金會).

Ms. Yin has more than 30 years of experience in corporate management. Since 1989, Ms. Yin Yuanping has acted successively as the vice president and vice general editor, the president and general editor of CEC Enterprise Management Publishing House (中國企聯企業管理出版社), the vice president, the vice chairman, the secretary to the Party Committee and the standing vice chairman as well as the standing vice president of CEC and other positions.

Ms. Yin has acted as an independent non-executive Director of the Company since March 24, 2021.

**Mr. Xu Xiangyang (徐向陽)**, born in May 1965, holds a doctoral degree in engineering. **He currently serves as an independent non-executive Director of the Company**, a professor in School of Transportation Science and Engineering (交通科學與工程學院), a director of the academic committee (學術委員會) and a doctoral tutor of Beihang University (北京航空航天大學), as well as a standing director and a fellow of Society of Automotive Engineers China (中國汽車工程學會), a standing deputy director of the National Automatic Transmission Engineering Technology Research Center for Passenger Vehicles (國家乘用車自動變速器工程技術研究中心) and an independent non-executive director of Cheshi Holdings Limited.

Mr. Xu has more than 30 years of experience in the automobile industry. Since 1990, Mr. Xu has acted successively as an assistant lecturer, lecturer, associate professor and professor in School of Automotive Engineering (汽車工程學院) of Harbin Institute of Technology (哈爾濱工業大學), a visiting scholar in Daimler, a professor and deputy director in Faculty of Automotive Engineering (汽車工程系) as well as a professor and vice president in School of Transportation Science and Engineering of Beihang University and other positions.

Mr. Xu has acted as an independent non-executive Director of the Company since March 24, 2021.

## Section IX Directors, Supervisors and Senior Management

**Mr. Tang Jun (唐鈞)**, born in March 1978, holds a doctoral degree in management. **He currently serves as an independent non-executive Director of the Company**, a director of the Crisis Management Research Center and a professor and a doctoral tutor in the School of Public Administration and Policy of Renmin University of China. Meanwhile, he serves as the deputy director of the Urban Safety Research Center of People's Public Security University of China, a special researcher of the Fire and Rescue Department under the Ministry of the Emergency Management (應急管理部消防救援局), an expert consultant of www.cpd.com.cn (中國警察網), a member of the National Risk Management and Standardized Technique Committee (全國風險管理標準化技術委員會), the deputy chairman of the City Management Volunteers Association of Beijing (北京市城市管理志願者協會), the deputy director of the School Security Professional Committee of China Society of Emergency Management (中國應急管理學會校園安全專業委員會), a director of the Public Management Research Center of Chinese Public Administration Society and of the Research Society for China Public Sector Reform Management, an editorial board member of the press of the Reform and Management of China Public Sector (《中國機構改革與管理》), and a consultant of the press of China Fire (《中國消防》). Mr. Tang has nearly 20 years of experience in risk management and safety management. Since 2005, he has served as a lecturer and an associate professor in School of Public Administration Policy as well as a deputy director of the Crisis Management Research Center of Renmin University of China, etc.

Mr. Tang has acted as an independent non-executive Director of the Company since March 24, 2021.

**Mr. Edmund Sit (薛立品)**, born in November 1963, holds a master's degree in business administration and is a fellow of the Association of Chartered Certified Accountants in the United Kingdom, a fellow of the Hong Kong Institute of Certified Public Accountants, a member of Association of International Certified Financial Consultants, an associate member of Society of Chinese Accountants & Auditors and a member of the Hong Kong Business Accountants Association. **He currently serves as an independent non-executive Director of the Company**, an independent non-executive director, the chairman of the audit committee and the chairman of the remuneration committee in First Tractor Company Limited, as well as the director of Alpcorp Ltd. and Alpcorp Trading Services Ltd.

Mr. Sit has more than 30 years of experience in auditing, finance, management accounting, personnel management, financing, company secretary and listing, etc. He worked for KPMG, Ernst & Young, System Pro Uarco Business Forms Ltd, Logo S.A., Xiang Lu Industries Ltd, Chubb Hong Kong Ltd, Johnson Controls Hong Kong Ltd, C&C Joint Printing Co., (HK) Ltd, Sino Fame International Group (譽中國際集團) and Wanyu Group (萬裕集團). He acted as a senior management member of Tianneng Power International Limited, Beijing Media Corporation Limited, SMI Holdings Group Limited, Wong's International Holdings Limited and Beijing Gas Blue Sky Holdings Limited.

Mr. Sit has acted as an independent non-executive Director of the Company since March 24, 2021.



## Section IX Directors, Supervisors and Senior Management

### SUPERVISORS

**Ms. Li Chengjun (李承軍)**, born in April 1968, holds a bachelor's degree, a senior political officer. **She currently serves as the chairman of the Board of Supervisors**, an employee representative Supervisor, the deputy secretary of the party committee, a secretary of the discipline inspection commission and the chairman of the labor union of the Company, as well as a member of the standing committee of the discipline inspection commission of BAIC Group.

Ms. Li has more than 30 years of working experience. Since 1986, she successively served as a worker of Beijing Second Automobile Factory (北京第二汽車製造廠), a promotion officer of Beijing Light Vehicle Co., Ltd. (北京輕型汽車有限公司), the head of the department of party-masses work and the head of the public relation division of Beijing Hyundai, the director of the female workers committee and the vice chairman of the labor union of Beijing Automotive Industry Holding Co., Ltd., a member of the standing committee of the discipline inspection commission and the vice chairman of the labor union of BAIC Group. as well as a committee member of the party committee and a secretary of the discipline inspection commission of the Company.

Ms. Li has acted as an employee representative Supervisor and the chairman of the Board of Supervisors of the Company since March 19, 2019 and March 24, 2021 respectively.

**Mr. Sun Zhihua (孫智華)**, born in July 1981, holds a master's degree in management and is a senior auditor and an accountant. **He currently serves as a non-employee representative Supervisor of the Company** and the head of the audit department of BAIC Group.

Mr. Sun has years of experience in auditing and finance. Since 2005, Mr. Sun Zhihua has served successively as an accountant of the financial department of China International Exhibition Centre, a senior manager of the audit department of BAIC Group, a deputy manager and a manager of the audit department of BAIC Finance, as well as a deputy head of the audit department (presiding) of BAIC Group.

Mr. Sun has acted as a non-employee representative Supervisor of the Company since March 24, 2021.

**Mr. Zhou Xuehui (周雪輝)**, born in December 1966, holds a bachelor's degree and is a senior accountant. **He currently serves as a non-employee representative Supervisor of the Company**, and the deputy head of the financial department of BAIC Group.

Mr. Zhou has more than 30 years of experience in financial management. Since 1988, Mr. Zhou Xuehui has served successively as the person-in-charge of accounting, league branch secretary, a manager of the financial department, a manager of finance and logistic department, a manager and assistant to the general manager of the planning and finance department in Beijing Automotive Industry Imp. & Exp. Co., Ltd., a deputy general manager and general manager of Beijing Yanshenglong Automobile Trade Co., Ltd (北京燕盛隆汽車貿易有限公司), the head of the financial department for capital management in Beijing Automotive Industry Holding Co., Ltd. (the predecessor of BAIC Group), the deputy secretary of the party branch and the head of the labor union of BAIC Finance, the deputy secretary of the party committee, the deputy general manager, a secretary of the discipline inspection commission and the chairman of the labor union of BAIC Finance, the vice president of the Party School, a member of the university council of BAIC Group, the deputy general manager of Beijing Automotive Education Investment Co. Ltd. (北京汽車教育投資有限公司).

## Section IX Directors, Supervisors and Senior Management

Mr. Zhou has acted as a non-employee representative Supervisor of the Company since March 24, 2021.

**Mr. Zhang Yanjun (張彥軍)**, born in November 1972, holds a master's degree in accounting. **He currently serves as an employee representative Supervisor** and the deputy head of the legal and compliance department of the Company.

Mr. Zhang has over 20 years of experience in auditing. Since 2003, he served successively as a researcher of audit research institute of Beijing Audit Bureau, the head of audit office of Beijing Automotive Holding Co., Ltd., the director of audit and supervision office of BAIC Automotive Asset Operation Management Co., Ltd., the general manager of audit and compliance department of Beijing Benz Automotive Co., Ltd., the head of the audit department of the Company and other positions.

Mr. Zhang has acted as an employee representative Supervisor of the Company since March 24, 2021.

**Ms. Qiao Yufei (喬雨菲)**, born in January 1988, holds a master's degree in finance, chartered financial analyst (CFA). **She currently serves as a non-employee representative Supervisor** of the Company, the principal of post-investment management and service department of Shougang Fund.

Ms. Qiao has nearly 10 years of experience in investment and post-investment management. She has served successively as a senior manager and the vice president of investment banking department and the vice president of equity investment department of CITIC Securities Company Limited since 2012.

Ms. Qiao has acted as a non-employee representative Supervisor of the Company since March 24, 2021.

### SENIOR MANAGEMENT AND COMPANY SECRETARY

See "DIRECTORS" of this Section for the profile of **Mr. Huang Wenbing**.

Mr. Huang has acted as the president of the Company since December 31, 2020.

**Mr. Chen Wei (陳巍)**, born in June 1969, holds a bachelor's degree in engineering and an EMBA degree and is a senior engineer. **He currently serves as the vice president of the Company**, the secretary of the party committee and senior executive vice president of Beijing Benz.

Mr. Chen has more than 20 years of experience in the automobile industry. He worked successively as an assistant engineer and an engineer of the product engineering department, an onsite engineer of the U.S. office, the leader of the interior trimming team of the vehicle body engineering section, the head of the vehicle model development section and the production planning section in Beijing Jeep Motor Co., Ltd., the department director and the manager of the assembly workshop, the general manager of the corporate and legal affairs department and the secretary of the general party branch in Beijing Benz-Daimler Chrysler Automotive Co., Ltd., the general manager of the corporate and legal affairs department, the secretary of the general party branch, the member of the party committee and the vice president of production and manufacturing in Beijing Benz.

Mr. Chen has acted as the vice president of the Company since June 15, 2017.



## Section IX Directors, Supervisors and Senior Management

**Mr. Du Junbao (杜君保)**, born in November 1967, holds a bachelor's degree in engineering and is an engineer. **He currently serves as a vice president of the Company**, the secretary of the party committee and standing deputy general manager of Beijing Hyundai.

Mr. Du has over 30 years of experience in the automobile industry. He acted successively as a technologist, technology section head, deputy factory director of the branch factory of Beijing Light Automobile Co., Ltd. (北京輕型汽車有限公司), the director of painting workshop of sedan factory, the secretary of the general party branch, factory director, director of the party committee office, deputy secretary of the discipline inspection committee, deputy chairman of the labor union of No.1 sedan factory, the head of the construction group of the preparation team in No.3 factory, secretary of the branch party committee, factory director, head of the production department of Yangzhen factory of Beijing Hyundai, the secretary of the party committee and the general manager of Beijing Branch of the Company, the deputy secretary of the party committee and head of the production department of Beijing Hyundai.

Mr. Du has acted as the vice president of the Company since July 24, 2020.

**Mr. Li Deren (李德仁)**, born in October 1966, holds a bachelor's degree in economics, a master's degree in laws and an MBA degree and is a senior accountant. **He currently serves as the vice president of the Company**, a director of Beijing Hyundai, Beijing Benz and BAIC Finance, a supervisor of Benz Sales and Fujian Benz, a director of BAIC Hong Kong and BAIC Marketing Services.

Mr. Li has more than 20 years of experience in finance, audit and business management. He worked as the deputy secretary of the youth league committee of Hebei Chengde School of Economics and Finance (河北承德財經學校), the deputy chief accountant of Hebei Chengde Iron & Steel Group (河北承德鋼鐵集團), the financial officer of Hebei Chengde Xinxin Vanadium and Titanium Co., Ltd. (河北承德新新鈦股份有限公司) (stock code: 600357.SH), the chief financial officer and the audit director of Beijing Jianlong Steel Group (北京建龍鋼鐵集團), the chief financial officer of Beijing Baiduoan Technology Co., Ltd. (北京百多安科技有限公司), the general manager of Shandong Branch of such company, the deputy leader of the project construction team and the deputy general manager of the Beijing Branch of the Company, the deputy director of the finance and economics center of the Company, the head of the research and development and finance department of the center, a member of the party committee, the chief financial officer and the head of the financial management department of Powertrain, the assistant to president of the Company, the director of the finance and economics center and the investment planning center of the Company.

Mr. Li has acted as the vice president of the Company since June 15, 2017.

## Section IX Directors, Supervisors and Senior Management

**Mr. Yang Xueguang (楊學光)**, born in September 1972, holds a master's degree in business administration and is an engineer. **He currently serves as the vice president of the Company.**

Mr. Yang has more than 20 years of experience in the automotive industry. Since 1995, he has served successively as an employee of Beijing Light Automobile Co., Ltd., a technical support engineer of Beijing Beizhao Olympus Optical Co., Ltd. (北京北照奧林巴斯光學有限公司), the director of the processing center of the Institute of Electronics, Chinese Academy of Sciences, an employee of the assembly shop in the vehicle factory of Beijing Hyundai, the head of the No.2 assembly inspection section of the quality department of Beijing Hyundai, the head of the quality department of Beijing Branch of the Company, the head of the quality control department of Beijing Branch of the quality center in the Company, the deputy director of the quality center, the head of the quality control department of Beijing Branch, the deputy director of the procurement center and the head of the parts purchase department of the Company, and the head of the quality center and the management center of the Company.

Mr. Yang has acted as the vice president of the Company since January 22, 2018.

**Mr. Wang Jianhui (王建輝)**, born in August 1977, holds a bachelor's degree in metallurgical machinery and a master's degree in business administration. **He currently serves as the vice president, the secretary to the Board, the company secretary of the Company**, a director of Beijing Hyundai and Fujian Benz, the chairman of the board of directors of Beijing Bai Das Auto System Co., Ltd. (北京北汽佛吉亞汽車系統有限公司), the deputy chairman of Hyundai Top Selection U-Car, a director of BHAF, a director of BH Leasing, a supervisor of MBLC, a director of Beijing Lear Hyundai Transys Automotive Systems Co., Ltd. (北京李爾現代坦迪斯汽車系統有限公司), Beijing Shougang Cold-Rolled Sheet Co., Ltd. (北京首鋼冷軋薄板有限公司), and the chairman of the Supervisory Committee of BAIC Yunnan Ruili Motor Co., Ltd..

Mr. Wang has approximately twenty years of experience in corporate governance, investment management and capital operations. Since 2007, he has served successively as the manager of the project management department of BAIC Investment, the manager of the investment management department of the Company, the director of production, the director of integrated management and the deputy general manager of Beijing Bai Das Auto System Co., Ltd., and the professional chief officer of the planning center of the Company, and the deputy director (presiding) of the planning center, the deputy director of the investment planning center and director of investment planning of the Company.

Mr. Wang has served as the secretary to the Board of the Company since January 17, 2019, the company secretary of the Company since January 29, 2019, and the vice president since February 4, 2021.



## Section IX Directors, Supervisors and Senior Management

**Mr. Gao Jianjun (高建軍)**, born in August 1971, holds a master's degree in business administration and is a senior economist (professor-level). **He currently serves as the vice president of the Company**, a director and the president of BAIC Automobile SA Proprietary Limited, an executive director of Powertrain, an executive director of BAIC Guangzhou Automotive Co., Ltd. ("BAIC Guangzhou"), an executive director of Beijing Beinei Engine Parts and Components Co., Ltd. ("Beinei Parts and Components"), an executive director of BAIC Powertrain System (Zhuzhou) Co., Ltd., and the chairman of BAIC Yunnan Ruili Motor Co., Ltd..

Mr. Gao has over 20 years of experience in the automobile industry. Since 1995, he has successively served as the employee, the technical section chief, workshop director and plant manager assistant of the assembly plant of NAVECO Ltd., the deputy plant manager of the assembly plant and the executive manager of the manufacturing engineering department of Nanjing Mingjue Automobile Industrial Co., Ltd. (南京名爵汽車實業有限公司), the head of the assembly plant of Zhuzhou branch of the passenger vehicle department in BAIC Holding, the head and manager of the assembly plant, the head of the production management department and the production technology department, deputy general manager, executive deputy general manager and party committee member of Zhuzhou Branch of the Company, the party committee member and executive deputy general manager of Beijing Branch of the Company, the party committee member and deputy general manager of the Wevan department of the Company, and the secretary of the party committee and general manager of Zhuzhou Branch of the Company.

Mr. Gao has acted as the vice president of the Company since March 24, 2021.

The terms of office of the above senior management expire on the expiry of the term of office for the fourth session of the Board of Directors.



## Section X Environmental, Social and Governance Report

### NOTES ON REPORT

This report is based on relevant policies, philosophies and objectives of the Group, and describes the overall environmental and social efforts and performance of the Group in 2021. This report should be read together with the section entitled “Corporate Governance Report” on pages 51 to 67 of this annual report to fully understand the environmental, social and governance performance of the Group.

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and by reference to the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) published by the Global Sustainability Standards Board (GSSB).

Financial data in this report are derived from this annual report and other data covers the Company and its subsidiaries. Unless otherwise specified, all the monetary amounts in this report are denominated in Renminbi (RMB).

### ESG GOVERNANCE STATEMENT BY THE BOARD

The Board highly values the Company’s ESG efforts and takes full responsibility for the Company’s ESG strategy, reporting and monitoring, and ensures that an appropriate and effective ESG risk management and internal control system is in place.

The Board is committed to integrating the monitoring of ESG issues (including their risks to the Company’s business) into the daily management and business operations of the Company, requiring the management to regularly assess the impact and incidence of important ESG issues and risks in the daily management and business operations, and to formulate risk management measures. The Board regularly reviews the relevant risk assessment reports and conducts focused monitoring on the important ESG issues and risks identified, and supervises the management to carry out risk management in accordance with the risk management measures approved by the Board. Based on the Company’s development strategy, relevant policies and regulations and stakeholder communication, most of the Board members also participate in the identification and evaluation of substantive ESG-related issues in order to clarify the Company’s ESG governance priorities and set annual energy-saving and emission reduction targets and action plans.

This report provides information on the progress and effectiveness of the Company’s ESG efforts in 2021 and was approved by the Board prior to disclosure.



# Section X Environmental, Social and Governance Report

## 1. ESG MANAGEMENT OF THE COMPANY

### 1.1 ESG Management

#### ESG Management System

In strict compliance with the ESG Guide, the Group has integrated ESG management into the management and decision-making of the Company, strengthened the ESG management system and enhanced ESG management capabilities. The Board is the highest level of responsibility and decision-making body for ESG matters of the Group and has full responsibility for the Group’s ESG strategy, performance and reporting. It receives reports from the ESG executive through regular meetings and monitors ESG-related matters that may affect the Group’s business or operations, shareholders and other stakeholders’ interests to ensure the integration of ESG concepts with corporate strategies. Under the authority of the Board, the Group has established an ESG working group to monitor and implement its commitments and performance on key ESG issues, and to report regularly to the Board. In addition, the Group has established and continuously improved the ESG indicators system applicable to the Group, and defined the responsible departments and the ESG information reporting process to ensure timely, efficient and high-quality disclosure of ESG information.

#### ESG Reporting Principles

**Materiality:** The materiality of our ESG issues is determined by the Board of Directors and stakeholder communications, the process for identifying material issues and the materiality matrix are disclosed in this report.

**Quantitative:** The statistical criteria, methods, assumptions and/or calculation tools for the quantitative KPIs in this report, and the sources of conversion factors, are described in the explanatory notes of this report.

**Balance:** This report presents the Company’s performance for the reporting period in an unbiased manner to avoid any bias in the decisions or judgments of the readers of this report due to underreporting.

**Consistency:** The statistical methods used to disclose data in this report are consistent.

#### ESG Governance Structure

ESG Management System	Responsibilities
Board of Directors	The top decision-making body of the Group in terms of ESG
ESG working group	Responsible for daily management of ESG and regular reporting to the Board of Directors on matters of ESG work
All departments and subsidiaries	According to responsibilities of departments, carry out specific work and regularly report on ESG work performance

## Section X Environmental, Social and Governance Report

### Stakeholder Communication

Stakeholder	Communication Mechanism	Stakeholders' Appeals	Response of the Group
Government and regulators	Policies and guidelines Daily communication	Driving economic development Tax payment according to law Honest and legitimate operation Creation of job opportunities Reducing energy consumption and carbon emissions Coping with climate change	Active response to national strategies Good operation Compliant operation Creation of jobs Raising environmental awareness Energy saving renovation Strengthen the construction of safety and environmental systems Green operation
Shareholders	General meeting of shareholders Board of Directors daily communication	Value enhancement Regulation of corporate governance Transparent operation	Good operating results Continuous improvement in the corporate governance structure Comprehensive, timely, accurate information disclosure
Customers	Company website WeChat official account and Weibo official account Vehicle owner activities Customer satisfaction survey	Good cost performance Safety guarantee Provision of high quality services	Satisfaction of diversified needs of customers Improvement in the product quality management system Vehicle owner activities Customer satisfaction survey
Employees	Communication with employees Trade Union Staff Council President's communication meeting Bulletin	Sound remuneration and welfare system Smooth career development path Comfortable working environment	Safeguarding of legitimate rights and interests of employees Continuous reinforcement of safety and health management Diverse training Staff care activities



## Section X Environmental, Social and Governance Report

Stakeholder	Communication Mechanism	Stakeholders' Appeals	Response of the Group
Suppliers and partners	Regular communication Business cooperation and exchange Training	Fair and equitable cooperation Cooperation and mutual benefit Supply chain environmental and social risk management	Improvement in supplier management Strengthening of internal procurement management Supplier training Preferred environmental protection products and services
Dealers	Sales activities Training Business guidance	Model supply Business help	Strengthening of instruction and helping dealers in sales activities Sharing of market information Dealer training
Public and media	Information disclosure of media Philanthropic events	Open, transparent information disclosure Comprehensive, effective performance of corporate citizen responsibilities	Timely and objective information disclosure
Community	Understanding community needs Development of an action plan	Common community development Harmonious community relations	Supporting for development of sports Participation in voluntary events Earnest efforts for the public welfare

## Section X Environmental, Social and Governance Report

### Substantive Issue Management

The Group values stakeholder communication and has established an efficient stakeholder communication and feedback mechanism to identify the feedback and expectations of various stakeholders on the Group, so as to enhance the Group's ESG performance in a targeted manner and effectively respond to the needs of various parties. In accordance with the ESG Guide, we have identified and screened ESG issues relevant to the Group through various forms of communication and exchanges with various stakeholders, as well as making reference to the common international ESG initiatives and standards and the general ESG issues of concern to the industry, forming a matrix of substantive issues for the Group as the basis for managing and disclosing ESG information.

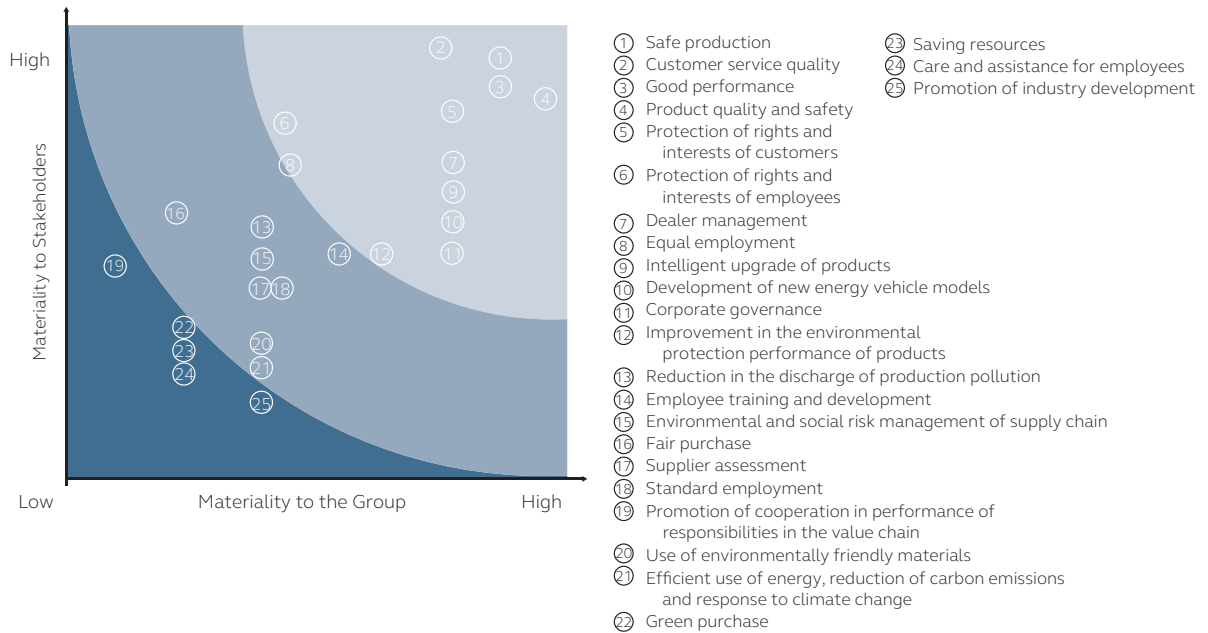
### Identification Process of Substantive Issue

- **Stakeholder Identification**  
The Group identifies stakeholders who have decision-making power and influence over the Group based on their scope of business and the nature of their production operations.
- **Topic Identification**  
Based on the analysis of industry dynamics, competitive landscape and corporate sustainability strategies, combined with reference to regulatory disclosure requirements, international reporting disclosure standards, industry policies and development trends, and capital market rating priorities, the Group conducted interviews and researches to understand the aspirations of various stakeholders and identified 25 substantive issues that may directly or indirectly affect our business.
- **Assessment of Issues**  
A questionnaire survey was conducted to understand the importance of the issues of concern to each stakeholder, and a matrix of important issues was derived through ranking and preliminary assessment.
- **Analysis and Validation of Issues**  
The substantive issues evaluated and ranked were finalized and a matrix of substantive issues was developed and used as the basis for optimizing operational management and preparing this report.



