北京汽车
BAIC MOTOR

北京汽車股份有限公司
BAIC MOTOR CORPORATION LIMITED*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1958)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2017

The board (the "**Board**") of directors (the "**Directors**") of BAIC Motor Corporation Limited (the "**Company**" or "**Beijing Motor**" or "**we**" or "**our Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended June 30, 2017 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2016. The results have been prepared in accordance with the International Accounting Standard 34, "Interim Financial Reporting" issued by the International Accounting Standards Board and the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The audit committee of the Board (the "**Audit Committee**") and PricewaterhouseCoopers, the external auditor of the Group, has reviewed the unaudited condensed consolidated interim financial information (the "**Condensed Financial Information**").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2017

	Note	For the six months ended June 30, 2017 (Unaudited) *RMB'000*	2016 (Unaudited) *RMB'000*
Revenue	*3*	**66,737,077**	49,038,815
Cost of sales		**(49,246,393)**	(38,284,442)
Gross profit		**17,490,684**	10,754,373
Selling and distribution expenses		**(6,218,675)**	(4,554,392)
General and administrative expenses		**(2,123,300)**	(1,923,452)
Other (losses)/gains, net		**(808,910)**	(246,757)
Operating profit	*6*	**8,339,799**	4,029,772
Finance income		**211,903**	202,584
Finance costs		**(537,745)**	(457,307)
Finance costs, net		**(325,842)**	(254,723)
Share of (loss)/profit of investments accounted for using equity method		**(132,300)**	1,978,780
Profit before income tax		**7,881,657**	5,753,829
Income tax expense	*7*	**(2,833,712)**	(1,333,568)
Profit for the period		**5,047,945**	4,420,261
Profits attributable to:			
Equity holders of the Company		**985,701**	2,411,293
Non-controlling interests		**4,062,244**	2,008,968
		5,047,945	4,420,261
Earnings per share for profit attributable to equity holders of the Company during the period (RMB)			
Basic and diluted	*8*	**0.13**	0.32
Profit for the period		**5,047,945**	4,420,261
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in fair value of available-for-sale financial assets		**569,920**	–
Cash flow hedges		**533,138**	–
Currency translation differences		**(832)**	–
Other comprehensive income for the period		**1,102,226**	–
Total comprehensive income for the period		**6,150,171**	4,420,261
Attributable to:			
Equity holders of the Company		**1,826,849**	2,411,293
Non-controlling interests		**4,323,322**	2,008,968
		6,150,171	4,420,261

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2017

	Note	**June 30, 2017 (Unaudited)** *RMB'000*	December 31, 2016 (Audited) *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**40,144,219**	40,071,342
Land use rights		**5,450,807**	5,482,557
Intangible assets		**13,921,971**	13,446,115
Investments accounted for using equity method		**18,034,656**	17,913,651
Available-for-sale financial assets		**1,106,400**	536,480
Deferred income tax assets		**6,027,509**	5,504,386
Other long-term assets		**1,783,058**	972,847
		86,468,620	83,927,378
Current assets			
Inventories		**13,886,231**	14,166,927
Accounts receivable	*4*	**22,283,189**	27,188,927
Advances to suppliers		**1,120,714**	1,163,249
Other receivables and prepayments		**5,058,570**	4,802,738
Restricted cash		**3,036,965**	1,587,258
Cash and cash equivalents		**35,522,067**	36,063,909
		80,907,736	84,973,008
Total assets		**167,376,356**	168,900,386

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT JUNE 30, 2017

	Note	**June 30, 2017 (Unaudited) *RMB'000***	December 31, 2016 (Audited) *RMB'000*
EQUITY			
Capital and reserves attributable to equity holders			
Share capital		**7,595,338**	7,595,338
Other reserves		**18,477,187**	17,636,248
Retained earnings		**13,711,574**	14,928,521
		39,784,099	40,160,107
Non-controlling interests		**14,339,274**	17,873,214
Total equity		**54,123,373**	58,033,321
LIABILITIES			
Non-current liabilities			
Borrowings		**10,620,687**	7,809,091
Deferred income tax liabilities		**795,843**	808,608
Provisions		**2,378,307**	2,067,044
Deferred income		**2,209,923**	2,021,757
		16,004,760	12,706,500
Current liabilities			
Accounts payable	*5*	**39,625,012**	41,892,244
Advances from customers		**357,579**	463,128
Other payables and accruals		**29,655,841**	24,413,446
Current income tax liabilities		**1,439,885**	2,326,451
Borrowings		**24,530,298**	27,569,624
Provisions		**1,639,608**	1,495,672
		97,248,223	98,160,565
Total liabilities		**113,252,983**	110,867,065
Total equity and liabilities		**167,376,356**	168,900,386

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Group is principally engaged in the manufacturing and sales of passenger vehicles, engines and auto parts in the People's Republic of China (the "**PRC** or **China**").