# Section X Environmental, Social and Governance Report

**Materiality Matrix of Core Substantive Issues for 2021**



## 1.2 Compliant Operation

### Anti-corruption

The Group and its employees carry out their work in strict compliance with laws and regulations including the Constitution of the People’s Republic of China, the Criminal Law of the People’s Republic of China, the Supervision Law of the People’s Republic of China, the Law of the People’s Republic of China on Administrative Discipline for Public Officials, the Law of the PRC on Anti-Corruption and Anti-Bribery, and the Provisions on Honest Practice of Leaders of State-owned Enterprises as well as basic codes of ethics. The Group has formulated and implemented internal policies including the Compliance Management Measures, the Compliance Reporting Management Measures and the corporate code of business conduct, and resolutely eradicates any kind of illegal acts such as bribery and fraud through establishing anti-corruption mechanism, carrying out anti-corruption education and smoothing reporting channels.

During the Reporting Period, the Group was not aware of any lawsuits arising from violation of anti-corruption, anti-bribery, anti-fraud and anti-money laundering and other laws and regulations.

## Section X Environmental, Social and Governance Report

<b>Launching a culture of integrity</b>	Integrity warning education	<p>Formed the “Concept of Integrity Culture of BAIC” to promote the integration of integrity culture into the development of the enterprise and to enhance the strength of the culture of integrity.</p> <p>Convened a warning and education session on “learning from cases and improving through cases” to provide warning and education on typical problems and to carry out self-examination and self-correction.</p> <p>Compiled a circular on typical cases, released 47 warning learning videos, organised 54 sessions of watching seven warning education films on typical cases, educating cadres and employees for more than 4,000 person.</p> <p>A series of 21 events were held in the “Integrity Education” series, and extended education was organised for all units to achieve “full coverage” of cadres and employees.</p>
	Integrity knowledge assessment	Organised integrity examinations for leaders, senior managers and party members above the vice-ministerial level, analysed and judged the situation of integrity examinations in the past three years, and enhanced the conscientiousness of party members and cadres in studying party discipline and laws.
	Integrity education training	Organised training for all employees on the “Negative List of Unified Compliance Risks”, covering the management of capital and assets. Conducted the “Analysis of Typical Cases of Supervision and Enforcement of Discipline in BAIC” integrity training.
<b>Smoothing reporting channels</b>		There are many reporting channels, such as complaint mailbox, tip-off hotline and complaint box. During the inspection of reported cases, the Interim Measures of BAIC Motor Corporation Limited on Real-name Whistle-blowing and other relevant regulations will be strictly implemented to protect the rights, interests and safety of whistleblowers.

Indicators	Unit	2021
Total number of anti-corruption trainings	No.	37
Number of anti-corruption trainings for employees	No.	36
Number of anti-corruption trainings for directors	No.	1
Total number of participants in anti-corruption trainings	Participants	1,464
Number of employees participating in anti-corruption trainings	Participants	1,463
Number of directors participating in anticorruption trainings	Participants	1
Total hours of anti-corruption trainings	Hours	1,012
Training hours per person of anti-corruption trainings	Hours/participants	0.69



# Section X Environmental, Social and Governance Report

## 2. PRODUCT QUALITY AND SERVICE

### 2.1 Research and Development of Innovative Technologies

As the automotive industry enters a period of deep transformation, the automotive industry chain is also facing new opportunities and challenges. We have been actively cooperating with research institutes, industry associations and government departments to carry out extensive and in-depth collaboration and innovation in industry, academia and research to continuously promote technology optimization and upgrading, and to provide quality products for customers.

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**Creating an innovative atmosphere**

- We have successively formulated the “Management Measures for Government Science and Technology Projects of BAIC Motor Research Institute”, “Management Measures for Government Science and Technology Project Funds of BAIC Motor Research Institute” and “Management Measures for Intellectual Property Rights of BAIC Motor Research Institute” to create a relaxed environment for scientific and technological research and development, encourage scientific and technological personnel to participate in scientific and technological innovation, and give scientific and technological personnel more authority to manage projects and use funds.

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**Strengthening multi-party cooperation**

- We have actively promoted cooperation projects with Huawei, Beijing Hengrun Jingwei, BOE and China Automotive Research Institute (Tianjin) in the sharing of intelligent networking technology field and established close alliances for industrial applications.
- We have been cooperating with the China Society of Automotive Engineering in research and development of magnesium alloy automotive lightweight components, promoting the development of China’s automotive lightweighting work and contributing to the goal of green, environmental protection and energy conservation.
- We have joined hands with Huawei, Beijing Institute of Technology, Tsinghua University and other well-known domestic enterprises and research institutions to jointly research and develop cooperation in the areas of intelligent driving, new vehicle electronic platforms, wireless networks and in-car password control, in order to solve the difficulties in plaguing L3 and L4 automatic driving technologies.

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**Undertaking innovative topics**

- The project “Basic Theory and Key Technology for Verification of Expected Functional Safety Entropy of Urban Intelligent Shared Vehicles” was funded by the National Natural Science Foundation of China, focusing on the development of safety control systems for shared vehicle platforms.
- The project “Industrial Internet Innovation and Development Project-New Connected Platform for Large-scale Industrial Internet Marking” was successfully applied to the Ministry of Industry and Information Technology, which will provide support for the application and promotion of domestic vehicle chips.

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**Transformation of technological achievements**

- Research and development is focused on the development of intelligent network technology applications, the construction of a shared vehicle application platform and network security, and the promotion of multi-site transformation and application of research and development results, all of the smart driving features with L2+ in 2021 have been implemented in the Company’s mass production vehicles.
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## Section X Environmental, Social and Governance Report

### **Case: Participating in the Beijing Invention and Innovation Competition to inspire innovation among employees**

The Beijing Invention and Innovation Competition is a public service science and technology event co-organized by the Beijing Invention Association and the Beijing Vocational Technology Association, which has been successfully held for 15 times so far and has become a platform for mass entrepreneurship and innovation in science and technology, as well as a benchmark for innovation in the industry. The Company has actively organized highly skilled and qualified employees to participate in invention and innovation competitions and has won hundreds of awards in the past three years. In the 15th Beijing Invention and Innovation Competition in 2021, projects of the Company won 2 gold awards, 5 silver awards and 21 bronze awards.

### ***Protection of Intellectual Property Rights***

The Group attaches importance to preserve the achievements of employees and strives to protect intellectual property rights. In accordance with the Intellectual Property Protection Law of the People's Republic of China, the Corporate Intellectual Property Management Code and other regulations and requirements, we continued to optimize the Management Measures of Intellectual Property Rights Incentives of BAIC Motor, the Measures of BAIC Motor for Management of Intellectual Property and the Patent Management Measures of BAIC Motor so as to strengthen the management of intellectual property rights, improve the acquisitions, maintenance, application and protection of intellectual property rights, and apply for patents for various technological innovations, ensuring the protection of technological innovation and management improvement.

Indicators	Unit	2021
R&D investment in 2021	RMB million	2,651
Number of patent applications in 2021	No.	384
Number of patents granted in 2021	No.	594
of which: Number of invention patents granted	No.	98
Total number of patents granted	No.	6,793
of which: total number of invention patents granted	No.	462



## Section X Environmental, Social and Governance Report

### ***Intelligent networking***

The Company has gradually strengthened its capacity for independent innovation and development of intelligent networking technologies, linking intelligent driving, intelligent cockpit, intelligent vehicle control and digital cloud platform to build an intelligent networking technology framework. At present, it has the capability to build EE structure platform, self-definition of intelligent driving and intelligent cabin functional scenarios, SOA-based software development and integration testing, standardised vehicle data access services and OTA upgrade, and the construction of integrated development system to support future software-defined vehicle SDV development mode. At the same time, the Company is actively promoting the application of intelligent Internet technologies, intelligent interaction, full automatic parking, AR navigation, advanced automatic driving and other intelligent Internet technologies have been successfully applied to vehicles.

By 2025, the Company will continue to develop advanced assisted driving technology in the field of intelligent networking with vehicle-road coordination and autonomous control, intelligent cockpit technology with multi-model interaction and user experience, digital cloud platform technology based on cloud computing, big data and AI, and the formation of service-oriented “software + service” products.

### **2.2 Strengthening quality management**

To ensure the quality of our products, we have built a structured quality management system from the overall perspective of the industry chain so as to enhance our quality management capabilities and to continuously provide excellent products and services that meet customer expectations.

#### **Quality Management System**

Under the guidance of the quality policy of “making high-quality and intelligent vehicles, exceeding customer expectations; leading in quality, continuous creation of value”, and in strict compliance with requirements of laws and regulations including the Product Quality Law of the People’s Republic of China and the Provisions on the Administration of Compulsory Product Certification, the Company continued to strengthen the product quality certification and the whole-process quality management system by using the “process” approach, the PDCA cycle and risk-based thinking, and constantly identify opportunities for improvement of the quality system through internal audits, stratified audits, special audits and quantitative evaluations of quality system to avoid process risks, improve process performance and the ability to achieve the capability of the quality system, continuously meeting the requirements of customers and the needs and expectations of stakeholders.

## Section X Environmental, Social and Governance Report

<b>Certified quality management system</b>	<ul style="list-style-type: none"> <li>By benchmarking against the IATF 16949:2016 automotive quality management system standard to re-identify and confirm the Company's quality system processes, with 9 Management Processes (MP), 11 Customer-oriented Processes (COP) and 14 Support Processes (SP), supplementing and improving the management standards.</li> <li>Successfully passed the ISO 9001:2015 quality management system re-certification audit and was awarded the certificate.</li> </ul>
<b>Promoting quality management standardization</b>	<ul style="list-style-type: none"> <li>The quality gate process has been upgraded to form the "Independent Passenger Car Development Quality Gate Process", which focuses on the optimization on the definition of quality gate, quality stages and activities, relationship with project valves, quality gate objectives and deliverables system, etc. From data assessment, re-development prevention and proposal assessment at the project development stage, to physical quality assurance at the product and production maturity stage, quality cultivation and control activities are carried out throughout the process.</li> </ul>
<b>Optimizing quality and cost management</b>	<ul style="list-style-type: none"> <li>On the basis of safeguarding the quality of products, with the idea of "promoting continuous optimization of the quality and cost system, strengthening data accumulation and analysis, and realizing PDCA management (budgeting + accounting + analysis + improvement)", the Company improved the comprehensive quality and cost management system, coordinated and took into account both quality and cost requirements, and promoted the continuous quality and cost management covering all employees, the whole process and the whole value chain. The Company also issued the "Quality Cost Management Regulations of BAIC Motor" to launch quality cost budget management, establish quality cost performance assessment mechanism and quality cost indicator system, lean cost management and reduce internal and external losses.</li> </ul>
<b>Improving quality management capabilities</b>	<ul style="list-style-type: none"> <li>The Quality Manual was comprehensively revised to include process identification checklists, process sequence diagrams, process relationship matrix, quality system process analysis and risk management, and 97 related system processes and systems were revised and improved.</li> <li>The Company carried out quantitative evaluation and self-assessment of quality maturity, combined with on-site counselling on process issues to enhance the self-improvement capability of the process.</li> <li>During the year, a total of 8 audits were conducted for system audits, document audits and special audits, and all audit issues were implemented for improvement, with a 100% effective completion rate of improvement measures. 4 special quality audits were conducted to strengthen the institutionalization and standardization of process management and implementation.</li> <li>Training on the application of quality tools such as PFMEA, SPC and MSA was conducted to improve the application and standardization of tools for quality improvement personnel, a total of 300 persons received training.</li> <li>The Company established a quality alert mechanism to fully identify and evaluate process quality risks and refine control measures to reduce process risks, etc.</li> </ul>



## Section X Environmental, Social and Governance Report

The Company strictly follows the requirements of the “Regulation on the Recall of Defective Vehicle Products” and the “Implementation Measures of the Regulation on the Recall of Defective Vehicle Products” and files the defective vehicle products with the State Administration of Market Supervision. Vehicles covered by the recall can be upgraded with a free control program or replaced with improved parts free of charge to eliminate safety hazards. During the recall period, users will be notified by registered mail, telephone and SMS, or by calling our service hotline 400-810-8100 (24 hours a day, Monday to Sunday).

Indicator	Unit	2021
Percentage of the total number of products sold or shipped that have to be recalled for safety and health reasons	%	12

### Manufacturing Quality Management

The Company has strengthened the standardization and digital management of the manufacturing process to improve the pre-process quality management system, enhance the digital level of the manufacturing process quality management, strengthen the process quality prevention management measures, and ensure the stability of the manufacturing process quality. In the manufacture of export products, the consistency of vehicle parameters, markings and documentation, relevant standards and technical documentation is ensured to meet product consistency requirements.



## Section X Environmental, Social and Governance Report

<b>Institutional safeguards</b>	<ul style="list-style-type: none"> <li>To improve and revise the Implementation Guidelines on Manufacturing Process Audit of BAIC Motor to enhance the ability to monitor the quality of the manufacturing process and promote process capability improvement.</li> </ul>
<b>Quality reviews</b>	<ul style="list-style-type: none"> <li>Quality audits are carried out on the production and manufacturing process in terms of quality management elements such as people, machines, materials, methods, environment and testing. To identify opportunities for improvement in both production quality and manufacturing processes and implement improvements.</li> <li>The AUDIT assessment is carried out from a user's point of view and is divided into two levels of assessment: at joint-stock company level and at factory level.</li> <li>The Company conducted production consistency checks on mass-produced vehicles and in-use vehicle compliance checks in accordance with regulatory requirements to ensure the consistency of mass-produced products with the requirements of certification regulations.</li> </ul>
<b>Information system</b>	<ul style="list-style-type: none"> <li>The Manufacturing Process Quality Management Information System (MQMS) is upgraded and improved to standardize the information management of quality in the process of quality control of incoming parts, quality inspection of manufacturing process and products, and quality improvement to enhance the ability to analyze quality information in the manufacturing process, and to promote rapid and steady improvement of manufacturing quality.</li> </ul>

### Building a Culture of Quality

Focusing on the four dimensions of cultural philosophy, cultural mechanism, cultural activities and cultural promotion and the four areas of research and development/procurement/manufacturing/marketing, the Company has establish a quality culture promotion organization and developed an operational mechanism to promote quality awareness among all employees through online and offline training activities and to supplement quality management and automotive-related knowledge, providing better quality products to our customers.

<b>Offline Training</b>	<ul style="list-style-type: none"> <li>To enhance the professional knowledge of new energy-related vehicles, the Company conducted in-depth training on power battery safety technology and thermal runaway management of batteries, and comprehensively strengthened the quality management and supervision capabilities of employees.</li> <li>The Company provided comprehensive training on the latest version of the vehicle development process to raise awareness of the product development system.</li> </ul>
<b>Online Learning</b>	<ul style="list-style-type: none"> <li>The "Palm Academy" app was improved with 27 courses in the quality section, including courses on process documentation, management standards and quality improvement experience sharing, to further plan courses for the quality professionalism and establish a mechanism and resource platform for quality training for all employees.</li> </ul>



## Section X Environmental, Social and Governance Report

### **Product Safety Guarantee**

The Company continues to create a high-quality vehicle experience by conducting quality evaluation and functional inspection of all elements of the vehicle focusing on physical quality evaluation, conducting policy tests through simulated vehicle user tests and test drives for the cadres, as well as conducting static and dynamic inspections prior to delivery and OTA upgrades for vehicles already sold to continuously strengthen the intelligent safety of customers' vehicles, improve the quality of our product delivery and safety in use, contributing to safe driving.

### **Case: 5-star safety certification helps to achieve stability and long-term usage**

In 2021, the Company's BEIJING-X7 series was awarded five-star by the China New Car Assessment Program (C-NCAP), which recognized the safety of the Company's products. C-NCAP is an all-round safety test for a sample of new cars on the market conducted by a third-party organization, the China Automotive Testing and Assessment Centre (CATAC). Compared with previous versions, the 2018 version of C-NCAP has added 'Pedestrian Protection' and 'Active Safety' test items, which have significantly increased the level of difficulty and are fully in line with the international mainstream NCAP.

In terms of occupant protection, the BEIJING-X7 adopts the safety empowerment of the MOFANG structure by combining sophisticated design and lean production for the ultimate safety body. 66.7% of the cage body structure is made up of high-strength steel and 14.1% is made up of the 1500MPa hot-formed ultra-high strength steel. The overall design of the vehicle is a caged body, with AI optimization of the frame and body through SFE parameterization. The energy absorbing structure is designed with multiple ring paths, which are interlocked to effectively absorb and transmit the collision energy. The BEIJING-X7 also uses laser welding technology with a total length of over 50m to connect the structural components of the vehicle, such as high-strength thermoformed steel, into a solid cage body. The structural strength of the passenger compartment has been further strengthened without increasing the weight of the vehicle, creating a solid fortress for the user.

In terms of active safety, the BEIJING-X7 also excels in the categories of "Pedestrian Protection" and "Active Safety". In addition to the usual active safety features such as VSA vehicle stability control system, ABS four-wheel anti-lock braking system, HSA slope start assist system, EBD electronic brake-force distribution system, ESS emergency braking warning system, TPMS tyre pressure monitoring system, the BEIJING-X7 also features a special fatigue alert to remind drivers to pay attention when driving. In addition, the BEIJING-X7 is equipped with the industry's most advanced L2 autonomous driving technology, which includes a full range of active safety technologies in its class to avoid potential hazards as much as possible.

## Section X Environmental, Social and Governance Report

### 2.3 Enhancing the Service Experience

#### Upgrading Service Levels

The Company always adhere to the principle of “customer focus”. Through the strict implementation of the “Customer Complaint Management System of BAIC Motor” and the “After-sales Service Management System Usage Management Regulations”, the Company has been promoting the standardization of complaint management through various means, such as optimizing and upgrading the call center system, establishing a dealer complaint management mechanism, and strengthening the supervision of the complaint handling process, so as to form a closed-loop management mechanism for timely detection and resolution of customer complaints and continuously improve the quality and level of service, striving to bring higher quality and warmer service to customers.

**Policy improvement:** The “Management Measure of Customer Complaints of BAIC Motor” was revised and approved to refine the types of complaints and conditions for closure, so that dealers can clearly understand and promote the handling of complaint cases.

**System upgrade:** The Company promoted a system upgrade for call center and customer marketing service platforms, improvements were made in 10 dimensions, including timely complaint transfer reminders, complaint escalation reminders, complaint overtime alert reminders and complaint business report output, to open up the information transfer channel between the call center and the dealer system, improving complaint handling efficiency.

**Dealership management:** The Company provides guidance to dealers on their operations by standardizing the sales process and combining it with customers’ psychological experience of buying a car to optimize the verification criteria; conducts return visits to customers in accordance with validation standards and requests dealers to rectify and improve the problems identified by the audit through learning, training and simulation exercises; and introduces business policies and reward and punishment mechanisms to motivate dealers to improve and upgrade.

Indicators	Unit	2021
Total number of customer complaints	No.	1,131
Customer complaint reduction rate	%	32
Sales satisfaction	%	95
After-sales service satisfaction	%	97

#### Improving communication mechanism

The Company has established comprehensive communication channels, actively carried out two-way communication activities with customers, collected customer complaints and feedback through online platforms and hotlines, to improve our handling mechanism and processes on a continuous manner so as to ensure that we respond to complaints and feedback on time, in accordance with regulations and with quality to improve customer satisfaction.



## Section X Environmental, Social and Governance Report

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<b>Improving communication channels</b>	<ul style="list-style-type: none"><li>The Company has established diverse communication channels such as “400 Customer Service Communication Platform”, “BAIC Motor app” and “12345 Hotline” to enhance the communication and interaction between customers and the Company.</li></ul>
<b>“One-to-One” service</b>	<ul style="list-style-type: none"><li>The Company has set up a dedicated “1 team for 1 customer” WeChat group for each customer to provide professional services and solve customers’ queries and problems in the process of using the car in a timely manner to enhance customers’ service experience. In the Beijing X7 model, for example, 26,638 dedicated WeChat groups were set up in 2021.</li></ul>
<b>Conducting post-sales visits</b>	<ul style="list-style-type: none"><li>Through direct telephone communication with customers and online research, the Company conducts surveys on products or after-sales services and customer consumption behavior to understand customers’ usage and feelings on their cars in a timely manner, so as to proactively get closer to customers and deal with their dissatisfaction and complaints in the first instance and improve customer satisfaction.</li></ul>
<b>Launching research activities</b>	<ul style="list-style-type: none"><li>Before and after the launch of the products, the Company conducts special research and listen to customers’ opinions and suggestions on the products.</li></ul>

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### Protecting rights and interests of customers

The Group is committed to providing customers with reliable services while continuously improving product safety performance. In accordance with laws and regulations including the Law of the People’s Republic of China on the Protection of Consumer Rights and Interests and the Advertisement Law of the People’s Republic of China, we make effort to protect the rights and interests of our customers, carefully handle every customer feedback, protect the privacy of our customers, and deliver true and reliable advertising information to our customers.

**Improving information security management:** The Group has published systems such as the “Management Measures on Confidentiality of BAIC Motor”, the “IT Information Security Management Manual of BAIC Motor”, the “Management Measures on Big Data of BAIC Motor” to protect the security of information assets and business continuity of information systems, and to build a good internal information security environment.

**Safeguarding network security:** The Group has published system documents such as the “Management System on Network of BAIC Motor”, the “Information Security Base Line of BAIC Motor Corporation Limited”, the “Management Measures on the Use of Development, Operation and Maintenance Resources by Suppliers of BAIC Motors”, and the “Staff Information Security Brochure of BAIC Motor” to conduct internal network security management and control to achieve a stable internal office environment.



## Section X Environmental, Social and Governance Report

### **Customer privacy protection**

During the use of customer data, the account number and authority for use of customer data and the daily use of customer data shall be subject to application and approval in accordance with the strict requirements of the management system, to avoid disclosure or unintended use of sensitive information of customer data.

In the process of maintaining customer data, each customer data-holding department submits the corresponding customer data according to its own data needs and the management requirements of the sales company, and is responsible for the timeliness and accuracy of the customer data submission and strict business confidentiality management.

For the personal data of users and vehicle data in the vehicle system and vehicle app software, information gathering notification will be shown during the initial set-up, and information will be collected only after obtaining the user's consent and authorization, in order to provide better and more intelligent services to the user.

### **Responsible Marketing**

The content, materials and themes of the advertisements are checked three times with the review standards to ensure that the advertisements are reasonable and risk-free through the triple check of "professional third-party supplier team-responsible department-department head". The Company will also regularly organize staff in relevant positions to learn about risk cases in the industry to enhance their awareness of risk prevention and compliance.

## **2.4 Improving Supply Chain Management**

### **Supplier management mechanism**

The Company has established a comprehensive supplier lifecycle management system covering key points such as access of supplier, development process, information management, performance evaluation, capability cultivation, assessment and exit, formulated and implemented the "Management Measures on Access Control for Procurement of Parts Suppliers of BAIC Motor", the "Management Measures for Performance Evaluation of Procurement of Parts Suppliers of BAIC Motor", the "Management Measures on Supplier Capacity Enhancement of BAIC Motor", the "Management Measures on Assessment of Procurement of Parts Suppliers of BAIC Motor", to make continuous improvement of processes and systems in line with business needs. The Company is committed to building a suitable and internationally competitive first-class supplier system. Through the in-depth promotion of the supply chain capacity building, the Company continues to deepen the cooperation relationship with international first-class parts suppliers with leading technology and stable quality, and at the same time, we will carry out the work of cultivating and improving the capacity of suppliers, so as to provide guarantee for the creation of competitive and high-quality products.



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<b>Management and Evaluation</b>	Supplier selection	<ul style="list-style-type: none"> <li>Based on the Company's product planning, technology upgrade and development, changes in market demand and supplier cooperation performance, the Company has established a mechanism for planning, cultivating, selecting and eliminating suppliers, and has set up a comprehensive supplier database to ensure the selection of suppliers to work with is in line with the Company's development needs.</li> </ul>
	Supplier inspection	<ul style="list-style-type: none"> <li>The Company inspects potential suppliers in accordance with the "Management Measures on Access Control for Procurement of Parts Suppliers". An evaluation team consisting of procurement, quality and technical personnel conducts a comprehensive assessment of suppliers to identify potential suppliers' capabilities, risks and directions for improvement to ensure that new suppliers meet the Company's requirements.</li> </ul>
	Supplier audit	<ul style="list-style-type: none"> <li>During the component development and mass production supply phases of new projects, suppliers are regularly subject to process audits, product audits and performance evaluations to comprehensively assess their capability and performance, and to promote self-improvement and upgrading. The Company implements tiered supplier management to continuously enhance the vitality and capability of the supplier system.</li> </ul>
	Compliance and rectification	<ul style="list-style-type: none"> <li>The supplier's access is subject to a compliance score by a professional department, and a failed compliance screen will result in a prohibition of admission in principle. If the compliance screening is approved, the supplier should provide relevant explanatory documents/undertakings or add clauses to the contract to guard against risks and ensure that all newly admitted suppliers are free from potential compliance risks.</li> </ul>
<b>Cooperation and Exchange</b>	Strengthening multi-party cooperation	<ul style="list-style-type: none"> <li>The Company continues to cooperate with top international auto parts suppliers such as Bosch, Faurecia, UMC, Fuyao and Inalfa which provides important protection for the Company in terms of forward-looking technology reserves and simultaneous development of new products.</li> <li>The Company has been promoting cooperation with Huawei and other companies on intelligent and networked products to create highly integrated and intelligent products.</li> </ul>
	Conducting supplier training	<ul style="list-style-type: none"> <li>Through a combination of offline and online training, the Company organizes training for suppliers on relevant processes and systems, such as the "Supplier Quality Management Manual of BAIC Motor Corporation Limited", from time to time, to facilitate suppliers' full understanding of the quality management processes and requirements for parts and components during the development and mass production supply stages of the Company's new vehicle projects</li> </ul>

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Indicators	Units	2021
Total number of suppliers	No.	386
Of which: Total number of suppliers in Eastern China	No.	188
Of which: Total number of suppliers in Southern China	No.	46
Of which: Total number of suppliers in Central China	No.	68
Of which: Total number of suppliers in Northern China	No.	50
Of which: Total number of suppliers in the North West	No.	2
Of which: Total number of suppliers in the South West	No.	13
Of which: Total number of suppliers in the North East	No.	19
Of which the number of suppliers for which reviews were initiated	No.	386
Number of suppliers to whom the practice is enforced	No.	386
Supplier review coverage rate	%	100

### Responsible Supply Chain

The Company incorporates environmental and social risks into its supplier management system and continues to promote the development of a responsible supply chain. The Company requires all suppliers to comply with the “Environmental Protection Law of the People’s Republic of China”, the “Regulations for the Administration of Emission Permits (Trial)”, the “Fixed Source Emission Permit Classification Management Directory”, the “Construction Projects Environmental Protection Management Ordinance”, the “Safe Production Law of the People’s Republic of China” and other environmental and social related laws and regulations to ensure that the suppliers we work with are operating in compliance. The Company has formulated and continuously optimized the “Management and Control Measures on Green Supply Chain Control of BAIC Motor”, which sets out clear requirements for parts and components with environmental protection requirements, and not approving and producing parts that do not meet the requirements so as to promote the green transformation of the supply chain.



## Section X Environmental, Social and Governance Report

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<b>Environmental risk management for suppliers</b>	<ul style="list-style-type: none"><li>• When selecting new suppliers, priority will be given to those with compliant and standardized environmental management, and suppliers will be required to obtain ISO14001 certification and discharge permits to ensure that new suppliers entering the system meet environmental requirements.</li><li>• For suppliers with whom the Company has an established relationship, the Company has established a regular monitoring and investigation mechanism for suppliers' environmental performance, and has been using environmental performance as one of the annual performance indicators for suppliers. If a supplier violates national or local environmental laws and regulations and fails to rectify the situation, the supplier will be assessed and penal in accordance with the requirements, and the supplier withdrawal process will also be activated to ensure environmental compliance and effective control of all suppliers.</li></ul>
<b>Social risk management for suppliers</b>	<ul style="list-style-type: none"><li>• For newly introduced suppliers, the Company will conduct compliance evaluation, including basic information of the supplier and supplier integrity and compliance investigation, to ensure that suppliers are operating in compliance without risk.</li><li>• For suppliers with whom the Company has established cooperative relationships, the Company conducts regular supplier risk checks to ensure that all cooperative suppliers are risk-free.</li></ul>
<b>Preferred environmental products and services</b>	<ul style="list-style-type: none"><li>• At the early stage of new product development, the Company states the environmental requirements that must be met and priorities the use of environmentally friendly and energy efficient materials.</li><li>• At the stage of product development approval and batch approval, the Company requires the suppliers to submit test certificates that meet the technical requirements of environmental protection. For those suppliers who cannot provide test certificates or fail to pass the tests, they will not be recognized for production.</li><li>• For mass-produced products, the Company monitors the compliance of parts and components with environmental requirements by means of annual type verification. The Company will immediately rectify any situation found to be unsatisfactory in terms of technical requirements, and will assess and impose penalties as required.</li><li>• In the procurement of raw materials, the Company prefers choosing green and environmentally friendly products and materials. For example, in the selection of automotive paints, water-based, low VOC (Volatile Organic Compounds) paints are selected to reduce VOC emissions at source.</li></ul>

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## Section X Environmental, Social and Governance Report

### 3. GREEN AND LOW-CARBON DEVELOPMENT

#### 3.1 Addressing Climate Change

The decarbonization of vehicles is an important task in realizing China's dual-carbon target and ecological civilization, and is one of the important measures to address climate change in China. It is also a key area for greenhouse gas emissions reduction and an important component of energy efficiency and conservation.

Under the backdrop of "carbon neutrality", we are actively taking up our obligations and responsibilities to address climate change by participating in the development of a dual carbon standard for the automotive industry. We are involved in drafting standards such as the "Technical Specification for Life Cycle Carbon Accounting for Passenger Cars" and the "Life Cycle Carbon Emission Allowance for Passenger Cars".

On the production side, a series of measures such as policy and system development, energy-saving and environmental protection renovation and technological innovation were launched. On the consumer side, we have strengthened our electrified products, increased the proportion of new energy vehicles in production and sales, reduced fuel consumption by improving the thermal efficiency of engines and developing hybrid models to establish an internal life-cycle carbon footprint collection and management system for vehicles, making positive contribution to achieve carbon neutrality.

#### Carbon Emission Targets for 2021 to 2025

We will start mapping carbon emissions at all stages of raw materials, production and use, and gradually realize the management of the carbon footprint of automotive products. We will also adopt a multi-pronged approach to launch energy-saving and carbon-reduction initiatives in the production, use and recycling of vehicles so as to promote further reduction of carbon emissions.

Carbon reduction in production	Carbon reduction in use	Carbon reduction in recycling
<ul style="list-style-type: none"> <li>In terms of green production, we are actively reducing energy consumption by improving our energy consumption management system, upgrading and renovating equipment, etc..</li> <li>In terms of green office, we are actively promoting water and electricity conservation among all staff and promoting paperless office.</li> </ul>	<ul style="list-style-type: none"> <li>Through technological innovation, the engine thermal efficiency will be further improved by 2025.</li> <li>In the area of hybridization, we will implement a two-motor hybrid system and an extended range hybrid system to further improve fuel efficiency.</li> <li>For electric drive system, the integrated efficiency will be further improved by 2025 through technologies such as silicon carbide MOS, break-away speed reducer and flat wire oil cooling.</li> </ul>	<ul style="list-style-type: none"> <li>Selecting green and environmentally friendly raw materials, by 2025, to further increase the proportion of green material applications.</li> <li>Improve the overall utilization rate of resources, standardized recycling rate and the utilization rate of key recycled materials, reduce resource waste through recycling. By 2025, the utilization rate of key recycled materials will be further improved.</li> </ul>



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### Case: Escorting the United Nations Conference on Biodiversity (COP15)

The 15th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP15) is being held in Kunming, China in two phases, the first phase of which has been held from 11 to 15 October 2021 and the second one will be held in the first half of 2022. The conference is one of the most important United Nations conferences in the field of ecology and environment, which will start the process of China and the world working together to promote biodiversity conservation and sustainable development. As a “green mobility advocate”, new energy vehicles of Beijing Brand provided 100 Beijing EU7s for the event. By providing travel protection for the COP15, the Company has demonstrated its firm belief in ecological civilization and its commitment to “clean water and green mountains”, and will create more value for green travel and environmental sustainability for the community in the future.

### 3.2 Green Technology Innovation

The Company has seized the opportunity of technological innovation, increased the development of clean technology, promoted the transformation and upgrading of products with the main objectives of energy-saving, consumption-saving and material-saving, expanded the matrix of pure electricity products, developed the next generation of battery systems and electric drive systems. The Company has also achieved the transformation of traditional fuel engines into electric vehicles and has laid out a diversified roadmap of hybrid technologies to improve engine thermal efficiency and reduce carbon emissions per vehicle mile.

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#### Green research and development key areas

- The development of fuel cell vehicles and pure electric vehicles, and the development of a number of new pure electric vehicles such as the EU7, EU5, EX5, which implement the concept of green and environmental protection, leading the way for people to travel in a green way in the future.
  - Adopting keyless entry + one-touch start, fixed speed navigation, reversing radar, reversing camera, three screens of intelligent human-car interconnection experience, “cloud key” remote control and other functions, the vehicle is not only intelligent but also user-friendly. The vehicle is also equipped with an energy-efficient air conditioner that automatically varies the power output according to the actual temperature difference inside the vehicle, saving up to 20%. The high-powered air purification system inside the vehicle quickly filters out PM2.5 and other harmful airborne particles, creating an exclusive mobile “green oxygen bar” for the car owner to protect the health of the occupants.
  - Promoting the realization of hydrogen-fueled vehicles in multiple categories and scenarios, thereby achieving localized zero emissions of carbon dioxide and other greenhouse gases, thereby accelerating the goal of energy decarbonization in the transport sector.
  - Continuously improving engine performance and applying new fuel-saving technologies to reduce fuel consumption.
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### 3.3 Green Production and Operation

We always follow the concept of the full life-cycle of automotive products and systematically consider the possible impact on the environment in all aspects such as the selection, manufacturing, production, use and disposal of raw materials, etc. We make every effort to reduce resource consumption, reduce the production and emission of pollutants and protect the environment. At the same time, we promote the concept of energy saving and environmental protection in our daily office processes, and carry out green office operations, being a pioneer in environmental protection.

<b>Environmental Management System</b>	Environmental management certification	<ul style="list-style-type: none"> <li>Promoted ISO14001 environmental management system certification and ensured the adaptability and effectiveness of the management system by revising the environmental protection system, publishing and implementing an environmental management manual and launching special environmental protection activities.</li> </ul>
	Safety and environmental emergency management	<ul style="list-style-type: none"> <li>We established a safety and environmental emergency management mechanism and adopted graded response measures. We also developed an annual environmental emergency drill plan and conducted special environmental risk emergency drills.</li> </ul>
	Creating a green factory	<ul style="list-style-type: none"> <li>We launched the “Green Factory” project in the Group. In 2021, Zhuzhou Branch was awarded the national-level green factory, and received national recognition for its performance in land use intensification, raw material harmless, production cleanliness, waste resourcefulness and energy low carbonization.</li> </ul>
	Implementing green logistics	<ul style="list-style-type: none"> <li>The layout of the production workshops is rationalized, with each workshop connected by a corridor to facilitate process transport and reduce the use of logistics vehicles in the workshops; the logistics entrances and exits in the factory are reasonably designed to optimize transport routes and save transport energy.</li> </ul>

#### Emissions Management

in strict compliance with emission management requirements of laws, regulations and standards, including the Environmental Protection Law of the People’s Republic of China, the Law of the People’s Republic of China on Prevention and Control of Atmospheric Pollution, the Law of the People’s Republic of China on Prevention and Control of Water Pollution and the Law of the People’s Republic of China on Prevention and Control of Environmental Pollution by Solid Waste. Through implementing policies and systems such as the “Solid Waste Discharge Management Regulations”, the “Air Pollutant Control and Management Regulations”, the “Water Pollutant Control and Management Regulations” and the “Energy-saving and Environmental Protection Management Procedures for Product Design of BAIC Motor”, we establish a sound environmental management system, strengthen the management and control of pollutants and reduce the impact of production processes on the environment by enhancing production efficiency, technology and processes, optimizing the management and treatment system for emissions and environmental monitoring.



## Section X Environmental, Social and Governance Report

### Emissions Management Targets for 2021 to 2025

- Further reduce wastewater, waste gas and solid waste emissions through real-time monitoring and upgrading of environmental protection equipment
- Dispose of 100% of hazardous waste in a compliant manner

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#### Waste water management

- Real-time monitoring: In accordance with the requirements of national and local environmental protection departments, online equipment for monitoring COD, ammonia nitrogen, total phosphorus and total nickel are installed and the online monitoring data are integrated into the data platform of local environmental protection departments for monitoring.
- Recycling: After treatment, some of the wastewater is reused for landscaping, greening and production processes, reducing the waste of water resources.

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#### Waste gas management

- Classification management: According to the production and operation of the Company, corresponding gas exhausts, process exhausts and canteen fumes exhausts are installed and corresponding emission control facilities are built to ensure that each type of exhaust pollutant meets the emission standards for atmospheric pollutants.
- Real-time monitoring: In accordance with the requirements of national and local environmental protection departments, online equipment for monitoring COD, ammonia nitrogen, total phosphorus and total nickel are installed and the online monitoring data are integrated into the data platform of local environmental protection departments for monitoring.

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#### Solid waste management

- Classification management: Waste is divided into several categories: hazardous waste, recyclable waste and non-recyclable waste, and is managed in accordance with the principles of waste disposal.
- Principles of waste treatment: Priority is given to waste recycling and resource recovery, followed by non-hazardous treatment. The classification ensures the safety and compatibility of the different waste streams themselves and avoids barriers to subsequent recycling.
- Compliance disposal: Select a qualified waste recycling unit to recycle recyclable waste for re-use to achieve resourcefulness of waste and establish a comprehensive account of recyclable waste. Non-recyclable waste is transported by the government sanitation department to designated landfills for disposal. To select a qualified hazardous waste disposal company to dispose of the hazardous waste and implement a "joint bill" system to ensure consistency in the records of production, transportation, disposal and environmental protection.
- Recycling: With the main idea of using recycled materials for green packaging, we develop and put into operation a recycling packaging management system to record and monitor the operation of packaging, reducing the use of disposable packaging materials and reducing the amount of solid waste at source.

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#### Noise management

- Proactive identification and analysis of noise sources during operation and production, including presses, air pressure stations, paint equipment generators, boiler room and paint shop fans, etc., and through vibration and noise reduction, sound insulation and acoustic absorption measures, we ensure noise meets regulatory requirements and it does not affect the daily life of the surrounding community.
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## Section X Environmental, Social and Governance Report

### Case: Multi-pronged approach to reduce VOC emissions

#### *In the production sector*

Beijing Benz launched the MRA1 paint shop waste solvent recycling project, by adding a water-based waste solvent recycling system for intermediate color paint, the waste solvent generated from the intermediate color paint manual and robot areas will be collected and treated. Through this recycling system, 541 tons of water-based waste solvents were recycled in 2021, of which the VOC content of water-based waste solvents was 6%, reducing VOC emissions by approximately 32.46 tons for the year.

#### *In the waste disposal sector*

Zhuzhou Branch has put in place a VOC collection and renovation project for hazardous waste warehouse to collect and treat VOC generated from paint sludge, waste solvents and other substances to reduce disorganized emissions. The renovated warehouse is able to reduce VOC emissions by 1 ton/year.

### Case: Reducing solid waste generation with recycled packaging

Beijing Benz has been actively engaging in a recycling project, switching parts packaging to plastic/iron packaging that can support recycling, setting up an empty box center to sort, clean and store the recycling boxes at the end of production, and returning empty boxes to parts suppliers to achieve the recycling of packaging boxes and reduce the waste paper and wood generated from the packaging process. At the same time, Beijing Benz has developed and implemented a recycling packaging management system to record and monitor the operation of the packaging and to ensure that the packaging is moving properly through the supply chain. In 2021, the project saved 1.2 million cartons, 300,000 wooden pallets and 8,400 tons of solid waste.

Indicator	Unit	2021 <sup>Note 1</sup>	2020	2019
Scope 1: Direct GHG emissions	tCO <sub>2</sub> e	224,628.71	216,661.55	262,747.19
Scope 2: Indirect GHG emissions	tCO <sub>2</sub> e	555,946.08	691,380.66	758,964.00
Total GHG emissions <sup>Note 2</sup>	tCO <sub>2</sub> e	780,574.79	908,042.21	1,021,711.19
GHG emissions per vehicle	tCO <sub>2</sub> e per vehicle	0.76	0.80	0.72
Total wastewater discharge	Ton	1,502,353.38	1,978,428.20	2,450,271.00
Total COD emissions	Ton	86.45	112.53	161.47
Total ammonia nitrogen emissions <sup>Note 3</sup>	Ton	4.16	6.41	7.34
Total VOC emissions <sup>Note 3</sup>	Ton	422.80	1,166.52	1,221.87
Total SO <sub>2</sub> emissions <sup>Note 3</sup>	Ton	2.95	7.88	3.73
Total production of hazardous wastes	Ton	12,565.97	16,034.47	20,557.20
Hazardous wastes generation intensity	Kg per vehicle	12.19	14.08	14.42
Total production of non-hazardous wastes	Ton	144,483.93	163,536.64	162,942.41
of which: metal	Ton	100,672.10	120,831.33	140,020.34
of which: paper	Ton	9,553.12	10,644.69	10,374.96
of which: timber	Ton	9,413.44	10,038.99	8,946.73
of which: others	Ton	24,845.27	22,021.63	3,600.38
Non-hazardous wastes generation intensity	Kg per vehicle	140.14	143.62	114.35



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Note 1: Based on the materiality of production and operation to the business of the Group and the environmental influence, the discharge data of the Group for 2021 covers the Company, BAIC Research Institute, Zhuzhou Branch of the Company, Powertrain, BAIC Guangzhou, Beinei Parts and Components, Beijing Benz and Beijing Hyundai.

Note 2: GHG emissions are calculated with reference to the GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition) 2012 published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), the Fifth Assessment Report issued by the Intergovernmental Panel on Climate Change (IPCC); and the grid emission factors used in the calculation of Scope 2 emissions are determined with reference to the latest emission factors of China's regional power grid for 2021 released by the Department of Climate Change, the Ministry of Ecology and Environment of the PRC.

Note 3: The data calculation method for 2021 has been optimized and the calculation method has been adjusted to the actual method, which will be used in the future.

### **Reducing resource consumption**

The Group is committed to sustainable, green and low-carbon development. Through a combination of management and technical energy conservation, the Group strives to maximize energy utilization and optimize energy efficiency, and achieve continuous improvement in energy performance, transforming into a “carbon neutral” enterprise.

### **Energy Consumption Targets for 2021 to 2025**

- Further reduce the consumption of energy and water resources such as electricity and heat through energy-saving management, energy-saving technology, photovoltaic and geothermal energy, etc. in the production sector
- Reduce energy and water consumption through green office initiatives such as water and electricity conservation in the office sector

## Section X Environmental, Social and Governance Report

### Green production

- Energy management: We strengthened system management to ensure consistency in energy management systems. We also completed the revision of 9 management system documents in accordance with GB/T23331-2020 Energy Management System Requirements and Guidelines for Use.
- Inspection and supervision: We implemented a long-term management mechanism for energy-saving inspections, established and improved inspection standards, and carried out daily energy-saving inspections and checks, a total of 261 on-site energy improvements were completed throughout the year. We also strengthened the management of daily energy data collection, benchmarking and rectification of energy use problems, and regularly analysed and benchmark energy use data to raise awareness of energy saving among managers and staff, and carried out rectification and analysis of identified problems in real time.
- Management of key energy equipment: We launched a survey of high-energy-consuming equipment and promoted grid-based and benchmarked management of key equipment. Energy-consuming equipment is managed on a regional basis and a “One Person, One Machine Management System” has been established. We also launched a start-up plan for commissioning, renovation and preheating of equipment in the workshop on non-production days to improve the operational efficiency of the equipment.
- Energy-saving technologies: We used our own funds to promote the implementation of key annual energy saving projects and completed 9 energy-saving technology improvement projects, effectively saving 47.22 tons of standard coal and reducing 232.066 tons of carbon dioxide emissions. We also implemented a low-cost operation strategy during non-production hours to achieve energy savings by supplying on-demand during non-production hours.
- Water conservation initiative: We actively modified the plant equipment and used the water produced by the sewage treatment station in the plant to replace the tap water for greening and toilet flushing, saving over 100,000 tons of tap water each year. We also use external water instead of tap water for greening, toilet flushing and other miscellaneous uses, saving over 150,000 tons of tap water each year.

### Green office

- We implement energy saving management by posting signs on electricity, water and air-conditioning temperature control, etc., and assign responsible persons to make sure that lights are turned off when people leave, computers and printers are switched off before the end of the day. We also set regulations for usage of air conditioners, setting requirements and switch-on conditions for summer and winter are set to reduce energy waste.
- We are gradually replacing light bulbs with LEDs etc. to save energy.
- The Company has adopted a paperless office, where all office work is signed off electronically and is printed on both sides of the paper, limiting the amount of paper that can be printed and reducing the use of paper.
- Print cartridges are reused to reduce the amount of waste generated and are disposed of by qualified units after disposal.



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### Environmental education

- We conduct environmental training and assessment for new employees to ensure 100% training rate. Trainings on environmental protection are organized regularly for staff in key environmental positions in the Company to participate in, including supervisors, department heads, team leaders and frontline workers in key environmental positions. Training covers environmental laws and regulations and the Company's rules and systems, prevention and emergency handling of environmental pollution incidents, and interpretation of cases of environmental violations.
- Energy-saving publicity activities was launched in 2021. The number of participants in the online quiz was 7,440, and there were 5 online training sessions and exchanges to promote awareness of energy saving among all staff.

### Case: Photovoltaic power generation helps save energy and reduce emission

By fully utilizing the Company's approximately 140,000 square meters of factory floor space, BAIC Guangzhou has built distributed photovoltaic power generation systems, with two photovoltaic power generation projects with a total capacity of 12MW, a total area of 75,300 square meters of power generation modules and a total annual average power generation of 11.56 million kWh. In 2021, the cumulative electricity generated was approximately 12.02 million kWh, reducing carbon dioxide emissions by approximately 7,263 tons.

Indicator	Unit	2021 <sup>Note 1</sup>	2020	2019
Total electricity consumption	kWh	940,853,318.32	988,807,740.44	1,095,689,777
Total gasoline consumption	L	3,275,227.40	1,637,187.67	2,142,107.83
Total diesel consumption	L	74,766.28	90,652.33	171,511.37
Natural gas consumption	m <sup>3</sup>	99,282,750.41	97,258,879.08	117,713,340.10
Total purchased heat	million kJ	84,639.07	86,078.88	97,285.53
Total comprehensive energy consumption <sup>Note 2</sup>	TCE	251,291.50	255,687.93	297,054.21
Production energy consumption intensity	TCE per vehicle	0.24	0.22	0.21
Total water consumption <sup>Note 3</sup>	Ton	5,440,528.79	6,283,154.26	8,672,771.21
Total water consumption intensity	Ton per vehicle	5.28	5.52	6.13
Total recycled and reused water <sup>Note 4</sup>	Ton	52,344,235.40	3,163,313.42	2,935,684
Percentage of recycled and reused water	%	91	50	33

Note 1: Based on the materiality of production and operation to the business of the Group and the environmental influence, the scope of the Group's resources data for 2021 includes the Company, automotive research institute of the Company, Zhuzhou Branch of the Company, Powertrain, BAIC Guangzhou, Beinei Parts and Components, Beijing Benz, and Beijing Hyundai.

Note 2: The total comprehensive energy consumption is based on electricity and fuel consumption, and relevant conversion factors specified in the General Principles for Calculation of the Comprehensive Energy Consumption (GB/T2589-2020) of the People's Republic of China, including electricity, gasoline, diesel oil, natural gas and purchased heat.

Note 3: In 2021, the Company did not have problems in securing suitable water resources.

Note 4: Adjustments to the calculation of total recycled and reused water in 2021.

## Section X Environmental, Social and Governance Report

### 4. EMPLOYEE CARE AND PROTECTION

#### 4.1 People-oriented Philosophy

The Group regards employees as its core assets, and adheres to the principle of equal employment to constantly recruit talents. In strict compliance with the requirements of laws and regulations, including the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, the Group has prohibited discrimination in employment and prevented child labor, and is committed to safeguarding the legitimate rights and interests of employees and building harmonious labor relations.

##### **Recruitment and Employment**

The Group has complied with laws and regulations including the Labor Law of the People's Republic of China, adheres to the principle of equal employment, eradicating any discrimination, and strives to create an atmosphere of diversified employment. It has recruited talents through various channels including campus recruitment, social recruitment and overseas recruitment. It has provided equal employment opportunities for each talent. It has built a diversified working environment, to stimulate the vitality of human resources, and to secure human resources for corporate development.

Prior to recruitment: Strict scrutiny of job postings to avoid any discriminatory text.

During recruitment: No discriminatory questions are asked during the recruitment process and there are no differences in the recruitment of talent based on gender, ethnicity, religion etc.

As of the end of 2021, the total number of employees of the Group was 18,694, with 100% of the employees signing employment contracts, 18 labor complaints were submitted, processed and resolved through the official grievance mechanism.



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Indicator	Unit	2021
Total number of employees	Person	18,694
Percentage of full-time employees	Person	18,694
Percentage of part-time employees	Person	0
Percentage of male employees	Person	16,587
Percentage of female employees	Person	2,107
Number of employees aged below 30	Person	6,441
Number of employees aged between 30 and 50	Person	11,486
Number of employees aged above 50	Person	767
Production worker	Person	13,571
Technical staff	Person	3,711
Sales, management and other personnel	Person	1,412
Number of employees in Southern China	Person	733
Number of employees in Central China	Person	2,359
Number of employees in Northern China	Person	15,602
Percentage of employees from ethnic minorities	%	4.91%
Percentage of foreign employees	%	0.01%
Percentage of female management	%	20.00%
Annual turnover rate of male staff	%	4.20%
Annual turnover rate of female employees	%	0.54%
Annual turnover rate of employees aged below 30	%	1.63%
Annual turnover rate of employees aged between 30 and 50	%	2.91%
Annual turnover rate of employees aged over 50	%	0.19%
Annual employee turnover rate in South China	%	4.61%
Annual employee turnover rate in Central China	%	5.95%
Annual employee turnover rate in North China	%	4.96%

### Labor Standards

The Group has strictly complied with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Provisions on the Prohibition of Using Child Labor and other relevant laws and regulations, through improving the recruitment process and strictly enforcing reporting and approval measures to prevent the use of child and forced labor. During the Reporting Period, the Group did not violate any international, national or local standards and rules in relation to child and forced labor.