The address of the Company's registered office is the fifth building, Block 25 Shuntong Road, 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 (the "**SASAC Beijing**"). The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since December 19, 2014.

This Condensed Financial Information is presented in thousands of Renminbi Yuan ("**RMB**"), unless otherwise stated, and is approved for issue by the Board of Directors on August 28, 2017.

This Condensed Financial Information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of Preparation

This Condensed Financial Information has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim Financial Reporting". The Condensed Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

As at June 30, 2017, the current liabilities of the Group exceeded its current assets by RMB16,340.0 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 RMB8,066.0 million and RMB12,691.0 million respectively as at June 30, 2017.

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

2.2 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2016, as described in those annual financial statements except for the adoption of amendments to IFRSs effective for the financial year ending December 31, 2017.

(a) Amendments to IFRSs effective for the financial year ending December 31, 2017 do not have material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group

(i) IFRS 9 "Financial instruments"

IFRS 9 "Financial Instruments" addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt IFRS 9 until it becomes mandatory on January 1, 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets given fair value through other comprehensive income ("**FVOCI**") election is available for the equity instruments which are currently classified as available-for-sale ("**AFS**").

There will not be a significant impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, at this stage the Group does not expect to identify any new hedge relationships. It would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts.

If the Group were to adopt the new rules from January 1, 2017, the Group does not expect this new standard to have a material impact to the financial statements.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

(ii) IFRS 15 "Revenue from Contracts with Customers"

The Association of International Accountants has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting period beginning on or after January 1, 2018. The Group will adopt the new standard from January 1, 2018.

Management has identified the following areas that are likely to be affected:

- bundle sales – the application of IFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognized as assets under IFRS 15.

The management is currently evaluating the impact of adopting IFRS 15 on its financial statements.

(iii) IFRS 16 "Leases"

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will primarily affect the accounting for the Group's operating leases. The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the operating lease commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim period within annual reporting period beginning on or after January 1, 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 SEGMENT INFORMATION

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

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

- Passenger vehicles of Beijing Brand[1]: manufacturing and sales of passenger vehicles of Beijing Brand, and providing other businesses and related services.

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

[1] When referring to a business segment, "Beijing Brand" refers to the consolidated business of our Company and its subsidiaries (excluding Beijing Benz). Segment profits of Beijing Brand included the share of profits of Beijing Hyundai Motor Co., Ltd. ("**Beijing Hyundai**") and other invested enterprises.

Management defines segment results based on gross profit. The revenue from external parties reported to the Group's Executive Committee is measured in a manner consistent with that in the statement of comprehensive income. Information about reportable segments and reconciliations of reportable segment results are as follows:

	Passenger vehicles – Beijing Brand (Unaudited) *RMB'000*	Passenger vehicles – Beijing Benz (Unaudited) *RMB'000*	Eliminations (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
For the six months ended June 30, 2017				
Total revenue	**8,469,414**	**58,313,255**	**(45,592)**	**66,737,077**
Inter-segment revenue	**(45,592)**	**–**	**45,592**	**–**
Revenue from external customers	**8,423,822**	**58,313,255**	**–**	**66,737,077**
Segment gross (loss)/profit	**(1,258,048)**	**18,748,732**	**–**	**17,490,684**
Other profit & loss disclosure:				
Selling and distribution expenses				**(6,218,675)**
General and administrative expenses				**(2,123,300)**
Other losses, net				**(808,910)**
Finance costs, net				**(325,842)**
Share of loss of investments accounted for using equity method				**(132,300)**
Profit before income tax				**7,881,657**
Income tax expense				**(2,833,712)**
Profit for the period				**5,047,945**
Other Information:				
Significant non-cash expenses				
Depreciation and amortization	**(1,326,741)**	**(1,631,928)**	**–**	**(2,958,669)**
Provisions for impairments on receivables and inventories	**(250,154)**	**–**	**–**	**(250,154)**
As at June 30, 2017				
Total assets	**98,316,474**	**86,459,239**	**(17,399,357)**	**167,376,356**
Including:				
Investments accounted for using equity method	**18,034,656**	**–**	**–**	**18,034,656**
Total liabilities	**(62,033,535)**	**(57,102,984)**	**5,883,536**	**(113,252,983)**