During the recruitment process, the Company implements the "Management System on Recruitment of BAIC Motor Corporation Limited to establish a process for collecting and approving personnel recruitment information, and requests candidates to show identity proof during the recruitment process. During work, the Company strictly enforces an 8-hour work schedule and enforces strict reporting and approval requirements for positions involving comprehensive working hours. For engineers in the research and development category, an integrated system of working hours will be declared by the Company. At the same time, a strict overtime approval mechanism is implemented to strictly control overtime work of employees must not exceed 36 hours per month.

## Section X Environmental, Social and Governance Report

### Remuneration and Welfare

The Group adheres to the people-oriented philosophy and firmly protects the legitimate rights and interests of employees. We have continuously improved the remuneration system, and controlled overtime hours. The employment contracts were signed through a collective negotiation mechanism, so as to ensure that employees' rights and interests were not infringed.

<b>Setting reasonable working hours</b>	<ul style="list-style-type: none"> <li>According to rules and regulations including the Collective Contract and the Measures of BAIC Motor for Attendance Management, the Group has adopted a standard working hour system of 5 days a week and 8 hours a day.</li> <li>We have strictly implemented the vacation arrangements for national statutory holidays, and have paid employees their wages in full during employees' annual leave, marriage leave, funeral leave, and public holidays.</li> <li>Overtime hours are strictly controlled and subject to approval procedures to fully protect employees' rights to rest.</li> </ul>
<b>Optimizing employee remuneration system</b>	<ul style="list-style-type: none"> <li>In order to improve the remuneration management system and process, the Group has formulated and implemented the Measures of BAIC Motor for Management of Employee Remuneration.</li> <li>The Company is constantly improving its salary system, which is centered on the value of the position and guided by the performance and ability of its employees. The Company is also making targeted and optimized adjustments to its position ranking system, annual salary adjustment mechanism, salary and benefit structure, and fixed salary and benefits for fresh graduates.</li> </ul>
<b>Seeking for democratic opinions</b>	<ul style="list-style-type: none"> <li>The Company follows the requirements of the Labor Contract Law and actively fulfils our democratic procedures and notification obligations in respect of rules and systems that affect the vital interests of our employees.</li> <li>In order to seek for democratic opinions and perform democratic procedures, we have implemented a series of policies including the Measures of BAIC Motor for the Management of Employee Reward and Punishment, the Measures of BAIC Motor for Attendance Management, and the Measures of BAIC Motor for Management of Employee Remuneration.</li> <li>The trade union signed the Collective Contract with the Company through a collective negotiation mechanism, and performed filing procedures, so as to fully protect the rights and interests of employees. 86% of the employees joined the union during the year.</li> </ul>



## Section X Environmental, Social and Governance Report

### Safety and Health

The Group has strictly complied with laws, regulations and policies on occupational health and safety, including the Law of the People's Republic of China on Work Safety and the Labor Law of the People's Republic of China to establish a sound safety management body with responsibilities and a constitution, and a sound responsibility system for safe production. In addition, on the basis of 31 occupational health and safety management systems, including the "Management System on Safe Production of BAIC Motor" and the "Management Measures on Occupational Disease Prevention and Control of BAIC Motor", the Group makes timely adjustments and amendments in accordance with changes in external regulations and standards, as well as internal management requirements to maintain the efficient operation of the safety management system through the establishment of organizations, allocation of responsibilities and establishment of mechanisms. The Group also actively carries out safety and health education training and a variety of activities to enhance the safety and health awareness of all employees. During daily work, the Group is committed to creating a safe and healthy working environment through the provision of services such as risk factor monitoring, occupational health check-ups and the distribution of labor protection products to employees.

In 2021, the Group carried out safety education and training for 8,872 times at the company level, with 1,170,000 trainees. The lost days due to work injury was 1,371 days. No work-related deaths occurred.

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#### Improve the safety management system

- Safety and health objectives, including safe production, fire safety, occupational health and environmental protection, are set annually and refined at every level, with each level signing a target responsibility letter.
  - A safety risk identification and assessment control system, a hidden danger investigation and management system, and an emergency management system are established to build up three lines of defense for safety and health, minimizing the occurrence of accidents and injuries.
  - The Group has established and maintains certifications for safe production standardization, occupational health and safety management system, and continuous improvement. The management requirements of the certification are comprehensively and deeply integrated into the Company's various business processes, and specialized activities are carried out to achieve the standards in accordance with the requirements of the system, so as to continuously improve the compliance and effectiveness of the system operation.
  - A clear system of safety incentives and accountability, as well as a system of regular safety meetings and other information exchange mechanisms are in place to ensure the effective operation of the entire system.
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## Section X Environmental, Social and Governance Report

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### Focus on occupational health for employees

- Staff management: To carry out pre-working, working and post-working occupational health check-ups and establish “one person, one file” for staff working in positions involving occupational hazards.
- Labor protection supplies: To establish a relevant system and an account for the issuance of labor protection supplies, and set up a special warehouse to store labor protection supplies; provide labor protection shoes, safety helmets, gloves, sleeves, goggles, etc. for employees who need to enter the production site. For the quality road test, we provide cold-weather work clothes, warm boots, heat patches and other labor protection products.
- Workplace: Third party professional organizations are commissioned to carry out regular identification and testing of occupational hazards to identify and control them in a timely manner.
- Pandemic prevention and control: In response to the pandemic, protective masks, containment suits, medical rubber gloves, etc. are purchased and masks are issued to staff, and they are required to wear masks in the workplace. The Group has set up and is improving office area disinfection standards, protection point manual, staff fever emergency handling plan and disinfection supplies allocation and distribution process. The office area and office equipment are disinfected daily, and a special approval process for visitors to the office area has been developed to protect the health of staff by putting in place “preventing input infection”.
- Health activities: Through organizing a variety of outdoor health-themed activities such as outdoor activity, mountain climbing and cycling, our staff can relax both their mind and body in a beautiful environment.

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### Promote a safety culture

- Education and training on safe production is carried out for those in charge of the enterprise, safe production management personnel, new employees, “four new” personnel and personnel from related parties.
  - The Group flexibly utilized the Palm Academy to organize training for a total of 160 leaders and cadres of the Company through online learning to learn about the new Safe Production Law and the new version of the Safety and Environmental Protection Accountability System of the Joint Stock Company; organized 194 full-time and part-time safety management staff and frontline team leaders to attend four courses on the interpretation of the new Safe Production Law, basic knowledge of work injury management and double prevention mechanism, safety management and fire prevention in the automobile industry, and safety management and injury prevention in limited space; and launched a special learning session on “Giving Way on Zebra Crossings” and a quiz on traffic safety knowledge for all staff.
  - Activities such as “Safe Production Month”, “Fire Safety Month”, “Traffic Safety Day” and “Occupational Disease Prevention and Control Promotion Week” were launched to publicize safe production, emergency management, disaster prevention and mitigation laws and regulations, safety and emergency knowledge and skills, to enhance the safety and emergency awareness and capability of all staff and raise their awareness of occupational health and safety, creating a safety culture.
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## Section X Environmental, Social and Governance Report

### Case: Launching a safety competition

The Company organized the “Ankang Cup”, a special labor competition for employees to carry out safety inspections, safety knowledge quizzes and safety consultation days on four occasions, with a total of 300 employees participating in the event. The Company also launched the “Ankang Cup” firefighting campaign to strengthen the awareness of fire safety among employees and provide them with fire safety knowledge and skills to ensure that the annual fire safety target of the Company is achieved.

### Case: Occupational health roadshow trainings

Beijing Hyundai organized occupational health roadshow trainings for on-site frontline workers involving in occupational disease hazards and safety operations. Through the three sessions of Occupational Health Experience and Demonstration, Personal Protective Equipment (PPE) Solution Exchange and EHS Seminar, Beijing Hyundai trained the staff on the hidden unsafe factors at production sites, the correct way to wear PPE and its importance, raising their awareness of safety protection.

Indicator	Unit	2021	2020	2019
Number of work-related death	Person	0	0	0
Work-related death rate	%	0	0	0

### Caring and Communication

The Group insists on safeguarding employees’ rights of being informed, participating, expressing themselves and supervising. We held the employee representative congress on a regular basis to listen to employees’ voices, and enhanced their sense of happiness and belonging. The trade union of the Group has set up a caring and pair-assistance fund to exemplify our care and assistance for employees in need.

## Section X Environmental, Social and Governance Report

<b>Listening to staff's needs</b>	<ul style="list-style-type: none"> <li>The 2021 annual operation conference and the sixth meeting of the first session of staff representatives were held. At the meeting, staff representatives made democratic comments to the corporate leaders, strengthening communication and interaction.</li> <li>The seventh meeting of the first session of staff representatives was held. At the meeting, staff supervisors of the fourth session of the Board of Supervisors were successfully elected. At the same time, the staff representatives considered and approved the “Resolution on the election of the fourth session of staff representatives of BAIC Motor Corporation Limited” by a show of hands.</li> </ul>
<b>Responding to staff's expectations</b>	<ul style="list-style-type: none"> <li>The Group implemented the practical activities of “I do practical things for the staff”, and released “the Labor Union of BAIC Motor further develops the in-depth practical plan of the activity ‘I do practical things for the staff’”. By organizing vocational skills competitions, setting up innovation workshops, launching reception days for chairman of the Labor Union and solving difficulties in enrolling children of foreign workers in nursery schools, the Group is committed to doing good and practical things for the staff and solving their problems with heart, soul and effort to enhance the well-being of the workforce.</li> </ul>
<b>Normalized pandemic prevention and control</b>	<ul style="list-style-type: none"> <li>A special pandemic prevention fund of RMB1 million was set up.</li> <li>Distributed over 530,000 disposable medical masks to all staff in the system throughout the year.</li> <li>We actively responded to the unexpected pandemic at the research and development base and continued to do a good job in equipping centralised isolation staff with supplies, systematically sorted out information and coordinated with hotels to complete point-to-point distribution of supplies to people. A series of activities such as “BAIC Night, BACK Night, Safe Return” and a small welcome back ceremony were held for those who had been transferred from centralised segregation to home segregation and returned to work.</li> </ul>
<b>Sending warmth to staff</b>	<ul style="list-style-type: none"> <li>A combination of workplace and household visits was used to pay out RMB204,000 to help workers in temporary hardship, and to pay condolences to workers who live alone staying in Beijing for the New Year. A total of RMB4.26 million was invested in organizing activities to send warmth during the “two festivals”.</li> <li>The Group invested RMB2.11 million in the 2021 Cooler Campaign and distributed 3,000 cooler packs to ensure the health and safety of employees during the high temperature period.</li> </ul>
<b>Helping staff in distress</b>	<ul style="list-style-type: none"> <li>We aided workers in temporary hardship due to serious illness or accidents, with a special grant of RMB60,000. The flood relief work was launched and RMB34,000 of special relief money was granted to help the affected workers.</li> </ul>



## Section X Environmental, Social and Governance Report

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### **Caring for female employees**

- On the occasion of launching “14th Five-year” plan during the 8th of March festival, a series of activities were launched under the theme of “putting together a journey, our (women’s) way to work hard”. In conjunction with learning about the history of the Party, women workers were called upon to tell the story of “Women in the history of the Party”, to carry out the activities of “Review on dramas” and “Rose book” on the theme of Party building, and to hold the activity of “Reading poems for you, for those who are struggling” to enrich the business life of women workers.
  - Upgrading of 7 nursery rooms to address the special needs of women, while distributing nearly 1,000 care boxes to female workers on the production lines, taking practical action to send care and concern to female workers down to the smallest details.
  - As a popular form of exercise for female workers, we distributed 1,447 pieces of fitness equipment to and created “gym rooms” around female workers. All female workers were called upon to carry out the “Fight for the fourth quarter – Fitness relay activity for female workers” to enhance their physical fitness.
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### **Case: Launch of a fitness program for all**

The Company actively organized a fitness program for all, collecting hundreds of creative walking routes in tribute to the centenary of the Party, while distributing 10,448 equipment packs and more than 260,000 people took part in the “Fitness Knowledge Contest for All”, which effectively enhanced the happiness and sense of belonging of workers, improved their health and promoted their overall development.

## Section X Environmental, Social and Governance Report

### 4.2 Shared Growth with Employees

In line with the philosophy of talent first and win-win cooperation, the Group is committed to providing a platform for the all-round development of employees, thus fully invigorating the enthusiasm of employees and giving full play to their strengths. In 2021, we further upgraded and optimized our training and management system, and revised and improved systems including the Training Management Measures of BAIC Motor and the Special Training Management Measures of BAIC Motor. Relying on a three-level skills competition platform that integrated on-the-job training, skills competition by work type and comprehensive skills competition, we provided diversified training courses to build a corporate environment that caters to the development of employees and nurtures white-collar and skilled talents while helping employees develop themselves and realizing their self-worth, which helps secure human resources for corporate transformation and development.

Indicator	Unit	2021
Percentage of trained employees	%	100
Of which: percentage of male employees completing the training	%	100
Of which: percentage of female employees completing the training	%	100
Of which: percentage of senior management members completing the training	%	100
Of which: percentage of middle management members completing the training	%	100
Total hours of employee training	Hour	513,510
Average training hours per employee completed	Hour/person	27.5
Of which: average training hours of male employee completed	Hour/person	27.5
Of which: average training hours of female employee completed	Hour/person	27.5
Of which: average training hours of senior management employee completed	Hour/person	110
Of which: average training hours of middle management employee completed	Hour/person	16

#### Training and Development

The Group is actively engaged in staff quality education, extracting the best organizational experience and wisdom from business units to produce benchmarking results and meet the actual training needs arising from changes in departments and positions. We have developed a comprehensive and high-quality learning platform to meet the needs of our core staff for continuous learning and growth through mid-to long-term development of talent.



## Section X Environmental, Social and Governance Report

Improving the training system	Specific measures
Internal trainer development	<ul style="list-style-type: none"><li>From the perspective of organizational resource building, we continued to develop internal resources and built up a team of internal trainers with extraction and transmission capabilities.</li></ul>
Training and education	<ul style="list-style-type: none"><li>For fresh graduates, special training activities are offered to help them integrate into the corporate culture and realize the transition from campus to workplace.</li><li>For middle and senior staff, relevant experts are invited to launch a series of training activities focusing on strategic thinking, change management promotion and talent cultivation. Through the three online training sessions, more than 970 employees at senior manager level and above were covered, helping to upgrade the management capability of the leadership team and realize strategic learning and cognitive sharing.</li></ul>
Dissemination of results	<ul style="list-style-type: none"><li>We organized 50 key staff to participate in multiple revisions of practical experience case results, a total of 21 best practice case studies have been collected into a booklet, and a number of high-quality micro-lessons have been produced. Through micro-learning competitions and the dissemination of knowledge columns, we promoted internal communication and expanded the promotion and application of successful experiences.</li></ul>

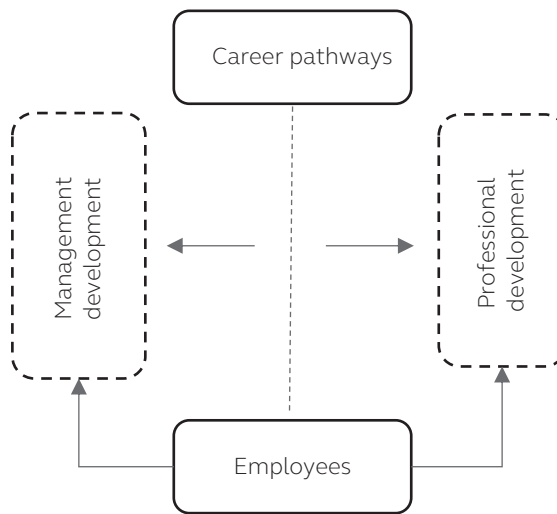
### Case: Launching STAR-T program to help new staff grow quickly

In order to enable young talents to better adapt to the needs of corporate talent and embrace the new changes of the times, the Group actively launched the “STAR-T Program”. In line with the needs of companies for new employees and the characteristics of post-95 employees, the Group set the key words for the training of fresh graduates in 2021 as innovation and hard work, and upgraded the traditional face-to-face training to face-to-face + experiential training. On the one hand, through visits and competition sessions, new staff are able to enhance interaction and healthy competition, and experience the corporate culture and craftsmanship, while on the other hand, through indoor and outdoor development activities, new staff are encouraged to be creative, strengthen their sense of innovation and build up a bright career vision.

## Section X Environmental, Social and Governance Report

### Construction of a Talent Team

The Group insists on recruiting, nurturing, appreciating and valuing talents, and adheres to the principle of fairness and impartiality, with quality and knowledge as the basis and ability and experience as the criteria for promotion. The Group continuously promotes the close integration of the talent development system and the development strategy of the company, and has set up a dual channel model for management and professional development, so as to open up comprehensive career pathways for employees, establish a talent development path guided by “post value”, vertical development, horizontal expansion and multiple ladders, and to complete the comprehensive cultivation of potential talents and outstanding talents at different levels and sequences.



Dual-channel model



## Section X Environmental, Social and Governance Report

Events	Specific measures
Strengthening the motivation of talents	<ul style="list-style-type: none"><li>The activation event for the May Day Celebration and Labor Competition was launched. The competition facilitated labor competition, innovation of workers and cultivation of young talents with the focus on enhancing our core competitiveness and quality development. The 2021 Labor Competition Season Program and the Young Craftsmen Growth Plan were announced at the event, and 38 advanced groups and 65 outstanding individuals were commended for their achievements in the 2020 Labor Competition.</li></ul>
Stimulating innovation vitality	<ul style="list-style-type: none"><li>Fully explored all kinds of skilled talents, completed 50 pairs of mentor-apprentice pairing and 4 pairs of mentor-apprentice were awarded the honorary title of “Master Teacher Leading Apprentice” in Beijing. 20 workers were awarded the honorary title of “Excellent Skilled Artisan Talent” and one of them was awarded the second Great Artisan of Beijing.</li><li>Featured tournaments including CATIA, Lean Production Competition and Robotics Operators Competition were held on more than 10 occasions throughout the year with a total of over 700 participants. The 2021 Lean Production Competition and Robotics Operators Competition were held, upon evaluation by the judges, 16 outstanding topics and 18 outstanding craftsmen were selected.</li><li>Outstanding workers were selected to participate in innovation competitions at the group-level and above. 205 entries won awards in the Beijing Invention and Innovation Competition, including 2 gold awards, 5 silver awards and 21 bronze awards. 184 Five Small Innovations projects were collected throughout the year, 60 of which were commended, including 4 municipal awards. We continued to carry out the Cost Reduction and Efficiency Enhancement-Staff in Action and Suggestions for Advocating Quality and Efficiency excellent proposal selection activities, collecting 151 excellent proposals and promoting 80 of them for recognition.</li><li>46 innovation workshops were set up throughout the year to organize staff exchange events, of which, 6 staff innovation workshops shared advanced management and project experiences in running an innovation workshop.</li></ul>



## Section X Environmental, Social and Governance Report

### 4.3 Devotion to Public Good

The Group has always insisted on the value of openness and sharing to care and support social development. We are actively responding to the government's call for public service and volunteering in areas of sustainable development such as education equity and public health so as to contribute our part to build a better future.

#### Promoting Educational Equity

- We care about the educational growth of ethnic minorities and actively provide internship positions for ethnic minority students in addition to the general recruitment of talents.
- Through the one-to-one support program, we donate money to help needy students in ethnic minority areas.

#### Case: The A Beautiful BAIC Motor, Walking with Love program

Since 2013, the Company has launched a one-to-one love and support program for poor students in ethnic minority areas under the A Beautiful BAIC Motor, Walking with Love program. The program had been successfully launched for 7 times by the end of 2021. The program has helped a large number of students who have dreams of learning to return to school by sending money to poor students in ethnic minority areas in Ganzi, Sichuan and Lhasa, Tibet, which made positive contributions to promoting the harmonious development of ethnic areas and the culture of the BAIC Motor brand, and has gradually become a public welfare program with a certain social influence.

In 2021, we continued to carry out the A Beautiful BAIC Motor, Walking with Love one-to-one support program for underprivileged students in ethnic minority areas, matching with Ganzi and Lhasa to carry out related public welfare activities. The Company's staff actively participated in public welfare donations, donating RMB43,000 to 29 students in the two regions.

#### Volunteer Service

As a responsible enterprise, the Group inherits and carries forward the volunteer spirit of dedication, friendship, mutual assistance and progress. We encourage and organize all grass-roots employees to participate in front-line volunteer activities to fulfill their responsibilities as social citizens, which contributes to the construction of a better society while enhancing the cohesion of employees.



## Section X Environmental, Social and Governance Report

<b>Anti-pandemic services</b>	<ul style="list-style-type: none"> <li>In order to steadily resume production and operations while preventing the pandemic, the Company's Volunteer Association set up 31 youth strike teams for the "Battle of the Two Lines" and carried out 256 anti-pandemic activities with more than 3,400 persons participated in volunteer services.</li> </ul>
<b>Community services</b>	<ul style="list-style-type: none"> <li>During the "Lei Feng Month" in 2021, the Company's Volunteer Association and its affiliated associations launched a series of Lei Feng activities, including seminars on the theme of Lei Feng spirit, volunteer services and contribution making event through the mechanism of "dual reporting" in the youth community, with more than 100 activities and a cumulative total of nearly 500 activities were held, serving nearly 30,000 persons and fully demonstrating the spirit of volunteering in the new era.</li> </ul>

### Case: Tree planting campaign to spread green ideas

Beijing Benz launched the "Greening Benz A Path Towards Excellence-The 7th Staff Tree Planting Campaign of Beijing Benz", with a total of approximately 160 people participating in the on-site tree planting activities. In addition, the Company organized a "Thousands of People Planting Trees" campaign by the Labor Union to actively take up green responsibilities and create a green environment.

Indicator	Unit	2021	2020	2019
Terms of volunteer activities	Term	375	370	364
Number of participants in employee volunteer activities	Person	9,311	9,257	9,120
Hours of volunteer activities during the Reporting Period	Hour	44,756	43,566	42,150
Number of beneficiaries in volunteer activities during the Reporting Period	Person	97,812	96,580	92,400

## Section X Environmental, Social and Governance Report

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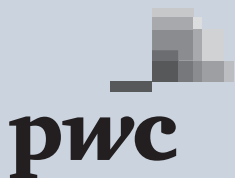
Aspects	Description	Page
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## Section X Environmental, Social and Governance Report

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## Section XI Independent Auditor's Report



羅兵咸永道

**TO THE SHAREHOLDERS OF BAIC MOTOR CORPORATION LIMITED**  
*(incorporated in the People's Republic of China with limited liability)*

### OPINION

#### What we have audited

The consolidated financial statements of BAIC Motor Corporation Limited (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 131 to 207, comprise:

- the consolidated balance sheet as at December 31, 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

#### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## Section XI Independent Auditor's Report

Key audit matters identified in our audit are summarized as follows:

- Capitalization of internal development costs;
- Impairment assessment of the property, plant and equipment, land use rights and the intangible assets related to the Beijing Brand passenger vehicle business;
- Provision for warranties.

### Key Audit Matter

#### *Capitalization of internal development costs*

Refer to Note 5 (Critical accounting estimates and judgements) and Note 9 (Intangible assets) of the consolidated financial statements.

The Group launches new vehicle models which require expenditure on the internal research and development projects. Management capitalizes the costs on development projects when the criteria set out in the accounting standard for capitalization of such costs have been met. RMB1,462 million of internal development costs have been capitalized and recorded as addition to intangible assets for the year ended December 31, 2021.

We focused on this area due to the higher inherent risk in relation to the capitalization of internal development costs and significant judgements involved in assessing whether the criteria set out in the accounting standard for capitalization of expenditure on the internal research and development projects have been met, particularly:

- The timing to start capitalization;
- The technical feasibility of the projects; and
- The likelihood of the projects that will deliver sufficient future economic benefits.

### How our audit addressed the Key Audit Matter

We have understood and evaluated the design of the controls identified by the management surrounding the capitalization of internal development costs and subsequent measurement which we considered as key, and assessed the inherent risk of material misstatements by considering the complexity and susceptibility to management bias or fraud.

We tested such controls and performed substantive test of details on the projects with significant expenditure on the internal development as follows:

- We obtained the bases of considerations from management to determine the projects which were considered under development stage, in terms of how the specific requirements of the relevant accounting standards were met and whether it is appropriate to start the capitalization of the costs attributable to the projects.
- We also conducted interviews with individual project development managers responsible for the projects selected to obtain corroborative evidence such as project progress reports to support the explanations provided by the management.
- We tested samples of cost incurred by selected individual project and through our understanding of the projects and assessing the nature and necessity of such costs to evaluate whether such cost items selected for testing were directly attributable to the projects.

Based on above, we found that the judgement applied by management in assessing the criteria for capitalization of internal development costs were supported by the evidence we gathered and consistent with our understanding.



## Section XI Independent Auditor's Report

### Key Audit Matter

*Impairment assessment of property, plant and equipment, land use rights and intangible assets related to Beijing Brand passenger vehicle business*

Refer to Note 5 (Critical accounting estimates and judgements), Note 7 (Property, plant and equipment), Note 8 (Land use rights) and Note 9 (Intangible assets) of the consolidated financial statements.

The Group has material balances of property, plant and equipment, land use rights and intangible assets related to Beijing Brand passenger vehicle business, a separate cash generating unit ("CGU") with operating losses for the year ended December 31, 2021.

Management has engaged an independent valuer to determine the recoverable amount of this CGU, being the value in use. Such assessment involved judgements and assumptions, such as future cash flow projections using revenue, gross margin and other operating costs forecasts, long-term growth rate of revenue and discount rate.

Based on above management's assessment, the value in use of this CGU is larger than its net carrying value as of December 31, 2021.

We focused on this area due to the material balances of those long-lived assets related to Beijing Brand passenger vehicle business, and the fact that judgement and assumptions involved to determine the recoverable amount of this CGU are subject to high degree of estimation uncertainty. The inherent risk is considered significant due to the complexity of valuation model and subjectivity of assumptions used.

### How our audit addressed the Key Audit Matter

We obtained an understanding of management's internal control and assessment process of recoverable amount and assessed the inherent risk of material misstatements by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity.

The recoverable amount of the Beijing Brand passenger business was determined based on value in use, which is the present value of the future cash flows expected to be derived from this CGU, and we performed the following major audit procedures:

1. We assessed the competence, independence and integrity of the valuer. We read the valuer's report and assessed the valuation methodology.
2. We tested the consistency and assessed the reasonableness of the data used and evaluated the management's key assumptions adopted in the discounted cash flow projections, mainly in relation to:
  - the budgeted sales, gross margin and other operating costs, by comparing them with actual performance and historical financial data of this CGU. For the budgeted sales, we also compared to the Group's strategic plan; and
  - discount rate, by comparing it with the cost of capital of comparable companies and historical weighted average cost of capital, as well as considering territory-specific factors.

Based on available evidence, we found the data used and the key assumptions adopted in management's discounted cash flow projection were supported by the evidence we gathered.



## Section XI Independent Auditor's Report

### Key Audit Matter

#### *Provision for warranties*

Refer to Note 5 (Critical accounting estimates and judgements) and Note 25 (Provisions) of the consolidated financial statements.

The Group recognizes estimated warranty costs for vehicles sold principally at the time of sale of the vehicles or when it is determined that such obligations are probable and can be reasonably estimated. As disclosed in Note 25, the Group's warranties provision balance is RMB5,163 million as at December 31, 2021. The key judgement adopted by management as part of this process includes determining the estimated warranty cost per unit of vehicle sold.

We focused on this area given the higher inherent risk as estimates are adjusted from time to time with the actual outcome of claims subject to high estimation uncertainty.

### How our audit addressed the Key Audit Matter

In assessing the inherent risk of material misstatements by estimation uncertainty in provision for warranties, we obtained an understanding on the management's control and process to identify and quantify the provisions and tested related controls.

We also tested the provision for warranties attributable to vehicles with significant sales volume as follows:

- We tested the mathematical accuracy of the management's calculation of the provision for warranties which is based on the cost-per-unit and sales volume, and traced the volume data in current period to related sales records for each type of vehicle.
- We assessed the reasonableness of the cost-per-unit provision estimates of vehicles sold in the year with the Group's data sources that reported warranty costs in the past.
- In respect of the provision for warranties previously recorded and subsequently settled during the year, we compared the provision amount with the settlement amount and investigated if significant variance exists and the reasonableness of the reassessment of the adequacy of the provision for warranties previously made by the management. We also discussed with management the existence of any indicators of significant product defect occurred during the year and subsequent to the year-end that would significantly affect the estimates of the year end warranty provision.

We found the assumptions adopted and judgement applied by management were supported by the available evidence.

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

## Section XI Independent Auditor's Report

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



## Section XI Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Peter Man Kam Tsang.

### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, March 24, 2022

## Consolidated Balance Sheet

As at December 31, 2021

	Note	As at December 31,	
		2021 RMB'000	2020 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	50,573,099	50,428,891
Land use rights	8	6,977,295	7,158,525
Investment properties		170,409	–
Intangible assets	9	11,016,548	12,459,098
Investments accounted for using equity method	11,12	12,529,144	14,296,379
Financial assets at fair value through other comprehensive income	13	2,688,906	1,896,816
Deferred income tax assets	14	7,719,320	9,763,971
Other receivables and prepayments	18	2,533,828	2,700,167
		<b>94,208,549</b>	98,703,847
<b>Current assets</b>			
Inventories	15	21,141,081	20,341,991
Accounts receivable	16	17,988,720	20,553,050
Advances to suppliers	17	149,549	340,313
Other receivables and prepayments	18	4,753,766	4,412,051
Restricted cash and term deposits with initial term of over three months	19	1,634,090	1,205,578
Cash and cash equivalents	20	40,968,622	48,146,250
		<b>86,635,828</b>	94,999,233
<b>Total assets</b>		<b>180,844,377</b>	193,703,080
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital	21	8,015,338	8,015,338
Perpetual bond	22	–	1,998,160
Other reserves	23	22,711,546	22,120,796
Retained earnings		21,855,875	18,953,206
		<b>52,582,759</b>	51,087,500
<b>Non-controlling interests</b>		<b>22,304,316</b>	22,506,443
<b>Total equity</b>		<b>74,887,075</b>	73,593,943



# Consolidated Balance Sheet

As at December 31, 2021

	Note	As at December 31,	
		2021 RMB'000	2020 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	24	7,632,677	8,721,150
Lease liabilities	7(c)(i)	55,062	59,220
Deferred income tax liabilities	14	21,273	26,423
Provisions	25	2,977,044	2,352,624
Deferred income	26	3,228,685	3,570,884
Other payables		64,464	105,865
		<b>13,979,205</b>	14,836,166
<b>Current liabilities</b>			
Accounts payable	27	39,615,698	48,017,125
Contract liabilities	28	1,366,602	1,291,797
Other payables and accruals	29	32,702,347	40,360,838
Current income tax liabilities		1,329,572	1,324,900
Borrowings	24	14,750,968	11,736,216
Lease liabilities	7(c)(i)	26,852	93,990
Provisions	25	2,186,058	2,448,105
		<b>91,978,097</b>	105,272,971
<b>Total liabilities</b>		<b>105,957,302</b>	120,109,137
<b>Total equity and liabilities</b>		<b>180,844,377</b>	193,703,080

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 131 to 207 were approved by the Board of Directors on March 24, 2022 and were signed on its behalf.

Jiang Deyi, Director

Huang Wenbing, Director

## Consolidated Statement of Comprehensive Income

For the year ended December 31, 2021

	Note	For the year ended December 31,	
		2021 RMB'000	2020 RMB'000
<b>Revenue</b>	6	<b>175,915,687</b>	176,973,004
Cost of sales		(138,272,452)	(134,833,061)
<b>Gross profit</b>		<b>37,643,235</b>	42,139,943
Selling and distribution expenses		(10,311,937)	(11,309,353)
General and administrative expenses		(5,798,684)	(7,984,162)
Net impairment losses on financial assets		(87,491)	(400,619)
Other gains/(losses), net	30	2,515,020	(101,145)
<b>Operating profit</b>		<b>23,960,143</b>	22,344,664
Finance income	33	887,138	952,947
Finance costs	33	(826,238)	(852,801)
Finance income, net		60,900	100,146
Share of loss of investments accounted for using equity method		(1,100,562)	(2,014,904)
<b>Profit before income tax</b>		<b>22,920,481</b>	20,429,906
Income tax expense	34	(7,769,002)	(7,474,755)
<b>Profit for the year</b>		<b>15,151,479</b>	12,955,151
<b>Profit attributable to:</b>			
Equity holders of the Company		3,858,175	2,028,811
Non-controlling interests		11,293,304	10,926,340
		<b>15,151,479</b>	12,955,151
<b>Earnings per share for profit attributable to ordinary shareholders of the Company for the year</b> (expressed in RMB)			
Basic and diluted	35	0.48	0.24



# Consolidated Statement of Comprehensive Income

For the year ended December 31, 2021

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
<b>Profit for the year</b>	<b>15,151,479</b>	12,955,151
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
(Loss)/gain on cash flow hedges, net of tax	(259,824)	24,175
Share of other comprehensive (loss)/income of investments accounted for using the equity method	(11,577)	2,663
Currency translation differences	(53,908)	(51,774)
<i>Items that will not be reclassified to profit or loss</i>		
Changes in fair values of financial assets at fair value through other comprehensive income	448,215	618,166
<b>Other comprehensive income for the year</b>	<b>122,906</b>	593,230
<b>Total comprehensive income for the year</b>	<b>15,274,385</b>	13,548,381
<b>Attributable to:</b>		
Equity holders of the Company	4,136,486	2,635,629
Non-controlling interests	11,137,899	10,912,752
	<b>15,274,385</b>	13,548,381

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.



## Consolidated Statement of Changes In Equity

For the year ended December 31, 2021

	Attributable to equity holders of the Company					Non-controlling interests RMB'000	Total RMB'000
	Share capital RMB'000 (Note 21)	Perpetual bond RMB'000 (Note 22)	Other reserves RMB'000 (Note 23)	Retained earnings RMB'000	Sub-total RMB'000		
<b>Balance at January 1, 2021</b>	<b>8,015,338</b>	<b>1,998,160</b>	<b>22,120,796</b>	<b>18,953,206</b>	<b>51,087,500</b>	<b>22,506,443</b>	<b>73,593,943</b>
Profit for the year	-	-	-	3,858,175	3,858,175	11,293,304	15,151,479
Other comprehensive income/(loss)	-	-	278,311	-	278,311	(155,405)	122,906
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>278,311</b>	<b>3,858,175</b>	<b>4,136,486</b>	<b>11,137,899</b>	<b>15,274,385</b>
<b>Transactions with owners</b>							
Appropriation to reserve fund	-	-	314,279	(314,279)	-	-	-
2020 final dividends	-	-	-	(641,227)	(641,227)	-	(641,227)
Repayment of perpetual bond	-	(1,998,160)	(1,840)	-	(2,000,000)	-	(2,000,000)
Dividends to non-controlling interest holders of a subsidiary	-	-	-	-	-	(11,368,000)	(11,368,000)
Contribution from non-controlling interest holder of a subsidiary	-	-	-	-	-	27,974	27,974
	-	(1,998,160)	312,439	(955,506)	(2,641,227)	(11,340,026)	(13,981,253)
<b>Balance at December 31, 2021</b>	<b>8,015,338</b>	<b>-</b>	<b>22,711,546</b>	<b>21,855,875</b>	<b>52,582,759</b>	<b>22,304,316</b>	<b>74,887,075</b>



# Consolidated Statement of Changes In Equity

For the year ended December 31, 2021

	Attributable to equity holders of the Company					Non-controlling interests RMB'000	Total RMB'000
	Share capital RMB'000 (Note 21)	Perpetual bond RMB'000 (Note 22)	Other reserves RMB'000 (Note 23)	Retained earnings RMB'000	Sub-total RMB'000		
<b>Balance at January 1, 2020</b>	8,015,338	1,998,160	20,667,653	19,325,921	50,007,072	22,367,709	72,374,781
Profit for the year	-	112,000	-	1,916,811	2,028,811	10,926,340	12,955,151
Other comprehensive income/(loss)	-	-	606,818	-	606,818	(13,588)	593,230
<b>Total comprehensive income for the year</b>	-	112,000	606,818	1,916,811	2,635,629	10,912,752	13,548,381
<b>Transactions with owners</b>							
Consideration for business combinations under common control	-	-	(80,594)	-	(80,594)	-	(80,594)
Interest of perpetual bond	-	(112,000)	-	-	(112,000)	-	(112,000)
Appropriation to reserve fund	-	-	926,919	(926,919)	-	-	-
2019 final dividends	-	-	-	(1,362,607)	(1,362,607)	-	(1,362,607)
Dividends to non-controlling interest holders of a subsidiary	-	-	-	-	-	(13,622,000)	(13,622,000)
Contribution from non-controlling interest holders of a subsidiary	-	-	-	-	-	2,873,593	2,873,593
Acquisition of non-controlling interests of a subsidiary	-	-	-	-	-	(6,658)	(6,658)
Disposal of a subsidiary	-	-	-	-	-	(18,953)	(18,953)
	-	(112,000)	846,325	(2,289,526)	(1,555,201)	(10,774,018)	(12,329,219)
<b>Balance at December 31, 2020</b>	8,015,338	1,998,160	22,120,796	18,953,206	51,087,500	22,506,443	73,593,943

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	Note	For the year ended December 31,	
		2021 RMB'000	2020 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	37(a)	18,669,990	36,286,459
Interest paid		(741,431)	(702,806)
Interest received		887,138	952,947
Income tax paid		(5,912,722)	(10,529,012)
Net cash generated from operating activities		12,902,975	26,007,588
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(7,282,497)	(9,778,149)
Addition of intangible assets		(1,162,987)	(1,817,596)
Acquisition of subsidiaries		–	(80,594)
Addition of investments accounted for using equity method		–	(190,000)
Purchase of financial assets		(343,875)	–
Receipt of government grants for capital expenditures		11,663	17,955
Proceeds from disposals of property, plant and equipment and intangible assets	37(b)	289,782	23,561
Cash disposed on disposal of subsidiaries, net of proceeds received	37(c)	–	(35,626)
Proceeds from disposal of subsidiaries in prior year	37(c)	12,300	–
Dividends received from investments accounted for using equity method		705,096	319,993
Net cash used in investing activities		(7,770,518)	(11,540,456)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		20,259,976	19,876,097
Repayments of borrowings		(18,186,665)	(23,727,224)
Loans from immediate parent company		–	46,768
Repayment of loans from immediate parent company		–	(18,371)
Contribution from non-controlling interest holder of a subsidiary		27,974	2,513,659
Principal elements of lease payments		(121,059)	(103,554)
Interests paid to perpetual bondholders		(112,000)	(112,000)
Repayment of perpetual bond		(2,000,000)	–
Dividends paid by the Company		(641,227)	(1,362,607)
Dividends paid to non-controlling interest holders of subsidiaries		(11,368,000)	(13,752,066)
Acquisition of non-controlling interests of a subsidiary		–	(6,658)
Net cash used in from financing activities		(12,141,001)	(16,645,956)
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at January 1		48,146,250	50,231,353
Exchange differences on cash and cash equivalents		(169,084)	93,721
<b>Cash and cash equivalents at December 31</b>		<b>40,968,622</b>	<b>48,146,250</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 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 on March 24, 2022.

## 2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the 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.

### (a) Going concern

As at December 31, 2021, the current liabilities of the Group exceeded its current assets by approximately RMB5,342 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 RMB14,406 million and RMB4,700 million respectively as at December 31, 2021.

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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 2 BASIS OF PREPARATION (CONTINUED)

### (b) New standards, amendments to standards and interpretations

The Group has applied the following for the first time for their annual reporting period commencing January 1, 2021:

Amendment to IFRS 16	– Covid-19 – Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	– Interest Rate Benchmark Reform – Phase 2

The above did not have any material impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

Certain new standard and amendments to standards have been published that are not mandatory for December 31, 2021 reporting period and have not been early adopted by the Group.

		<b>Effective for annual periods beginning on or after</b>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Annual Improvements 2018–2020 cycle		January 1, 2022
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

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



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Subsidiaries

#### (a) Consolidation

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

For business combinations involving enterprises under common control, the consideration paid and net assets obtained by the acquirer are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combinations and the carrying amount of the consideration paid is treated as an adjustment to capital reserve.

The Group applies the acquisition method to account for business combinations except for business combinations under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Subsidiaries (Continued)

#### (b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### (c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

### 3.2 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses, and movements in other comprehensive income, in profit or loss and other comprehensive income respectively. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of joint ventures and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Joint arrangements (Continued)

Where the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which include any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of the joint ventures have been aligned where necessary, to ensure consistency with the policies adopted by the Group.

### 3.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount to "Share of profit/(loss) of investments accounted for using equity method" in the profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been aligned where necessary to ensure consistency with the policies adopted by the Group.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee led by Chief Executive Officer that makes strategic decisions.

### 3.5 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in RMB, which is the Company's functional currency and the Group's presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the profit or loss on a net basis within "Other gains/(losses), net".

#### (c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognized in other comprehensive income.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items, as well as right-of-use assets (Note 3.27) within the same line item as that within which the corresponding underlying assets would be presented if they were owned.

Subsequent costs are included in the asset's carrying amount or as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings	30 years
Machinery	10 years
Vehicles	4-10 years
Furniture and office equipment	3-5 years
Mouldings	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.10).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains/(losses), net" in the profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.7 Land use rights

Land use rights are stated at cost less accumulated amortization and accumulated impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated. Amortization of land use rights is calculated on a straight-line basis over the period of the land use rights.

Land use rights are right-of-use assets upon adoption of IFRS 16 effective for annual period commencing January 1, 2019 (Note 3.27).

### 3.8 Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at cost less accumulated depreciation and accumulated impairment losses.

### 3.9 Intangible assets

#### (a) Intellectual rights

Separately acquired intellectual rights are shown at historical cost. Intellectual rights have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of intellectual rights over their estimated useful lives of 5 to 10 years.

#### (b) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 5 years.

#### (c) Research and development costs

Research cost is recognized in profit or loss in the period in which it is incurred. Development cost is capitalized only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset, and use or sell it;
- management ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.9 Intangible assets (Continued)

#### (c) Research and development costs (Continued)

The development cost of an internally generated intangible asset is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The development costs capitalized in connection with the intangible asset include costs of materials and services used or consumed and employee costs incurred in the creation of the asset.

Capitalized development costs are amortized using the straight-line method over their estimated useful lives.

Development costs not satisfying the above criteria are recognized in the profit or loss as incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period.

#### (d) Goodwill

Goodwill arises on the acquisition of subsidiaries, joint ventures and associates and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

### 3.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment and whenever there is an indication of impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 Investments and other financial assets

#### (a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### (b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### (c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 Investments and other financial assets (Continued)

#### (c) Measurement (Continued)

##### (i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the profit or loss.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

##### (ii) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other gains when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### (d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### 3.13 Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (“cash flow hedges”).

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 29. Movements in the hedging reserve in equity are shown in Note 23. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

#### Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other gains/(losses).

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), the deferred hedging gains and losses are included within the initial cost of the asset. The deferred amounts are ultimately recognized in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.14 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

### 3.15 Accounts and other receivables

Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of accounts and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Except for notes receivable measured at FVOCI, accounts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

### 3.16 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

### 3.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### 3.18 Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.19 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss as finance cost over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### 3.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

### 3.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

#### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.21 Current and deferred income tax (Continued)

#### (b) Deferred income tax

##### (i) *Inside basis differences*

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

##### (ii) *Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

#### (c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 3.22 Employee benefits

#### (a) Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organized by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans. The contributions are recognized as employee benefit expense when they are due.

#### (b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plans. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceilings. The Group's liability in respect of these funds is limited to the contributions payable in each period.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.23 Provision

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as financial costs.

### 3.24 Revenue recognition

The Group manufactures and sells vehicles, auto parts and technologies to its dealers and automotive/spare parts manufacturers. The revenue recognition policies applied by the Group for each of these activities are as follows:

#### (a) Products

Revenue from sales of products is recognized when the performance obligation for promises to transfer goods to customers is satisfied which is at a point in time when control of the products has transferred, being when the risk and reward have been transferred, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The vehicles are often sold with sales rebates. Sales are recorded based on the prices specified in the sales contracts, net of the sales rebates which are calculated periodically.

#### (b) Services

Revenue from providing services of aftersales, transportation, research and development, technical consultancy, etc is recognized upon satisfaction of the performance obligations over time in the accounting period during which the services are rendered.

#### (c) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

### 3.25 Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognized as other gains in profit or loss when the right to receive payment is established.

### 3.26 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in the profit or loss.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.26 Interest income (Continued)

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other gains.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

### 3.27 Leases

Leases are recognised 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.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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 payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that termination option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.27 Leases (Continued)

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.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised 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.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

### 3.28 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

### 3.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 4 FINANCIAL RISK MANAGEMENT

### 4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's risk management and treasury department focuses on minimizing potential adverse effects on the Group's financial performance.

#### (a) Market risk

##### (i) Foreign exchange risk

The Group has international purchase transactions and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

	As at December 31,			
	2021		2020	
	Euro RMB'000	Other foreign currencies RMB'000	Euro RMB'000	Other foreign currencies RMB'000
Accounts receivable	810,483	352,430	1,242,671	144,163
Other receivables and prepayments	–	20,859	–	20,603
Cash and cash equivalents	2,586,850	298,190	1,055,241	307,707
Accounts payable	11,285,077	185	14,818,990	931
Other payables and accruals	3,288,056	161,545	3,209,681	88,141
Borrowings	–	–	2,010,263	400,123

To manage the impact of exchange rate fluctuations, the Group continually assesses its exposure to foreign exchange risks, and a portion of those risks will be mitigated by using derivative financial instruments when management considers necessary.

Management has set up a policy to manage their foreign exchange risk against their functional currency. The Group uses forward foreign exchange contracts to hedge anticipate cash flows (mainly purchase of inventories) in major foreign currencies for the subsequent periods.

As at December 31, 2021, the carrying value of the forward foreign exchange contracts was RMB745,820,000 (December 31, 2020: RMB64,097,000) (Note 29(a)). The foreign exchange forwards are denominated in the same currency as the highly probable future inventory purchases (both in Euro) and therefore the hedge ratio is 1:1.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 4.1 Financial risk factors (Continued)

#### (a) Market risk (Continued)

##### (i) Foreign exchange risk (Continued)

As at each year end, if Euro weakened by 10% against RMB with all other variables held constant, the post-tax profit and other comprehensive income/(loss) for each year would have changed mainly as a result of foreign exchange differences on translation of Euro denominated assets and liabilities as well as forward foreign exchange contracts:

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Profit for the year	502,878	946,231
Other comprehensive income/(loss)	(738,258)	(508,983)

A weakening of the RMB against the Euro would have had equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

##### (ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

As at December 31, 2021, if the interest rates on borrowings had been 100 basis points higher/lower than the prevailing rate, with all other variables held constant, net profit for the year ended December 31, 2021 would have been approximately RMB81,837,000 (2020: RMB61,810,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

#### (b) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

##### (i) Risk management

As at December 31, 2021, 100% (December 31, 2020: 100%) of the Group's restricted cash, short-term deposits and cash at banks are held in reputable local joint-stock commercial banks, state-owned banks, other financial institutions and world-wide reputable banks, which management believes are of high credit quality. Management does not expect any losses from non-performance by these counterparties.

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. Normally, the Group does not require collaterals from trade debtors. Management makes periodic collective assessment as well as individual assessment on the recoverability of accounts and other receivables based on historical payment records, the length of the ageing period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. The Group's historical experience in collection of accounts and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the financial statements.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 4.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets

Impairment of financial assets are determined on the basis outlined in Note 3.11(d). To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing. As at December 31, 2021 the provision for impairment in respect of those collectively assessed trade receivables was approximately RMB616,828,000 (December 31, 2020: RMB465,630,000) based on expected loss rates applied on different groupings as follows.

	Current RMB'000	More than 30 days RMB'000	More than 1 year RMB'000	More than 2 years RMB'000	More than 3 years RMB'000	More than 4 years RMB'000	Total RMB'000
<b>As at December 31, 2021</b>							
Expected loss rate	0.1%	0.1%	2.6%	4.7%	10.3%	8.4%	3.7%
Trade receivables, gross	6,614,987	993,237	567,776	4,203,040	2,507,382	1,700,047	16,586,469
Provision for impairment	3,613	543	14,497	195,997	259,127	143,051	616,828
<b>As at December 31, 2020</b>							
Expected loss rate	0.2%	0.2%	1.6%	5.9%	6.1%	7.0%	2.6%
Trade receivables, gross	5,540,587	1,815,916	4,463,765	2,941,248	1,245,407	1,842,608	17,849,531
Provision for impairment	11,569	3,792	71,015	174,643	75,931	128,680	465,630

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities at all times as not to breach borrowing limits or covenants (where applicable) on any of its facilities. The Group's forecasting takes into consideration debt financing plans, covenant compliance, and if applicable, external regulatory or legal requirements.

The Group's primary cash requirements have been for additions of and upgrades on property, plant and equipment, expenditure on research and development payment on related debts and payment for purchases and operating expenses. The Group finances its working capital requirements through a combination of internal resources and long-term and short-term borrowings.

As at December 31, 2021, the Group has net current liabilities of approximately RMB5,342 million (December 31, 2020: RMB10,274 million). Management regularly monitors the Group's current and expected liquidity requirements to ensure that it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed banking facilities to meet its capital commitments and working capital requirements. The amount of undrawn credit facilities at the balance sheet dates are disclosed in Note 24 to these financial statements.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 4.1 Financial risk factors (Continued)

#### (c) Liquidity risk (Continued)

The tables below analyze the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000 (Note)
<b>At December 31, 2021</b>				
Borrowings	15,004,014	2,753,207	5,153,076	–
Lease liabilities	27,728	776	2,719	12,513,374
Accounts payable	39,615,698	–	–	–
Other payables	28,256,414	45,172	21,851	–
<b>At December 31, 2020</b>				
Borrowings	12,075,285	1,675,535	7,802,702	–
Lease liabilities	95,701	1,542	2,815	13,992,694
Accounts payable	48,017,125	–	–	–
Other payables	35,527,885	55,114	78,424	–

Note: This is mainly related to a long-term lease with significant discounting impact by which the present value of its lease payments is calculated and recognized in the consolidated balance sheet.

### 4.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "total equity" as shown in the consolidated balance sheet plus net debt.

As of December 31, 2021 and 2020, the balance of total cash and cash equivalents exceeded the balance of borrowings.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 4.3 Fair value estimation

The carrying amounts of the Group's current financial assets and liabilities, including cash and cash equivalents, restricted cash, accounts and other receivables, accounts and other payables and borrowings approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The table below analyzed financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Assets</b>				
Financial assets at FVOCI (Notes 13, 16)				
At December 31, 2021	2,685,906	–	1,964,939	4,650,845
At December 31, 2020	1,893,816	–	3,107,009	5,000,825
<b>Liabilities</b>				
Derivative financial instruments (Note 29)				
At December 31, 2021	–	745,820	–	745,820
At December 31, 2020	–	64,097	–	64,097

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (a) Capitalization of internal development costs

Only internal development costs directly attributable to projects which are considered under development stage and when it is probable that the projects will be successful considering the criteria set out in Note 3.9(c) are capitalized and recognized as intangible assets. The Group's development activities are tracked by its technical department and documented to support the basis of determining if and when the criteria were met, particularly (i) the timing to start capitalization; (ii) the technical feasibility of the projects; and (iii) the likelihood of the projects that will deliver sufficient future economic benefits.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (b) Impairment of long-lived assets

The Group is required to test goodwill and intangible assets not ready for use on an annual basis. Other non-financial assets are tested whenever events or changes in circumstances indicate that the carrying amount of those assets exceeds its recoverable amount. The recoverable amount is determined based on the higher of fair value less costs to sell and value in use.