	Passenger vehicles – Beijing Brand (Unaudited) *RMB'000*	Passenger vehicles – Beijing Benz (Unaudited) *RMB'000*	Eliminations (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
For the six months ended June 30, 2016				
Total revenue	11,699,908	37,368,530	(29,623)	49,038,815
Inter-segment revenue	(29,623)	–	29,623	–
Revenue from external customers	11,670,285	37,368,530	–	49,038,815
Segment gross profit	272,257	10,482,116	–	10,754,373
Other profit & loss disclosure:				
Selling and distribution expenses				(4,554,392)
General and administrative expenses				(1,923,452)
Other losses, net				(246,757)
Finance costs, net				(254,723)
Share of profits of investments accounted for using equity method				1,978,780
Profit before income tax				5,753,829
Income tax expense				(1,333,568)
Profit for the period				4,420,261
Other Information:				
Significant non-cash expenses				
Depreciation and amortization	(937,663)	(1,556,526)	–	(2,494,189)
Reversal of provisions/(provisions) for impairments on receivables and inventories	67,481	(63,992)	–	3,489
As at June 30, 2016				
Total assets	84,050,235	68,973,483	(12,147,385)	140,876,333
Including:				
Investments accounted for using equity method	14,833,990	–	–	14,833,990
Total liabilities	(51,726,530)	(39,764,584)	1,544,981	(89,946,133)

There is no customer accounting to 10 percent or more of the Group's revenue for each of the six months ended June 30, 2017 and 2016.

The Group is domiciled in PRC. The percentage of its revenue from external customers residing in the PRC is approximately 99.9% for the six months ended June 30, 2017 (six months ended June 30, 2016: 99.3%).

As at June 30, 2017, 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 98.4% (as at December 31, 2016: 98.3%).

4 ACCOUNTS RECEIVABLE

	June 30, 2017 (Unaudited) *RMB'000*	December 31, 2016 (Audited) *RMB'000*
Trade receivables, gross *(note (a))*	**16,135,148**	12,549,502
Less: provision for impairment	**(1,264)**	(1,037)
	16,133,884	12,548,465
Notes receivable	**6,149,305**	14,640,462
	22,283,189	27,188,927

(a) The majority of the Group's sales are on credit. A credit period of up to 30 days for trade receivables and up to 3 to 6 months for notes receivable 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 is as follows:

	June 30, 2017 (Unaudited) *RMB'000*	December 31, 2016 (Audited) *RMB'000*
Current to 1 year	**15,089,317**	12,463,236
1 to 2 years	**1,019,043**	72,306
Over 2 years	**26,788**	13,960
	16,135,148	12,549,502

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

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

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

	June 30, 2017 (Unaudited) *RMB'000*	December 31, 2016 (Audited) *RMB'000*
Pledged notes receivable	**5,580,324**	7,334,597

5 ACCOUNTS PAYABLE

	June 30, 2017 (Unaudited) ***RMB'000***	December 31, 2016 (Audited) *RMB'000*
Trade payables	**30,100,326**	31,975,338
Notes payable	**9,524,686**	9,916,906
	39,625,012	41,892,244

Ageing analysis of trade payables is as follows:

	June 30, 2017 (Unaudited) ***RMB'000***	December 31, 2016 (Audited) *RMB'000*
Current to 1 year	**29,958,977**	31,939,550
1 year to 2 years	**127,771**	25,678
Over 2 years	**13,578**	10,110
	30,100,326	31,975,338

6 OPERATING PROFIT

	For the six months ended June 30,	
	2017 (Unaudited) ***RMB'000***	2016 (Unaudited) *RMB'000*
Depreciation and amortization	**2,958,669**	2,494,189
Provisions/(Reversal of provisions) for impairments on receivables and inventories	**250,154**	(3,489)
Employee costs	**2,504,858**	2,260,982
Gains from sales of scrap materials	**(18,206)**	(16,528)
Net foreign exchange losses, including forward foreign exchange contracts with fair value through profit or loss	**866,802**	468,899
Government grants	**(77,636)**	(228,848)
Losses on disposal of property, plant and equipment	**2,768**	960

7 INCOME TAX EXPENSE

	For the six months ended June 30,	
	2017 (Unaudited) ***RMB'000***	2016 (Unaudited) *RMB'000*
Current income tax	**3,368,743**	1,711,070
Deferred income tax credit	**(535,031)**	(377,502)
	2,833,712	1,333,568

According to the New and High-Technology Enterprise Certificate jointly issued by the Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and Beijing Local Taxation Bureau, the following entities of the Group were recognized as new and high-technology enterprises with preferential income tax rate of 15%.