Determination of the value in use is an area involving management judgement in order to assess whether the carrying value of the long-lived assets can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain areas including management's expectations of (i) future unlevered free cash flows; (ii) long-term sales growth rates; and (iii) the selection of discount rates to reflect the risks involved.

The property, plant and equipment, land use right and intangible assets related to Beijing Brand passenger vehicle business are tested for impairment based on the recoverable amount of the CGU to which these assets are related. The recoverable amount of the CGU was determined based upon value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Management determines annual sales growth rate to be a key assumption as it is the main driver for revenue and costs in each period. The annual sales growth rate is based on past performance and management's expectations of market development. The discount rate used is pre-tax and reflects specific risks relating to the relevant business.

For impairment testing, cash flows beyond the five-year period are extrapolated using the estimated annual sales growth rate of 3%. The discount rate applied to the cash flow projections used for value-in-use calculations is 15.40% (December 31, 2020: 15.43%).

### (c) Provisions

The Group recognizes a provision when there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where these criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognized or disclosed in the financial statements could have a material effect on the Group's financial position.

The Group recognizes expected warranty costs for products sold principally at the time of sale of the product and when it is determined that such obligations are probable and can be reasonably estimated. Amounts recorded are based on the Group's estimates of the amount that will eventually be required to settle such obligations. These accruals are based on factors such as past experience, production changes, industry developments and various other considerations. The Group's estimates are adjusted from time to time based on facts and circumstances that impact the status of existing claims.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (d) Income taxes

The Group is subject to income taxes in the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognized only if it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. This determination requires significant judgement regarding the realizability of deferred tax assets. For entities with a recent history of losses, there would need to be convincing other evidence that sufficient taxable profits would be available in the future. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

## 6 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.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 6 SEGMENT INFORMATION (CONTINUED)

### (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
<b>For the year ended December 31, 2021</b>				
Total revenue	8,174,349	167,966,443	(225,105)	175,915,687
Inter-segment revenue	(225,105)	–	225,105	–
Revenue from external customers	7,949,244	167,966,443	–	175,915,687
Timing of revenue recognition				
– At a point in time	7,724,274	166,428,334	–	174,152,608
– Over time	224,970	1,538,109	–	1,763,079
	7,949,244	167,966,443	–	175,915,687
Segment gross (loss)/profit	(4,512,770)	42,255,038	(99,033)	37,643,235
<b>Other profit &amp; loss disclosures:</b>				
Selling and distribution expenses				(10,311,937)
General and administrative expenses				(5,798,684)
Net impairment losses on financial assets				(87,491)
Other gains, net				2,515,020
Finance income, net				60,900
Share of loss of investments accounted for using equity method				(1,100,562)
<b>Profit before income tax</b>				22,920,481
Income tax expense				(7,769,002)
<b>Profit for the year</b>				15,151,479
<b>Other information:</b>				
<b>Significant non-cash expenses</b>				
Depreciation and amortization	(4,116,918)	(5,353,824)	–	(9,470,742)
Provisions for impairments on assets	(929,439)	(4,163)	–	(933,602)
<b>As at December 31, 2021</b>				
<b>Total assets</b>	82,090,547	113,916,580	(15,162,750)	180,844,377
Including:				
Investments accounted for using equity method	12,529,144	–	–	12,529,144
<b>Total liabilities</b>	(37,946,651)	(68,030,203)	19,552	(105,957,302)



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 6 SEGMENT INFORMATION (CONTINUED)

### (b) Profit and loss disclosures, segment assets and segment liabilities (Continued)

	Passenger vehicles – Beijing Brand RMB'000	Passenger vehicles – Beijing Benz RMB'000	Elimination RMB'000	Total RMB'000
<b>For the year ended December 31, 2020</b>				
Total revenue	7,579,273	169,695,489	(301,758)	176,973,004
Inter-segment revenue	(301,758)	–	301,758	–
Revenue from external customers	7,277,515	169,695,489	–	176,973,004
Timing of revenue recognition				
– At a point in time	6,934,055	168,051,655	–	174,985,710
– Over time	343,460	1,643,834	–	1,987,294
	7,277,515	169,695,489	–	176,973,004
Segment gross (loss)/profit	(3,666,223)	45,976,854	(170,688)	42,139,943
<b>Other profit &amp; loss disclosures:</b>				
Selling and distribution expenses				(11,309,353)
General and administrative expenses				(7,984,162)
Net impairment losses on financial assets				(400,619)
Other losses, net				(101,145)
Finance income, net				100,146
Share of loss of investments accounted for using equity method				(2,014,904)
<b>Profit before income tax</b>				20,429,906
Income tax expense				(7,474,755)
<b>Profit for the year</b>				12,955,151
<b>Other information:</b>				
<b>Significant non-cash expenses</b>				
Depreciation and amortization	(4,156,588)	(4,907,647)	–	(9,064,235)
Provisions for impairments on assets	(722,963)	(221,123)	–	(944,086)
<b>As at December 31, 2020</b>				
<b>Total assets</b>	83,981,040	124,908,717	(15,186,677)	193,703,080
Including:				
Investments accounted for using equity method	14,296,379	–	–	14,296,379
<b>Total liabilities</b>	(41,365,162)	(78,771,072)	27,097	(120,109,137)

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

### 6 SEGMENT INFORMATION (CONTINUED)

#### (b) Profit and loss disclosures, segment assets and segment liabilities (Continued)

There is no customer accounting for 10 percent or more of the Group's revenue for each of the years ended December 31, 2021 and 2020.

The Group is domiciled in the PRC. The percentage of its revenue from external customers residing in the PRC is approximately 99.5% for the year ended December 31, 2021 (2020: 99.7%).

As at December 31, 2021, 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, 2020: 98.6%).

### 7 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture and office equipment RMB'000	Mouldings RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Net book amount at</b>							
<b>January 1, 2021</b>	17,121,446	15,346,394	375,527	2,079,447	3,572,900	11,933,177	50,428,891
Additions	35,620	265,409	26,023	191,858	79,147	6,407,789	7,005,846
Transfers upon completion to							
– investment properties	–	–	–	–	–	(172,303)	(172,303)
– property, plant and equipment	1,921,270	2,418,588	43,002	1,123,839	1,764,093	(7,270,792)	–
Disposals	(7,570)	(122,541)	(9,425)	(25,915)	(8,360)	–	(173,811)
Depreciation	(1,145,025)	(2,950,826)	(112,038)	(1,155,676)	(1,123,596)	–	(6,487,161)
Impairment	–	(3,302)	–	(25,061)	–	–	(28,363)
<b>Net book amount at</b>							
<b>December 31, 2021</b>	17,925,741	14,953,722	323,089	2,188,492	4,284,184	10,897,871	50,573,099
<b>At December 31, 2021</b>							
Cost	23,934,525	30,960,118	936,089	7,815,128	11,305,488	10,897,871	85,849,219
Accumulated depreciation and impairment	(6,008,784)	(16,006,396)	(613,000)	(5,626,636)	(7,021,304)	–	(35,276,120)
<b>Net book amount</b>	17,925,741	14,953,722	323,089	2,188,492	4,284,184	10,897,871	50,573,099



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture and office equipment RMB'000	Mouldings RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Net book amount at</b>							
<b>January 1, 2020</b>	15,719,854	15,108,547	339,896	1,922,349	3,579,126	12,088,298	48,758,070
Additions	140,651	158,892	3,667	19,466	394	7,839,538	8,162,608
Transfers upon completion	2,317,100	2,877,436	149,860	1,133,329	1,516,934	(7,994,659)	-
Disposals	(360)	(34,672)	(6,418)	(6,026)	(8,397)	-	(55,873)
Disposal of a subsidiary	(1,755)	-	-	(69)	-	-	(1,824)
Depreciation	(1,054,044)	(2,762,818)	(107,242)	(953,745)	(1,514,791)	-	(6,392,640)
Impairment	-	(991)	(4,236)	(35,857)	(366)	-	(41,450)
<b>Net book amount at</b>							
<b>December 31, 2020</b>	17,121,446	15,346,394	375,527	2,079,447	3,572,900	11,933,177	50,428,891
<b>At December 31, 2020</b>							
Cost	22,156,516	28,931,629	944,594	6,657,221	9,538,373	11,933,177	80,161,510
Accumulated depreciation and impairment	(5,035,070)	(13,585,235)	(569,067)	(4,577,774)	(5,965,473)	-	(29,732,619)
<b>Net book amount</b>	17,121,446	15,346,394	375,527	2,079,447	3,572,900	11,933,177	50,428,891

Notes:

- As at December 31, 2021 there was no property, plant and equipment being pledged as security for borrowings (December 31, 2020: RMB623,201,000).
- The Group has capitalized borrowing costs amounting to RMB20,226,000 on qualifying assets of property, plant and equipment for the year ended December 31, 2021 (2020: RMB27,664,000). Borrowing costs were capitalized at the weighted average of its borrowing rate of 4.51% during the year (2020: 5.32%).
- This note provides information for leases where the Group is a lessee.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (Continued)

(c) This note provides information for leases where the Group is a lessee. (Continued)

(i) Amounts recognized in the balance sheet

	As at December 31,	
	2021 RMB'000	2020 RMB'000
<b>Right-of-use assets</b>		
Included in property, plant and equipment		
– Buildings	117,963	194,203
– Machinery	56	277
– Vehicles	–	122
	<b>118,019</b>	194,602
Included in land-use rights (Note 8)	<b>6,977,295</b>	7,158,525
<b>Lease liabilities</b>		
Non-current	55,062	59,220
Current	26,852	93,990
	<b>81,914</b>	153,210

Additions to the right-of-use assets included in property, plant and equipment during the 2021 financial year were RMB49,763,000 (2020: RMB175,058,000).

(ii) Amounts recognized in the profit or loss

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
<b>Depreciation/amortization charge of right-of-use assets</b>		
Included in property, plant and equipment		
– Buildings	114,779	106,578
– Machinery	220	249
– Vehicles	–	879
	<b>114,999</b>	107,706
Included in land-use rights (Note 8)	<b>181,230</b>	181,430
Interest expense (included in finance costs) (Note 33)	<b>8,262</b>	13,305
Expenses relating to short-term leases (included in cost of sales, selling and distribution expenses and general and administrative expenses)	<b>30,519</b>	62,220

(iii) Amounts recognized in the statement of cash flows

The total cash outflow for leases in 2021 was RMB159,840,000 (2020: RMB154,398,000).



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (Continued)

(d) Depreciation on property, plant and equipment of the Group is analyzed as follows:

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Cost of sales	5,928,973	5,268,303
Selling and distribution expenses	4,222	4,428
General and administrative expenses	417,028	972,363
	6,350,223	6,245,094
Capitalized in intangible assets-development costs	136,938	147,546
	6,487,161	6,392,640

## 8 LAND USE RIGHTS

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
<b>Cost</b>		
At January 1 and December 31	8,327,893	8,327,893
<b>Accumulated amortization</b>		
At January 1	(1,169,368)	(987,938)
Amortization	(181,230)	(181,430)
At December 31	(1,350,598)	(1,169,368)
<b>Net book amount</b>		
At December 31	6,977,295	7,158,525

Notes:

- (a) The Group's land use rights are held under leases for periods of 31.5 to 50 years.
- (b) As at December 31, 2021, the Group has not obtained the formal land use rights for certain land use rights with carrying values of approximately RMB1,747,000 (December 31, 2020: RMB1,792,000). In the opinion of the directors, the absence of formal title to these land use rights does not impair their values to the Group as the probability of the Group being evicted on the ground of absence of formal title is remote.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

### 9 INTANGIBLE ASSETS

	Development costs (note (b)) RMB'000	Computer software RMB'000	Goodwill (note (a)) RMB'000	Total RMB'000
<b>Net book amount at January 1, 2021</b>	<b>11,340,077</b>	<b>217,076</b>	<b>901,945</b>	<b>12,459,098</b>
Additions	1,462,015	60,177	–	1,522,192
Disposals	–	(715)	–	(715)
Amortization	(2,887,248)	(76,779)	–	(2,964,027)
<b>Net book amount at December 31, 2021</b>	<b>9,914,844</b>	<b>199,759</b>	<b>901,945</b>	<b>11,016,548</b>
<b>At December 31, 2021</b>				
Cost	23,168,482	1,070,181	901,945	25,140,608
Accumulated amortization	(13,253,638)	(870,422)	–	(14,124,060)
Net book amount	9,914,844	199,759	901,945	11,016,548
<b>Net book amount at January 1, 2020</b>	11,940,247	204,903	901,945	13,047,095
Additions	1,877,026	195,502	–	2,072,528
Disposals	–	(199)	–	(199)
Amortization	(2,477,196)	(183,130)	–	(2,660,326)
<b>Net book amount at December 31, 2020</b>	11,340,077	217,076	901,945	12,459,098
<b>At December 31, 2020</b>				
Cost	21,736,128	1,012,112	901,945	23,650,185
Accumulated amortization	(10,396,051)	(795,036)	–	(11,191,087)
Net book amount	11,340,077	217,076	901,945	12,459,098



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 9 INTANGIBLE ASSETS (CONTINUED)

Notes:

- (a) Goodwill is monitored by management at the level of the two operating segments identified in Note 6.

A segment-level summary of the goodwill allocation is presented below.

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Passenger vehicles of Beijing Benz (i)	807,505	807,505
Passenger vehicles of Beijing Brand (ii)	94,440	94,440
	<b>901,945</b>	901,945

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the business combinations in which the goodwill arose. The units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 6).

The recoverable amount of each CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Management determines annual sales growth rate to be a key assumption as it is the main driver for revenue and costs in each period. The annual sales growth rate is based on past performance and management's expectations of market development. The discount rate used is pre-tax and reflects specific risks relating to the relevant business.

- (i) This arises from the acquisition of Beijing Benz in 2013 and is fully allocated to the CGU of passenger vehicles of Beijing Benz. For impairment testing, the estimated annual sales growth rate covering the five-year forecast period is 3% beyond which is extrapolated at 3%. The discount rate applied to the cash flow projections used for value-in-use calculations is 16.55% (December 31, 2020: 16.32%).
- (ii) This arises from the acquisition of China Automobile Development United (Beijing) Technology Investment Co., Ltd. in September 2016 and is fully allocated to the CGU of passenger vehicles of Beijing Brand. For impairment testing, the estimated annual sales growth rate covering the five-year forecast period is 10%-28% beyond which is extrapolated at 3%. The discount rate applied to the cash flow projections used for value-in-use calculations is 18.17% (December 31, 2020: 17.88%).
- (b) The Group has capitalized borrowing costs amounting to RMB100,858,000 on qualifying intangible assets for the year ended December 31, 2021 (2020: RMB186,703,000). Borrowing costs were capitalized at the weighted average of its borrowing rate of 3.21% during the year (2020: 3.52%).
- (c) Amortization on intangible assets of the Group is analyzed as follows:

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Cost of sales	2,573,773	2,162,188
General and administrative expenses	363,622	475,523
	<b>2,937,395</b>	2,637,711
Capitalized in intangible assets-development costs	26,632	22,615
	<b>2,964,027</b>	2,660,326

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 10 SUBSIDIARIES

### (a) Material non-controlling interests

Set out below is the summarized financial information for a 51% owned subsidiary, Beijing Benz, which has non-controlling interests that are material to the Group. The amounts disclosed below are before inter-company eliminations, and are stated at the basis upon the Group acquired 51% interests in Beijing Benz as according to IFRS 3 “Business Combinations”.

#### (i) Summarized balance sheet

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Non-current assets	53,309,514	54,430,411
Current assets	60,607,066	70,478,306
<b>Total assets</b>	<b>113,916,580</b>	124,908,717
Non-current liabilities	4,906,234	4,665,975
Current liabilities	63,123,969	74,105,097
<b>Total liabilities</b>	<b>68,030,203</b>	78,771,072
<b>Net assets</b>	<b>45,886,377</b>	46,137,645
Less: goodwill	(807,505)	(807,505)
	<b>45,078,872</b>	45,330,140
The Group's non-controlling interests in Beijing Benz	<b>22,088,647</b>	22,211,769

#### (ii) Summarized statement of comprehensive income

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Revenue	167,966,443	169,695,489
Net profit	23,208,556	22,459,284
Other comprehensive (loss)/income	(259,824)	24,175
<b>Total comprehensive income</b>	<b>22,948,732</b>	22,483,459



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 10 SUBSIDIARIES (CONTINUED)

### (a) Material non-controlling interests (continued)

#### (ii) Summarized statement of comprehensive income (continued)

Below sets out the amounts attributable to non-controlling interests in Beijing Benz in the Group's consolidated statements of comprehensive income:

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Net profit attributable to non-controlling interests	11,372,192	11,005,049
Other comprehensive (loss)/income attributable to non-controlling interests	(127,314)	11,846
Total comprehensive income attributable to non-controlling interests	11,244,878	11,016,895
Dividends to non-controlling interest holders	11,368,000	13,622,000

#### (iii) Summarized statement of cash flows

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Net cash flows generated from operating activities	17,111,807	31,017,417
Net cash flows used in investing activities	(6,019,891)	(8,174,527)
Net cash flows used in financing activities	(23,200,000)	(22,935,524)
Exchange differences on cash and cash equivalents	(222,073)	75,299
Net decrease in cash and cash equivalents	(12,330,157)	(17,335)

- (b) The list of the principal subsidiaries at December 31, 2021 is disclosed in Note 40. All of the subsidiaries established in the PRC are limited liability companies.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 11 INVESTMENTS IN JOINT VENTURES

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
At January 1	7,843,019	10,807,438
New investments	–	20,000
Additional investments	–	65,000
Share of loss for the year	(1,941,086)	(2,730,934)
Share of other comprehensive (loss)/income for the year	(11,577)	1,508
Share of total comprehensive loss for the year	(1,952,663)	(2,729,426)
Dividends received	(457,508)	(319,993)
At December 31	5,432,848	7,843,019

Notes:

- (a) None of the joint ventures are considered individually material as at December 31, 2021.
- (b) Individually immaterial joint ventures

The information below reflects the amounts presented in the financial statements of the joint ventures after alignment with accounting policies of the Group.

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Aggregate carrying amount of the net assets	11,999,889	16,632,908
Aggregate amount of the Group's share thereon	5,432,848	7,843,019

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Aggregate total comprehensive loss	(3,360,112)	(5,049,365)
Aggregate amount of the Group's share of total comprehensive loss	(1,952,663)	(2,729,426)

- (c) The list of the principal joint ventures at December 31, 2021 is disclosed in Note 40.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 12 INVESTMENTS IN ASSOCIATES

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
At January 1	6,453,360	5,131,175
New investments	50,000	–
Additional investments (note (a), (b))	–	605,000
Share of profit for the year	840,524	716,030
Share of other comprehensive income for the year	–	1,155
Share of total comprehensive income for the year	840,524	717,185
Dividends received	(247,588)	–
At December 31	7,096,296	6,453,360

Notes:

- (a) In March 2020 Mercedes-Benz Leasing Co., Ltd. (“MBLC”) increased its registered capital by RMB300,000,000 with RMB105,000,000 contributed by the Group. The Group continues to hold 35% of equity interests in MBLC upon completion of above capital increases.
- (b) In February 2020, BAIC Group Finance Co., Ltd. (“BAIC Finance”) increased its registered capital by RMB2,500,000,000 with RMB500,000,000 contributed by BAIC Investment Co., Ltd. (“BAIC Investment”), a subsidiary of the Company. BAIC Investment continued to hold 20% of equity interests in BAIC Finance upon completion of this capital increase.
- (c) None of the associates are considered individually material as at December 31, 2021.
- (d) Individually immaterial associates

The information below reflects the amounts presented in the financial statements of the associates after alignment with accounting policies of the Group.

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Aggregate carrying amount of the net assets	23,847,104	21,644,432
<b>Aggregate amount of the Group's share thereon</b>	<b>7,096,296</b>	6,453,360
	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Aggregate total comprehensive income	2,596,826	2,154,941
<b>Aggregate amount of the Group's share of total comprehensive income</b>	<b>840,524</b>	717,185

- (e) The list of the principal associates at December 31, 2021 is disclosed in Note 40.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

### 13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
At January 1	1,896,816	1,278,650
Additional investments	343,875	–
Changes in fair values	448,215	618,166
At December 31	2,688,906	1,896,816

Notes:

Balance at December 31, 2021 represents 6.25% (December 31, 2020: 6.25%) equity interests in BAIC BluePark New Energy Technology Co., Ltd. (“BAIC BluePark”) being held by BAIC Guangzhou Automotive Co., Ltd. (“BAIC Guangzhou”), a wholly-owned subsidiary of the Company. BAIC BluePark is an A-share listed subsidiary of BAIC Group and listed on Shanghai Stock Exchange.

### 14 DEFERRED INCOME TAXES

Movements of deferred tax asset balances comprising temporary differences attributable to:

	Provisions for impairment losses RMB'000	Accruals RMB'000	Others RMB'000	Total RMB'000
At January 1, 2021	381,384	9,311,162	750,903	10,443,449
(Charged)/credited to statement of comprehensive income	(70,569)	(2,276,452)	784,608	(1,562,413)
At December 31, 2021	310,815	7,034,710	1,535,511	8,881,036
At January 1, 2020	381,871	8,986,480	1,172,107	10,540,458
(Charged)/credited to statement of comprehensive income	(487)	324,682	(421,204)	(97,009)
At December 31, 2020	381,384	9,311,162	750,903	10,443,449



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 14 DEFERRED INCOME TAXES (CONTINUED)

Movements of deferred tax liability balances comprising temporary differences attributable to:

	Capitalized interest RMB'000	Valuation surplus upon acquisition of a subsidiary RMB'000	Others RMB'000	Total RMB'000
At January 1, 2021	(26,423)	(679,478)	–	(705,901)
Credited/(charged) to statement of comprehensive income	5,150	19,900	(502,138)	(477,088)
At December 31, 2021	(21,273)	(659,578)	(502,138)	(1,182,989)
At January 1, 2020	(31,509)	(699,806)	–	(731,315)
Credited to statement of comprehensive income	5,086	20,328	–	25,414
At December 31, 2020	(26,423)	(679,478)	–	(705,901)

Note:

Deferred income tax assets and liabilities are presented net to the consolidated balance sheet through setting-off of RMB1,161,716,000 as at December 31, 2021 pursuant to set-off provisions as set out in Note 3.21(c).

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 RMB40 billion (December 31, 2020: RMB35 billion) that can be carried forward against future taxable income as at December 31, 2021.

The unrecognized tax loss amounting to approximately RMB33 billion (December 31, 2020: RMB29 billion) can be carried forward for utilization in future included in which approximately RMB3 billion, RMB3 billion, RMB9 billion and RMB18 billion being expired in less than 1 year, 1-2 years, 2-5 years and 5-10 years respectively.

## 15 INVENTORIES

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Raw materials	8,606,838	11,581,870
Work in progress	814,683	751,893
Finished goods	12,928,919	8,701,102
	22,350,440	21,034,865
Less: provision for impairment (note (a))	(1,209,359)	(692,874)
	21,141,081	20,341,991

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 15 INVENTORIES (CONTINUED)

Notes:

- (a) Provision for impairment is recognized for the amount by which the carrying amount of the inventories exceeds the recoverable amount, and is recorded in cost of sales in the profit or loss.
- (b) The cost of inventories recognized as cost of sales for the year ended December 31, 2021 amounted to RMB110,821 million (2020: RMB114,346 million).
- (c) As at December 31, 2021 and 2020, no inventories were pledged as collaterals.

## 16 ACCOUNTS RECEIVABLE

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Trade receivables, gross (note (a))	16,586,469	17,849,531
Less: provision for impairment	(616,828)	(465,630)
	15,969,641	17,383,901
Notes receivable (note (b)) measured at		
– FVOCI	1,961,939	3,104,009
– amortized cost	57,140	65,140
	17,988,720	20,553,050

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,	
	2021 RMB'000	2020 RMB'000
Current to 1 year	7,608,224	7,356,503
1 to 2 years	567,776	4,463,765
2 to 3 years	4,203,040	2,941,248
Over 3 years	4,207,429	3,088,015
	16,586,469	17,849,531

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

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
As at January 1	465,630	261,565
Provision for impairment recognized during the year	151,198	204,065
As at December 31	616,828	465,630



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 16 ACCOUNTS RECEIVABLE (CONTINUED)

Notes: (continued)

- (b) Substantially all notes receivable are with maturity period of within six months.
- (c) Most accounts receivable are denominated in RMB and their carrying amounts approximate fair values.
- (d) The amounts of accounts receivable pledged as collateral as at respective balance sheet dates are as follows:

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Trade receivables (i)	200,000	–
Notes receivable (ii)	543,684	1,808,208
	<b>743,684</b>	1,808,208

(i) collateral for borrowings

(ii) collateral for notes payable issued by banks

## 17 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.

## 18 OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Deductible value-added tax	5,029,603	4,930,403
Contracts fulfillment costs	597,387	582,493
Receivable from		
– sales of emission credits	805,765	322,466
– disposals of property, plant and equipment	525,345	749,775
– sales of raw materials	207,086	331,538
Prepayments for property, plant and equipment	47,894	138,848
Service fees	76,880	78,384
Deposits	11,734	7,378
Dividend receivable from a joint venture	14,000	14,000
Others	389,991	441,422
	<b>7,705,685</b>	7,596,707
Less: non-current portion	<b>(2,533,828)</b>	(2,700,167)
Less: provision for impairment	<b>(418,091)</b>	(484,489)
	<b>4,753,766</b>	4,412,051

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

### 18 OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

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

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
As at January 1	484,489	287,935
(Reversal of provision)/provision for impairment recognized during the year	(66,398)	196,554
As at December 31	418,091	484,489

### 19 RESTRICTED CASH AND TERM DEPOSITS WITH INITIAL TERM OF OVER THREE MONTHS

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Pledged deposits (note (a))	1,334,090	905,578
Term deposits with initial term of over three months (note (b))	300,000	300,000
	1,634,090	1,205,578

Notes:

- (a) Pledged deposits are maintained with banks mainly for issuance of notes payable. They earn interests at annual rates ranging from 0.30% to 1.38% in 2021 (2020: 0.30% to 1.75%).
- (b) These term deposits earn interests at annual rate of 3.35% (2020: 4.12%).

### 20 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Cash at bank and on hand	16,946,615	12,552,455
Short-term deposits	24,022,007	35,593,795
	40,968,622	48,146,250

Notes:

- (a) As at December 31, 2021, cash and cash equivalents of RMB15,913,195,000 (December 31, 2020: RMB15,185,063,000) were deposited in BAIC Finance (a 20% owned associate of a subsidiary of the Company) which was approved by the China Banking Regulatory Commission as a non-bank financial institution. The remaining 80% equity interests of this associate is owned by BAIC Group.
- (b) As at December 31, 2021, approximately 93% (December 31, 2020: 97%) of the Group's cash and cash equivalents are denominated in RMB. The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 21 SHARE CAPITAL

	Number of ordinary shares of RMB1 each (thousands)	RMB'000
At January 1, 2021 and December 31, 2021	8,015,338	8,015,338
At January 1, 2020 and December 31, 2020	8,015,338	8,015,338

## 22 PERPETUAL BOND

On April 10, 2018, the Company issued perpetual bond with par value of RMB2 billion to qualified investors with direct issuance costs of RMB1,840,000 which are deducted from equity.

The perpetual bondholders are entitled to an interest of 5.6% per annum in the first three years after issuance, and the interest rate will be reset once every three years thereafter. The principal amount has a repayment term of once every three years. Upon each maturity the Company can elect to extend repayment of the bond for another three years indefinitely. The interest payments fall due annually. Unless the Company declares dividend to shareholders or reduces the registered capital within 12 months before the interest due date (“mandatory interest payment event”), the Company can elect to defer the payment of all current or deferred interests to the next anniversary.

In February 2021, the Company elected not to extend repayment of the bond and made full repayment in March, 2021.

## 23 OTHER RESERVES

	Capital reserve RMB'000 (note (a))	Statutory reserve RMB'000 (note (b))	Financial assets at FVOCI RMB'000	Cash flow hedges RMB'000	Currency translation differences RMB'000	Others RMB'000	Total RMB'000
At January 1, 2021	17,543,360	4,376,972	176,256	21,378	2,830	-	22,120,796
<b>Other comprehensive income/ (loss)</b>							
Loss on cash flow hedges	-	-	-	(132,510)	-	-	(132,510)
Share of other comprehensive loss of investments accounted for using the equity method	-	-	-	(11,577)	-	-	(11,577)
Currency translation differences	-	-	-	-	(25,817)	-	(25,817)
Changes in fair value of financial assets at FVOCI	-	-	448,215	-	-	-	448,215
<b>Transactions with owners</b>							
Appropriation to reserve fund	-	314,279	-	-	-	-	314,279
Repayment of perpetual bond	(1,840)	-	-	-	-	-	(1,840)
At December 31, 2021	17,541,520	4,691,251	624,471	(122,709)	(22,987)	-	22,711,546

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

### 23 OTHER RESERVES (CONTINUED)

	Capital reserve RMB'000 (note (a))	Statutory reserve RMB'000 (note (b))	Financial assets at FVOCI RMB'000	Cash flow hedges RMB'000	Currency translation differences RMB'000	Others RMB'000	Total RMB'000
<b>At January 1, 2020</b>	17,623,954	3,450,053	(441,910)	7,541	29,170	(1,155)	20,667,653
<b>Other comprehensive income/(loss)</b>							
Gain on cash flow hedges	-	-	-	12,329	-	-	12,329
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	1,508	-	1,155	2,663
Currency translation differences	-	-	-	-	(26,340)	-	(26,340)
Changes in fair value of financial assets at FVOCI	-	-	618,166	-	-	-	618,166
<b>Transactions with owners</b>							
Consideration for business combinations under common control	(80,594)	-	-	-	-	-	(80,594)
Appropriation to reserve fund	-	926,919	-	-	-	-	926,919
<b>At December 31, 2020</b>	17,543,360	4,376,972	176,256	21,378	2,830	-	22,120,796

Notes:

(a) Capital reserve

Capital reserve includes share premium and reserves arising from capital contributions from equity holders. Share premium represents the difference between the fair value of shares issued and their respective par value. Incremental costs directly attributable to the issue of new shares are shown as a deduction.

(b) Statutory reserve

In accordance with the relevant PRC laws and financial regulations, every year the Company is required to transfer 10% of the profit after taxation determined in accordance with the PRC accounting standards to the statutory surplus reserve until the balance reaches 50% of the paid-up share capital. Such reserve can be used to reduce any losses incurred and to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 24 BORROWINGS

	As at December 31,	
	2021 RMB'000	2020 RMB'000
<b>Non-current</b>		
Borrowings from financial institutions (note (a))	3,811,976	2,523,924
Corporate bonds (note (b))	3,820,701	6,197,226
	<b>7,632,677</b>	8,721,150
<b>Current</b>		
Borrowings from financial institutions (note (a))	9,493,780	8,985,831
Add: current portion of non-current borrowings from financial institutions	534,710	251,587
Corporate bonds (note (b))	4,722,478	2,498,798
	<b>14,750,968</b>	11,736,216
<b>Total borrowings</b>	<b>22,383,645</b>	20,457,366

### Maturity of borrowings

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Current to 1 year	14,750,968	11,736,216
1 to 2 years	2,570,409	1,343,164
2 to 5 years	5,062,268	7,377,986
	<b>22,383,645</b>	20,457,366

### Contractual repricing dates upon interest rate changes

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Within 6 months	9,661,630	8,512,479
6 to 12 months	249,850	279,967
	<b>9,911,480</b>	8,792,446



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 24 BORROWINGS (CONTINUED)

### Weighted average annual interest rates

	As at December 31,	
	2021	2020
Borrowings from financial institutions	3.30%	4.29%
Corporate bonds	3.68%	3.66%

### Currency denomination

	As at December 31,	
	2021 RMB'000	2020 RMB'000
RMB	20,079,512	18,046,980
Euro	–	2,010,263
US\$	2,235,888	290,370
South African Rand	68,245	109,753
	22,383,645	20,457,366

### Undrawn facilities at floating rates

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Within 1 year	14,405,555	29,080,169
Over 1 year	4,700,000	1,300,000
	19,105,555	30,380,169



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 24 BORROWINGS (CONTINUED)

Notes:

- (a) Balances at December 31, 2021 include borrowings of RMB2,399 million (December 31, 2020: RMB2,459 million) obtained from BAIC Finance, 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	Carrying value RMB'000	Maturity
<b>At December 31, 2021</b>				
BAIC Investment	January 20, 2017	4.29%	832,251	7 years <sup>(i)</sup>
The Company	July 4, 2017	4.72%	2,352,946	7 years <sup>(i)</sup>
The Company	January 8, 2020	3.39%	619,683	3 years
The Company	November 5, 2021	3.45%	1,003,089	3 years
BAIC Finance Investment Co., Ltd.	March 16, 2021	2.00%	2,235,888	3 years
The Company	October 22, 2021	2.92%	1,499,322	6 months
			<b>8,543,179</b>	
<b>At December 31, 2020</b>				
BAIC Investment	March 17, 2016	3.15%	1,499,867	5 years
BAIC Investment	January 20, 2017	4.29%	799,726	7 years <sup>(i)</sup>
The Company	September 10, 2014	5.74%	399,584	7 years
The Company	September 22, 2014	5.54%	299,673	7 years
The Company	September 22, 2014	5.54%	299,673	7 years
The Company	April 22, 2016	3.45%	2,499,130	7 years
The Company	July 4, 2017	4.72%	2,298,781	7 years <sup>(i)</sup>
The Company	January 8, 2020	3.39%	599,590	3 years
			<b>8,696,024</b>	

(i) redeemable by bondholders after the end of 5th year.

- (c) As at December 31, 2021, no bank borrowings were secured by the Group's property, plant and equipment (December 31, 2020: RMB400,000,000).
- (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.

## 25 PROVISIONS

Balances represent warranty provisions for vehicles sold.

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Current	2,186,058	2,448,105
Non-current	2,977,044	2,352,624
<b>Total</b>	<b>5,163,102</b>	<b>4,800,729</b>

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

### 25 PROVISIONS (CONTINUED)

Movements of warranty provisions are as follows:

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
At January 1	4,800,729	4,688,518
Additions	3,091,777	1,761,162
Amortization of discount on non-current provisions (Note 33)	121,275	176,512
Payments	(2,850,679)	(1,825,463)
At December 31	5,163,102	4,800,729

### 26 DEFERRED INCOME

Balances mainly include supports from local government to compensate for purchases of assets and development of new technologies.

Movements of deferred income are as follows:

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
At January 1	3,570,884	3,867,752
Additions	600,854	10,630
Amortization	(943,053)	(307,498)
At December 31	3,228,685	3,570,884

### 27 ACCOUNTS PAYABLE

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Trade payables	37,276,917	45,096,832
Notes payable	2,338,781	2,920,293
	39,615,698	48,017,125



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 27 ACCOUNTS PAYABLE (CONTINUED)

Ageing analysis of trade payables based on invoice date is as follows:

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Current to 1 year	33,473,222	41,313,474
1 to 2 years	1,372,626	3,251,420
2 to 3 years	1,992,237	520,981
Over 3 years	438,832	10,957
	<b>37,276,917</b>	45,096,832

## 28 CONTRACT LIABILITIES

The balance represents unsatisfied performance obligations at the end of the year which include advances from customers consisting primarily of prepayment received from the dealers for sale of vehicles.

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	1,282,720	992,964

## 29 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Sales discounts and rebates	11,155,224	17,001,881
Payable for		
– services	4,143,847	4,269,878
– property, plant and equipment and intangible assets	3,813,905	3,495,610
– general operations	3,026,655	4,260,949
Other taxes payable	3,002,740	3,342,256
Advertising and promotion	2,027,450	2,228,745
Wages, salaries and other employee benefits	1,448,684	1,548,074
Payables for transportation and warehouse expenses	1,216,130	1,079,767
Derivative financial instruments (note (a))	745,820	64,097
Deposits	172,124	44,493
Others	1,949,768	3,025,088
	<b>32,702,347</b>	40,360,838

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).

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

### 30 OTHER GAINS/(LOSSES), NET

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Government grants	1,933,232	631,910
Loss on disposals of property, plant and equipment and intangible assets	(24,244)	(36,166)
Loss on forward foreign exchange contracts with fair value through profit or loss	(432,977)	(294,332)
Foreign exchange gains/(losses)	1,037,288	(531,203)
Others	1,721	128,646
	<b>2,515,020</b>	<b>(101,145)</b>

### 31 EXPENSES BY NATURE

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

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Raw materials and consumables used	114,521,117	111,579,706
Changes in inventories of finished goods and work in progress	(4,290,607)	3,244,961
Service fees and charges	7,463,776	8,734,976
Depreciation and amortization	9,470,742	9,064,235
Employee benefit costs (Note 32)	5,201,841	5,363,909
Advertising and promotion	1,654,382	1,780,686
Transportation and warehouse expenses	3,203,680	4,051,780
Daily operating expenses	2,004,732	1,999,363
Provision for impairment on non-financial assets	846,111	543,467
Warranty expenses (note (a))	1,595,830	1,226,718
Auditor's remuneration- audit services	7,095	8,375

Note:

(a) This is presented net of recharges to other related companies of approximately RMB1,464,416,000 (2020: RMB411,966,000).

### 32 EMPLOYEE BENEFIT COSTS

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Wages and salaries	3,559,240	3,910,231
Pension scheme and other social security costs (note (a))	558,173	417,081
Welfare, medical and other expenses	730,648	689,562
Housing benefits	353,780	347,035
	<b>5,201,841</b>	<b>5,363,909</b>



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 32 EMPLOYEE BENEFIT COSTS (CONTINUED)

Note:

- (a) The Group makes fixed contributions on a monthly basis to various retirement benefit plans based on a specified percentage of the salaries of eligible employees and the relevant contribution ceilings, including:

### Mandatory PRC government-sponsored pension plan

The Group is required to make contributions to pension plans established by municipal and provincial governments in the PRC under these plans. According to the relevant government policies, the Group shall not use the relevant contributions to reduce the existing level of contributions even if an employee leaves the relevant plan prior to vesting fully. In 2021, the Group did not use any forfeited contributions under the relevant plans to reduce the existing level of contributions (2020: Nil); nor did the Group have a balance of forfeited contributions available for such purposes as of December 31, 2021 (December 31, 2020: Nil).

### Voluntary supplementary pension plan

The Group has not used any forfeited contributions under this plan (i.e. contributions handled by the Group on behalf of employees who left the plan prior to vesting fully) to reduce existing level of contributions; the Group's balance of forfeited contributions available for such purposes as of December 31, 2021 amounted to RMB7,501,000 (December 31, 2020: RMB6,115,000).

### Five highest paid individuals

The five individuals whose emoluments were the highest in the Group did not include any director or supervisor (2020: Nil) for the year ended December 31, 2021. The directors' and supervisors' emoluments are reflected in the analysis shown in Note 42. The emoluments payable to the five (2020: five) highest individuals are as follows:

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Salaries, allowances and other benefits	15,869	16,511
Employer's contribution to pension scheme	471	393
	<b>16,340</b>	16,904

The emoluments of the individuals fell within the following bands:

	For the year ended December 31,	
	2021 Number of individuals	2020 Number of individuals
Emolument band (in HK dollar)		
HK\$3,000,001-HK\$3,500,000	-	5
HK\$3,500,001-HK\$4,000,000	5	-

During the year, there was no emolument paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2020: Nil).

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

### 33 FINANCE INCOME, NET

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
<b>Finance income</b>		
Interest income on deposits in financial institutions	887,138	952,947
<b>Finance costs</b>		
Interest expense on borrowings from financial institutions	416,125	407,373
Interest expense on corporate bonds	355,365	421,668
Interest expense on loans from immediate parent company and fellow subsidiaries	46,295	48,310
Interest expense on lease liabilities (Note 7(c)(ii))	8,262	13,305
Amortization of discount on non-current provisions (Note 25)	121,275	176,512
	947,322	1,067,168
Less: amounts capitalized in qualifying assets (Notes 7(b), 9(b))	(121,084)	(214,367)
	826,238	852,801
<b>Finance income, net</b>	<b>60,900</b>	<b>100,146</b>

### 34 INCOME TAX EXPENSE

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Current income tax expense	5,642,893	7,411,218
Deferred income tax expense	2,126,109	63,537
	7,769,002	7,474,755

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%.

Except for the aforementioned companies and certain overseas subsidiaries 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, 2021 and 2020 on the assessable income of respective Group entities in accordance with relevant PRC enterprise income tax rules and regulations.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 34 INCOME TAX EXPENSE (CONTINUED)

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,	
	2021 RMB'000	2020 RMB'000
Profit before income tax	22,920,481	20,429,906
Tax calculated at the statutory tax rate of 25%	5,730,120	5,107,477
Effects of preferential tax rates and different tax rates in other jurisdictions	98,918	571,084
Impact on share of results of investments accounted for using equity method	275,140	595,389
Income not subject to tax	(7,223)	(3,784)
Expenses not deductible for tax purposes	77,030	16,320
Additional deduction on research and development expenses	(232,604)	(90,575)
Tax losses/deductible temporary differences for which no deferred tax was recognized	1,827,621	1,278,844
Tax charge	7,769,002	7,474,755

## 35 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,	
	2021	2020
Profit attributable to ordinary shareholders of the Company (note (a)) (RMB'000)	3,858,175	1,916,811
Weighted average number of ordinary shares in issue (thousands)	8,015,338	8,015,338
Earnings per share for profit attributable to ordinary shareholders of the Company for the year (RMB)	0.48	0.24

Notes:

- For the year ended December 31, 2021, the profit attributable to equity holders of the Company amounted to RMB3,858,175,000 (2020: RMB2,028,811,000), including the profit attributable to ordinary shareholders and perpetual bondholders of approximately RMB3,858,175,000 and nil (2020: RMB1,916,811,000 and RMB112,000,000), respectively.
- During the years ended December 31, 2021 and 2020, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.



## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

### 36 DIVIDENDS

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Proposed final dividend of RMB0.16 per share (2020: RMB0.08 per share) (note (a))	1,282,454	641,227

Note:

- (a) The Board of Directors proposes that the Company distributes a final dividend for the year 2021 of RMB0.16 per share (tax inclusive). The proposal will be submitted to the Company's 2021 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, 2022.

The final dividend of approximately RMB641,227,000 (RMB0.08 per share) relating to the year ended December 31, 2020 was approved by the shareholders at the annual general meeting held in June 2021 and paid in September 2021.

### 37 CASH FLOW INFORMATION

#### (a) Cash generated from operations

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Profit before income tax	22,920,481	20,429,906
Adjustments for:		
Share of loss of investments accounted for using equity method	1,100,562	2,014,904
Loss on disposals of non-current assets	24,244	37,600
Depreciation and amortization	9,470,742	9,064,235
Provision for impairment on non-financial assets	846,111	543,467
Net impairment losses on financial assets	87,491	400,619
Foreign exchange losses	170,280	66,411
Finance income, net	(60,900)	(100,146)
Amortization of deferred income	(943,053)	(307,498)
	33,615,958	32,149,498
Changes in working capital:		
– Inventories	(1,616,834)	(652,024)
– Accounts receivable	2,110,498	333,605
– Advances to suppliers, other receivables and prepayments	263,724	(1,100,044)
– Accounts payable	(8,645,258)	2,635,786
– Contract liabilities, other payables and accruals, deferred income	(7,420,471)	2,807,426
– Provisions	362,373	112,212
Cash generated from operations	18,669,990	36,286,459



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 37 CASH FLOW INFORMATION (CONTINUED)

### (b) Proceeds from disposals of property, plant and equipment and intangible assets

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Net book amounts disposed	174,526	56,072
Loss on disposals	(24,244)	(36,166)
Change in related receivables	139,500	3,655
Cash proceeds	289,782	23,561

### (c) Disposal of subsidiaries

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Assets/(liabilities) disposed of:		
– Property, plant and equipment	–	1,824
– Accounts receivable	–	4,223
– Advances to suppliers, other receivables and prepayments	–	20,309
– Cash and cash equivalents	–	35,626
– Accounts payable	–	(5,273)
– Contract liabilities, other payables and accruals	–	(20,447)
– Current income tax liabilities	–	(26)
Non-controlling interests	–	(18,953)
Loss on disposal of subsidiaries	–	17,283
Cash consideration receivable	–	12,300
Analysis of net cashflow in respect of disposal of subsidiaries:		
Cash and cash equivalents disposed of	–	(35,626)
Cash consideration received	12,300	–
Proceeds from disposal of subsidiaries/(cash disposed on disposal of subsidiaries)	12,300	(35,626)

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

### 37 CASH FLOW INFORMATION (CONTINUED)

#### (d) Debt reconciliation

The following sets out an analysis and the movements in cash and cash equivalents and liabilities arising from financing activities for each of the periods presented.

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Cash and cash equivalents	40,968,622	48,146,250
Borrowings – repayable within one year	(14,750,968)	(11,736,216)
Borrowings – repayable after one year	(7,632,677)	(8,721,150)
Loans from immediate parent company and fellow subsidiaries	(1,351,980)	(1,240,053)
Lease liabilities	(81,914)	(153,210)
	<b>17,151,083</b>	26,295,621
Cash and cash equivalents	40,968,622	48,146,250
Gross debt – fixed interest rates	(13,906,059)	(13,058,183)
Gross debt – variable interest rates	(9,911,480)	(8,792,446)
	<b>17,151,083</b>	26,295,621

	Liabilities arising from financing activities					
	Cash and cash equivalents RMB'000	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Loans from immediate parent company and fellow subsidiaries RMB'000	Lease liabilities RMB'000	Total RMB'000
<b>As at January 1, 2021</b>	48,146,250	(11,736,216)	(8,721,150)	(1,240,053)	(153,210)	26,295,621
Cash flows	(7,008,544)	(3,167,583)	1,094,272	–	129,321	(8,952,534)
Addition of leases and interest on lease liabilities	–	–	–	–	(58,025)	(58,025)
Foreign exchange adjustments	(169,084)	(81,266)	(5,799)	(1,195)	–	(257,344)
Other non-cash movements	–	234,097	–	(110,732)	–	123,365
<b>As at December 31, 2021</b>	<b>40,968,622</b>	<b>(14,750,968)</b>	<b>(7,632,677)</b>	<b>(1,351,980)</b>	<b>(81,914)</b>	<b>17,151,083</b>
<b>As at January 1, 2020</b>	50,231,353	(14,319,995)	(9,815,277)	(1,221,006)	(110,240)	24,764,835
Cash flows	(2,178,824)	2,821,527	1,029,600	(28,397)	116,859	1,760,765
Addition of leases and interest on lease liabilities	–	–	–	–	(159,829)	(159,829)
Foreign exchange adjustments	93,721	(237,748)	64,527	9,350	–	(70,150)
<b>As at December 31, 2020</b>	<b>48,146,250</b>	<b>(11,736,216)</b>	<b>(8,721,150)</b>	<b>(1,240,053)</b>	<b>(153,210)</b>	<b>26,295,621</b>



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 38 COMMITMENTS

The Group has the following capital commitments for property, plant and equipment not provided for as at December 31, 2021 and 2020 respectively.

	As at December 31,	
	2021 RMB'000	2020 RMB'000
Contracted but not provided for	17,315,401	14,254,089
Authorized but not contracted for	17,529,667	18,418,707

## 39 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence. Parties are also considered to be related if they are subject to common control.

The immediate parent company of the Company is BAIC Group and as a result related parties of the Group include BAIC Group, other entities and corporations in which BAIC Group is able to control or exercise significant influence, and key management personnels of the Company and BAIC Group, as well as their close family members.

BAIC Group is a company beneficially owned by SASAC Beijing which also owns a significant portion of the productive assets and entities in the PRC (collectively referred as the “government-related entities”). Apart from transactions with abovementioned related parties, the Group has transactions with other government-related entities which are conducted in the ordinary course of the Group’s business on terms comparable to those with non-government-related entities. For the purpose of the related party transaction disclosures, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the information disclosed elsewhere in the financial statements, the following transactions were carried out in the ordinary course of the Group’s business and were determined based on mutually agreed terms for each of the years ended December 31, 2021 and 2020.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

### 39 RELATED PARTY TRANSACTIONS (CONTINUED)

#### (a) Significant transactions with related parties

	For the year ended December 31,	
	2021 RMB'000	2020 RMB'000
Sale of goods and materials and property, plant and equipment to		
– fellow subsidiaries	16,439,636	15,223,597
– joint ventures	1,813,213	1,236,968
– an associate	–	303
– other related companies	2,047,927	1,401,773
Services provided to		
– fellow subsidiaries	20,716	45,893
– a joint venture	–	21,698
– other related companies	356,422	323,145
Purchases of goods and materials from		
– fellow subsidiaries	9,708,143	10,650,118
– joint ventures	38,069	39,834
– other related companies	66,363,006	56,280,246
Services received from		
– immediate parent company	699,725	772,835
– fellow subsidiaries	2,852,746	2,790,726
– joint ventures	1,053,560	1,165,649
– other related companies	6,217,832	8,068,801
Lease income from		
– fellow subsidiaries	10	106,220
– an other related company	20,443	–
Lease expenses to		
– fellow subsidiaries	154,402	160,977
Interest income from		
– an associate	289,252	292,413
– an other related company	1,654	3,310
Interest expenses to		
– immediate parent company	39,518	40,071
– a fellow subsidiary	6,777	8,239
– an associate	95,914	72,857
Key management compensations		
– salaries, allowances and other benefits	7,408	8,255
– employer's contributions to pension schemes	648	258
– discretionary bonuses	5,183	6,551



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 39 RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Significant balances with related parties

	As at December 31,	
	2021 RMB'000	2020 RMB'000
<b>Assets</b>		
Financial assets at FVOCI		
– a fellow subsidiary	2,685,906	1,893,816
Trade receivables		
– fellow subsidiaries	1,457,190	1,168,519
– joint ventures	179,047	129,336
– other related companies	851,053	1,460,804
Notes receivables		
– fellow subsidiaries	64,470	113,146
– a joint venture	–	23,000
Advances to suppliers		
– fellow subsidiaries	77,683	182,892
– other related companies	–	750
Other receivables		
– fellow subsidiaries	372,352	593,142
– joint ventures	719,603	336,637
– other related companies	138,654	262,491
Cash and cash equivalents		
– an associate (Note 20(a))	15,913,195	15,185,063
– an other related company	65,009	125,850

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 39 RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Significant balances with related parties (Continued)

	As at December 31,	
	2021 RMB'000	2020 RMB'000
<b>Liabilities</b>		
Trade payables		
– fellow subsidiaries	8,286,736	11,368,264
– joint ventures	16,507	5,487
– other related companies	15,860,219	20,171,790
Notes payable		
– fellow subsidiaries	20,717	265,787
– a joint venture	–	376
– other related companies	63,994	117,400
Contract liabilities		
– fellow subsidiaries	7,454	15,304
Other payables and accruals		
– immediate parent company	1,467,593	1,538,288
– fellow subsidiaries	732,138	1,195,611
– joint ventures	210,547	295,785
– associates	12,983	–
– other related companies	4,320,828	4,183,609
Borrowings from		
– an associate (Note 24(a))	2,399,310	2,459,010



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Company name	Place and date of establishment/ incorporation	Issued and paid-up capital capital (million)	Attributable equity interests	Principal activities
<b>Subsidiaries</b>				
BAIC Guangzhou Automotive Co., Ltd.	The PRC August 18, 2000	RMB1,360	100%	Manufacture of passenger vehicles
BAIC Investment Co., Ltd.	The PRC June 28, 2002	RMB4,864	97.95%	Investment holding
Beijing Beinei Engine Parts and Components Co., Ltd.	The PRC September 2, 2003	RMB471	98.98%	Manufacture of auto parts
Beijing Benz Automotive Co., Ltd.*	The PRC August 8, 2005	USD2,320	51%	Manufacture and sales of passenger vehicles
BAIC Hong Kong Investment Corp. Limited	Hong Kong Oct 21, 2009	RMB60	100%	Investment holding
BAIC Motor Powertrain Co., Ltd.	The PRC February 9, 2010	RMB1,476	100%	Manufacture of auto engine
Beijing Motor Sales Co., Ltd.	The PRC May 3, 2012	RMB7,600	100%	Sale of passenger vehicles
Zhuzhou (BAIC) Motor Sales Co., Ltd.	The PRC August 5, 2013	RMB8	100%	Sale of passenger vehicles
China Automobile Development United (Beijing) Technology Investment Co., Ltd.	The PRC December 18, 2013	RMB104	54.0865%	Investment management
BAIC International Development Co., Ltd.	The PRC April 16, 2013	RMB1,252	100%	Project investment, investment management and vehicle export
BAIC Yunnan Ruili Motor Co., Ltd.	The PRC December 20, 2013	RMB297	42.91%	Manufacture and sales of passenger vehicles
<b>Joint Ventures</b>				
Beijing Hyundai Motor Company	The PRC October 16, 2002	USD2,036	50%	Manufacture and sales of passenger vehicles



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Place and date of establishment/ incorporation	Issued and paid-up capital (million)	Attributable equity interests	Principal activities
Beijing Mercedes-Benz Sales Service Co., Ltd.	The PRC December 7, 2012	RMB102	49%	Marketing and sales of vehicles
Fujian Benz Automotive Co., Ltd.	The PRC June 8, 2007	Euro 287	35%	Manufacture and sales of passenger vehicles
Beijing BAIC Faurecia Automotive Systems Co., Ltd.	The PRC June 27, 2011	USD41	50%	Manufacture and sales of automobile interior decoration parts
<b>Associates</b>				
BAIC Group Finance Co., Ltd.	The PRC November 9, 2011	RMB2,500	20%	Auto financing and currency settlement
Beijing Hyundai Auto Finance Co., Ltd.	The PRC June 26, 2012	RMB4,000	33%	Automobile financing services
Mercedes-Benz Leasing Co., Ltd.	The PRC January 9, 2012	RMB3,598	35%	Finance lease services

\* registered as a sino-foreign equity joint venture under the PRC law



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

### Balance sheet of the Company

	As at December 31,	
	2021 RMB'000	2020 RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	4,909,879	5,204,239
Land use rights	506,088	518,034
Intangible assets	7,440,060	8,543,821
Investments in subsidiaries	34,507,310	26,317,932
Investments in joint ventures and associates	2,231,691	2,181,691
Financial assets at fair value through other comprehensive income	3,000	3,000
Other receivables and prepayments	1,862,568	1,926,413
	<b>51,460,596</b>	44,695,130
<b>Current assets</b>		
Inventories	1,323,100	2,321,209
Accounts receivable	13,237,144	18,924,590
Advances to suppliers	23,216	75,646
Other receivables and prepayments	16,009,968	17,428,192
Restricted cash	501,472	530,337
Cash and cash equivalents	6,502,995	2,164,483
	<b>37,597,895</b>	41,444,457
<b>Total assets</b>	<b>89,058,491</b>	86,139,587

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

### Balance sheet of the Company (Continued)

	As at December 31,	
	2021 RMB'000	2020 RMB'000
<b>EQUITY</b>		
<b>Capital and reserves attributable to equity holders</b>		
Share capital	8,015,338	8,015,338
Perpetual bond	–	1,998,160
Other reserves (note (a))	26,839,843	26,528,416
Retained earnings (note (a))	23,206,153	16,995,754
<b>Total equity</b>	<b>58,061,334</b>	53,537,668
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	5,345,382	7,773,511
Provisions	65,131	30,984
Deferred income	368,578	381,844
	<b>5,779,091</b>	8,186,339
<b>Current liabilities</b>		
Accounts payable	7,531,782	12,189,012
Contract liabilities	39,384	–
Other payables and accruals	4,125,219	5,254,377
Borrowings	13,456,562	6,858,931
Lease liabilities	25,425	88,484
Provisions	39,694	24,776
	<b>25,218,066</b>	24,415,580
<b>Total liabilities</b>	<b>30,997,157</b>	32,601,919
<b>Total equity and liabilities</b>	<b>89,058,491</b>	86,139,587

The balance sheet of the Company was approved by the Board of Directors on March 24, 2022 and was signed on its behalf.

Jiang Deyi, Director

Huang Wenbing, Director



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note:

(a) Reserve movement of the Company is as set out below:

	Capital reserve RMB'000 (Note 23(a))	Statutory reserve RMB'000 (Note 23(b))	Others RMB'000	Retained earnings RMB'000	Total RMB'000
<b>At January 1, 2021</b>	<b>22,834,012</b>	<b>3,693,392</b>	<b>1,012</b>	<b>16,995,754</b>	<b>43,524,170</b>
Profit for the year	-	-	-	7,165,905	7,165,905
Appropriation to reserve fund	-	314,279	-	(314,279)	-
2020 final dividends	-	-	-	(641,227)	(641,227)
Repayment of perpetual bond	(1,840)	-	-	-	(1,840)
Others	-	-	(1,012)	-	(1,012)
<b>At December 31, 2021</b>	<b>22,832,172</b>	<b>4,007,671</b>	<b>-</b>	<b>23,206,153</b>	<b>50,045,996</b>
<b>At January 1, 2020</b>	<b>22,834,012</b>	<b>2,766,473</b>	<b>(495)</b>	<b>11,044,720</b>	<b>36,644,710</b>
Profit for the year	-	-	-	8,240,560	8,240,560
Appropriation to reserve fund	-	926,919	-	(926,919)	-
2019 final dividends	-	-	-	(1,362,607)	(1,362,607)
Others	-	-	1,507	-	1,507
<b>At December 31, 2020</b>	<b>22,834,012</b>	<b>3,693,392</b>	<b>1,012</b>	<b>16,995,754</b>	<b>43,524,170</b>

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 42 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

### (a) Directors', supervisors' and chief executive's emoluments

For the year ended December 31, 2021

Emoluments paid to or receivable by director/supervisor in respect of services as a director/supervisor

	Salaries, allowances and estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Discretionary bonus <sup>(1)</sup> RMB'000	Housing allowance RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings RMB'000	Total RMB'000
<b>Executive director</b>							
(Chief Executive)							
Huang Wenbing (黃文炳)	899	80	386	-	-	-	1,365
<b>Non-executive director</b>							
Jiang Deyi (姜德義)	-	-	-	-	-	-	-
Chen Hongliang (陳宏良)	-	-	453	-	-	-	453
Shang Yuanxian (尚元賢) <sup>(2)</sup>	-	-	-	-	-	-	-
Liao Zhenbo (廖振波)	-	-	-	-	-	-	-
Xie Wei (謝偉) <sup>(2)</sup>	-	-	-	-	-	-	-
Qiu Yinfu (邱銀富) <sup>(2)</sup>	-	-	-	-	-	-	-
Hubertus Troska (唐仕凱)	-	-	-	-	-	-	-
Harald Emil Wilhelm	-	-	-	-	-	-	-
Lei Hai (雷海) <sup>(2)</sup>	-	-	-	-	-	-	-
Hu Hanjun (胡漢軍) <sup>(3)</sup>	-	-	-	-	-	-	-
Sun Li (孫力) <sup>(3)</sup>	-	-	-	-	-	-	-
Ye Qian (葉芊) <sup>(3)</sup>	-	-	-	-	-	-	-
Jin Wei (金偉) <sup>(4)</sup>	-	-	-	-	-	-	-
Gu Tiemin (顧鐵民) <sup>(5)</sup>	-	-	-	-	-	-	-



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 42 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

### (a) Directors', supervisors' and chief executive's emoluments (Continued)

For the year ended December 31, 2021 (Continued)

Emoluments paid to or receivable by director/supervisor in respect of services as a director/supervisor

	Salaries, allowances and estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Discretionary bonus <sup>(1)</sup> RMB'000	Housing allowance RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings RMB'000	Total RMB'000
<b>Independent non-executive director</b>							
Wong Lung Tak Patrick (黃龍德) <sup>(2)</sup>	-	-	-	-	37	-	37
Bao Robert Xiaochen (包曉晨) <sup>(2)</sup>	-	-	-	-	37	-	37
Zhao Fuquan (趙福全) <sup>(2)</sup>	-	-	-	-	37	-	37
Liu Kaixiang (劉凱湘) <sup>(2)</sup>	-	-	-	-	37	-	37
Ge Songlin (葛松林)	-	-	-	-	120	-	120
Yin Yuanping (尹援平) <sup>(3)</sup>	-	-	-	-	83	-	83
Xu Xiangyang (徐向陽) <sup>(3)</sup>	-	-	-	-	83	-	83
Tang Jun (唐鈞) <sup>(3)</sup>	-	-	-	-	83	-	83
Edmund Sit (薛立品) <sup>(3)</sup>	-	-	-	-	83	-	83
<b>Supervisor</b>							
Pang Minjing (龐民京) <sup>(2)</sup>	-	-	-	-	57	-	57
Zhan Zhaohui (詹朝輝) <sup>(2)</sup>	-	-	-	-	57	-	57
Wang Min (王敏) <sup>(2)</sup>	-	-	-	-	-	-	-
Gu Zhangfei (顧章飛) <sup>(2)</sup>	-	-	-	-	-	-	-
Meng Meng (孟猛) <sup>(2)</sup>	-	-	-	-	-	-	-
Li Shuangshuang (李雙雙) <sup>(2)</sup>	-	-	-	-	-	-	-
Wang Bin (王彬) <sup>(2)</sup>	170	13	108	-	-	-	291
Li Chengjun (李承軍)	684	80	300	-	-	-	1,064
Qi Chunyu (齊春雨) <sup>(2)</sup>	-	-	-	-	-	-	-
Sun Zhihua (孫智華) <sup>(3)</sup>	-	-	-	-	-	-	-
Zhou Xuehui (周雪輝) <sup>(3)</sup>	-	-	-	-	-	-	-
Qiao Yufei (喬雨菲) <sup>(3)</sup>	-	-	-	-	-	-	-
Zhang Yanjun (張彥軍) <sup>(3)</sup>	405	40	99	-	-	-	544

Notes:

- (1) Discretionary bonuses are determined based on the performance of the Group.
- (2) Resigned in March 2021.
- (3) Appointed in March 2021.
- (4) Resigned in June 2021.
- (5) Appointed in June 2021.

# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 42 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

### (a) Directors', supervisors' and chief executive's emoluments (Continued)

For the year ended December 31, 2020

	Emoluments paid to or receivable by director/supervisor in respect of services as a director/supervisor					Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings	Total
	Salaries, allowances and estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Discretionary bonus <sup>(1)</sup>	Housing allowance	Remunerations paid or receivable in respect of accepting office as director		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive director</b>							
(Chief Executive)							
Chen Hongliang (陳宏良) <sup>(2)</sup>	732	29	740	-	-	-	1,501
Huang Wenbing (黃文炳) <sup>(3)</sup>	-	-	-	-	-	-	-
<b>Non-executive director</b>							
Xu Heyi (徐和誼) <sup>(4)</sup>	-	-	-	-	-	-	-
Jiang Deyi (姜德義) <sup>(5)</sup>	-	-	-	-	-	-	-
Shang Yuanxian (尚元賢)	-	-	-	-	-	-	-
Yan Xiaolei (閻小雷) <sup>(6)</sup>	-	-	-	-	-	-	-
Liao Zhenbo (廖振波) <sup>(7)</sup>	-	-	-	-	-	-	-
Xie Wei (謝偉)	-	-	-	-	-	-	-
Qiu Yinfu (邱銀富)	-	-	-	-	-	-	-
Hubertus Troska (唐仕凱)	-	-	-	-	-	-	-
Harald Emil Wilhelm	-	-	-	-	-	-	-
Jin Wei (金偉)	-	-	-	-	-	-	-
Lei Hai (雷海)	-	-	-	-	-	-	-
Chen Hongliang (陳宏良) <sup>(8)</sup>	-	-	-	-	-	-	-



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 42 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

### (a) Directors', supervisors' and chief executive's emoluments (Continued)

For the year ended December 31, 2020 (Continued)

	Emoluments paid to or receivable by director/supervisor in respect of services as a director/supervisor					Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings	Total
	Salaries, allowances and estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Discretionary bonus <sup>(1)</sup>	Housing allowance	Remunerations paid or receivable in respect of accepting office as director		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Independent non-executive director</b>							
Wong Lung Tak Patrick (黃龍德)	-	-	-	-	120	-	120
Bao Robert Xiaochen (包曉晨)	-	-	-	-	120	-	120
Zhao Fuquan (趙福全)	-	-	-	-	120	-	120
Liu Kaixiang (劉凱湘)	-	-	-	-	120	-	120
Ge Songlin (葛松林)	-	-	-	-	120	-	120
<b>Supervisor</b>							
Pang Minjing (龐民京)	-	-	-	-	120	-	120
Zhan Zhaohui (詹朝輝)	-	-	-	-	120	-	120
Wang Min (王敏)	-	-	-	-	-	-	-
Gu Zhangfei (顧章飛)	-	-	-	-	-	-	-
Meng Meng (孟猛)	-	-	-	-	-	-	-
Li Shuangshuang (李雙雙)	440	39	1,044	-	-	-	1,523
Wang Bin (王彬)	637	4	552	-	-	-	1,193
Li Chengjun (李承軍)	574	29	555	-	-	-	1,158
Qi Chunyu (齊春雨)	-	-	-	-	-	-	-

Notes:

- (1) Discretionary bonuses are determined based on the performance of the Group.
- (2) Resigned in December 2020.
- (3) Appointed in December 2020.
- (4) Resigned in September 2020.
- (5) Appointed in October 2020.
- (6) Resigned in July 2020.
- (7) Appointed in October 2020.
- (8) Appointed in December 2020.



# Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

## 42 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

- (b) During the year ended December 31, 2021, no retirement benefits by a defined benefit pension plan operated by the Group were paid or made, directly or indirectly, to or receivable by a director/supervisor in respect of his services as a director/supervisor or other services in connection with the management of the affairs of the Company or its subsidiaries (2020: Nil).
- (c) During the year ended December 31, 2021, no payments or benefits in respect of termination of director/supervisor's services were paid or made, directly or indirectly, to or receivable by a director/supervisor; nor are any payable (2020: Nil).
- (d) During the year ended December 31, 2021, no consideration was provided to or receivable by third parties for making available director/supervisor's services (2020: Nil).
- (e) There are no loans, quasi-loans or other dealings in favour of the director/supervisor, his controlled bodies corporate and connected entities (2020: Nil).
- (f) Save as disclosed elsewhere in these financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director/supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: Nil).

## 43 EVENT AFTER THE REPORTING PERIOD

On March 18, 2022, BAIC Investment and Hyundai Motor Company entered into an agreement, pursuant to which BAIC Investment and Hyundai Motor Company agreed to jointly increase capital of approximately US\$942 million in Beijing Hyundai (a joint venture of the Group), in proportion to their respective current interest in Beijing Hyundai with each party injecting approximately US\$471 million in 2022. Upon completion of the capital increase, the registered capital of Beijing Hyundai shall be increased to approximately US\$2,979 million and ownership of BAIC Investment in Beijing Hyundai shall remain unchanged at 50%.



## Section XII Definitions

<b>“2019” or “the year 2019”</b>	the year ended December 31, 2019
<b>“2020 Annual General Meeting”</b>	the Shareholder’s general meeting of the Company for the year of 2020
<b>“2020” or “the year 2020”</b>	the year ended December 31, 2020
<b>“2021” or “the year 2021” or “the year”</b>	the year ended December 31, 2021
<b>“2022” or “the year 2022”</b>	the year ended December 31, 2022
<b>“Articles of Association”</b>	the Articles of Association of BAIC Motor Corporation Limited considered and amended at the first extraordinary general meeting of the Company for 2021 held on March 24, 2021
<b>“Audit Committee”</b>	audit committee of the Board
<b>“BAIC BluePark”</b>	BAIC BluePark New Energy Technology Co., Ltd.
<b>“BAIC BluePark Marketing Services”</b>	BAIC BluePark Marketing Services Co., Ltd.
<b>“BAIC Finance”</b>	BAIC Group Finance Co., Ltd.
<b>“BAIC Group”</b>	Beijing Automotive Group Co., Ltd.
<b>“BAIC Guangzhou”</b>	BAIC Guangzhou Automotive Co., Ltd.
<b>“BAIC International”</b>	BAIC International Development Co., Ltd.
<b>“BAIC Investment”</b>	BAIC Investment Co., Ltd.
<b>“BAIC MBtech”</b>	BAIC MB-tech Development Center Co., Ltd.
<b>“BAIC Motor Sales”</b>	BAIC Motor Sales Co., Ltd.
<b>“BAIC ROCAR”</b>	BAIC ROCAR Automobile Service & Trade Co., Ltd.
<b>“BAIC Ruili”</b>	BAIC Yunnan Ruili Motor Co., Ltd.
<b>“Beijing Benz”</b>	Beijing Benz Automotive Co., Ltd. (formerly known as Beijing Jeep Motor Co., Ltd. and Beijing Benz-Daimler Chrysler Automotive Co., Ltd.)

## Section XII Definitions

<b>“Beijing Brand”</b>	When referring to a brand, “Beijing Brand” means the passenger vehicle business of our proprietary brand; when referring to a business segment, it means the consolidated business of the Company and its subsidiaries (excluding Beijing Benz). Segment profits of Beijing Brand include the share of investment income attributed to Beijing Hyundai and other invested enterprises
<b>“Beijing Hyundai”</b>	Beijing Hyundai Motor Co., Ltd.
<b>“Benz Sales”</b>	Beijing Mercedes-Benz Sales Service Co., Ltd.
<b>“BEPC”</b>	Beijing Beinei Engine Parts and Components Co., Ltd.
<b>“BH Leasing”</b>	BH Leasing Co., Ltd.
<b>“BHAF”</b>	Beijing Hyundai Auto Finance Co., Ltd.
<b>“Board of Directors” or “Board”</b>	the board of directors of the Company
<b>“Board of Supervisors”</b>	the board of supervisors of the Company
<b>“Bohai Automotive”</b>	Bohai Automotive Systems Co., Ltd.
<b>“CAAM”</b>	China Association of Automobile Manufacturers
<b>“CBIRC”</b>	China Banking and Insurance Regulatory Commission
<b>“China Accounting Standards” or “PRC Accounting Standards”</b>	Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC
<b>“Company”</b>	BAIC MOTOR CORPORATION LIMITED
<b>“Company Law”</b>	the Company Law of the People’s Republic of China, as amended and adopted by the Standing Committee of the Thirteenth National People’s Congress on October 26, 2018 and effective from October 26, 2018, as amended, supplemented or otherwise modified from time to time
<b>“connected transaction(s)”</b>	has the meaning ascribed thereto in the Listing Rules
<b>“Controlling Shareholder(s)”</b>	has the meaning ascribed thereto in the Listing Rules
<b>“Corporate Governance Code”</b>	the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules
<b>“COVID-19”</b>	the global outbreak of the Coronavirus Disease 2019



## Section XII Definitions

<b>“Daimler Greater China”</b>	Daimler Greater China Ltd.
<b>“Date of Issue of the Report”</b>	March 24, 2022, i.e. the date on which the annual report is submitted to the Board of Directors for approval
<b>“Director(s)”</b>	director(s) of the Company
<b>“Domestic Share(s)”</b>	ordinary shares in the Company’s share capital, with a nominal value of RMB1.0 each, which are subscribed for and paid up in Renminbi
<b>“end of 2019”</b>	December 31, 2019
<b>“end of 2020”</b>	December 31, 2020
<b>“end of 2021”</b>	December 31, 2021
<b>“ESG Guide”</b>	the Environmental, Social and Governance Reporting Guide as set forth in Appendix 27 to the Listing Rules
<b>“Financial Services Framework Agreement”</b>	the financial services framework agreement entered into between the Company and BAIC Group Finance Co., Ltd. on December 2, 2014
<b>“FJ MOTOR”</b>	Fujian Motor Industry Group Co.
<b>“Fujian Benz”</b>	Fujian Benz Automotive Co., Ltd.
<b>“general meeting”</b>	the Shareholder’s general meeting of the Company
<b>“Group”, “our Group” or “We” or “our”</b>	the Company and its subsidiaries
<b>“H share(s)”</b>	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.0 each, traded in HK dollars and listed and traded on the Stock Exchange
<b>“HK\$”</b>	the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Hyundai Motor”</b>	Hyundai Motor Company
<b>“IFRS”</b>	International Financial Reporting Standards issued by the International Accounting Standards Board
<b>“Latest Practicable Date”</b>	April 8, 2022, being the latest practicable date for ascertaining relevant information contained in this annual report prior to printing

## Section XII Definitions

<b>“Licensed Trademarks”</b>	a non-exclusive license for the use of certain registered trademarks owned by Beijing Automotive Group Co., Ltd. granted by Beijing Automotive Group Co., Ltd. to the Group (excluding Beijing Benz Automotive Co., Ltd.) on a royalty-free basis
<b>“Listing”</b>	Listing of the H Shares on the Stock Exchange
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“Main Board”</b>	the stock market operated by the Stock Exchange (excluding options market), independent of the Growth Enterprise Market of the Stock Exchange and under parallel operation with the Growth Enterprise Market
<b>“MBLC”</b>	Mercedes-Benz Leasing Co., Ltd.
<b>“Mercedes-Benz Group”</b>	Mercedes-Benz Group AG (formerly known as Daimler AG)
<b>“Model Code”</b>	the Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 to the Listing Rules
<b>“Nomination Committee”</b>	nomination committee of the Board
<b>“PBOC”</b>	the People’s Bank of China
<b>“Powertrain”</b>	BAIC Motor Powertrain Co., Ltd.
<b>“Products and Services Purchasing Framework Agreement”</b>	the products and services purchasing framework agreement entered into between the Company and Beijing Automotive Group Co., Ltd. on December 2, 2014
<b>“Property and Facility Leasing Framework Agreement”</b>	the property and facility leasing framework agreement entered into between the Company and Beijing Automotive Group Co., Ltd. on December 2, 2014
<b>“Property and Facility Leasing Supplemental Agreement”</b>	the property and facility leasing supplemental agreement entered into between the Company and Beijing Automotive Group Co., Ltd. on March 27, 2019
<b>“Prospectus”</b>	the prospectus of the Company dated December 9, 2014
<b>“Provision of Products and Services Framework Agreement”</b>	the provision of products and services framework agreement entered into between the Company and Beijing Automotive Group Co., Ltd. on December 2, 2014



## Section XII Definitions

<b>“Provision of Products”</b>	including facilities, raw materials, components and parts, and vehicles
<b>“Provision of Services”</b>	including sales agency, processing agency, labor, logistics, transportation and consultancy services
<b>“Purchased Products and Comprehensive Services”</b>	services including labor services, logistics services, transportation services and consultancy services
<b>“PwC”</b>	PricewaterhouseCoopers
<b>“PwC Zhong Tian”</b>	PricewaterhouseCoopers Zhong Tian LLP
<b>“Remuneration Committee”</b>	remuneration committee of the Board
<b>“Renminbi” or “RMB”</b>	the lawful currency of the PRC
<b>“Rules of Procedure of the Board of Supervisors”</b>	the Rules of Procedure of the Board of Supervisors of BAIC Motor Corporation Limited
<b>“SFO”</b>	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
<b>“Share(s)”</b>	Domestic share(s) and H share(s)
<b>“Shareholder(s)”</b>	holder(s) of the Share(s)
<b>“Shougang Fund”</b>	Beijing Shougang Fund Co., Ltd.
<b>“Special Committees”</b>	collectively, Strategy Committee, Audit Committee, Remuneration Committee and Nomination Committee of the Board
<b>“Stock Exchange” or “Hong Kong Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Strategy Committee”</b>	strategy committee of the Board
<b>“Subsidiary(ies)”</b>	has the meaning ascribed thereto in section 15 of the Company Ordinance
<b>“Supervisor(s)”</b>	supervisor(s) of the Company
<b>“Trademark Licensing Agreement”</b>	the trademark licensing agreement entered into between Beijing Benz Automotive Co., Ltd., a non-wholly owned subsidiary of the Company and Beijing Automotive Group Co., Ltd. on February 28, 2013 with regard to its company name of “Beijing Benz”, and the production and assembly of its existing vehicle models



**北京汽车股份有限公司**  
BAIC MOTOR CORPORATION LIMITED\*