	Period with preferential income tax rate
– Company	2015 to 2017
– Beijing Beinei Engine Parts and Components Co., Ltd.	2015 to 2017
– BAIC Motor Powertrain Co., Ltd.	2016 to 2018

Except for the aforementioned companies and a subsidiary which is subject to Hong Kong profits tax at a rate of 16.5% and one subsidiary in Germany with enterprise income tax rate of 32.8%, provision for PRC enterprise income tax is calculated based on the statutory income tax rate of 25% for the six months ended at June 30, 2016 and June 30, 2017 on the assessable income of respective Group entities in accordance with relevant PRC enterprise income tax rules and regulations.

8 EARNINGS PER SHARE

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

	For the six months ended June 30,	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	**985,701**	2,411,293
Weighted average number of ordinary shares in issue (thousands)	**7,595,338**	7,595,338
Earnings per share for profit attributable to equity holders of the Company	**0.13**	0.32

During the six months ended June 30, 2017 and 2016, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.

9 DIVIDENDS

The Board of Directors of the Company did not recommend the payment of any interim dividend for the six months ended June 30, 2017 (six months ended June 30, 2016: Nil). The dividend of approximately RMB2,202,648,000 (RMB0.29 per share) relating to the year ended December 31, 2016 was approved by the shareholders at the annual general meeting held in June 2017.

10 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

In July 2017, the Group completed the issuance of 2017 green bond. The issuance size was RMB2,300.0 million with a term of 7 years and an interest rate of 4.72% per annum.

In July 2017, the Group completed the issuance of the first tranche of 2017 ultra short-term debentures. The issuance size was RMB2,000.0 million with a term of 270 days and an interest rate of 4.41% per annum.

On July 20, 2017, the Group entered into a capital increase agreement with Beijing Electric Vehicle. Co., Ltd. ("**BJEV**"), pursuant to which, the Group subscribed for 223.6 million shares additionally issued by BJEV for a total consideration in cash and assets valued at RMB1,185.08 million. Upon completion of the capital increase, the Group will hold 8.15% of BJEV's total equity interests.

BUSINESS OVERVIEW

I. Principal Businesses

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

Passenger vehicles

Currently, our Group's passenger vehicle business is conducted through four business segments, namely Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz.

1. Beijing Brand

Beijing Brand is our proprietary brand, and the Group holds the entire interest of Beijing Brand's business. Currently, business of Beijing Brand is operated under four series, i.e. Senova, BJ, Wevan and New Energy Vehicle, which are now selling over ten models on the market, covering a full range of sedans, SUV, CUV, MPV models and new energy vehicles.

- *Senova*

  "Senova" is a mid- to high-end passenger vehicle product series under our proprietary brands and targets customers who value both vehicle performance and cost efficiency. "Dedication to Performance" is the brand essence of Senova.

- *BJ*

  "BJ" series is a pioneer brand of pure BAIC which is inherited from the half century long military vehicle with a strong DNA of die-hard off-road vehicle. "Pure Cross-Country, Absolutely Boundless" is the brand philosophy of BJ.

- *Wevan*

  The "Wevan" series focuses on CUV, MPV and SUV models, and targets small and micro businesses and individuals. "Leading to blissful future" is the brand philosophy of Wevan.

- *New Energy Vehicle*

  Along with manufacturing of traditional oil-powered passenger vehicles, Beijing Brand business has also actively promoting production of new energy vehicles that adapted from conventional oil-powered car models, and has now become a leader in pure electric new energy vehicle business.

2. Beijing Benz

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

Beijing Benz currently manufactures and sells four types of Mercedes-Benz vehicles, namely the E-Class sedan, the C-Class sedan, GLC-Class SUV and GLA-Class SUV.

3. Beijing Hyundai

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

Beijing Hyundai currently manufactures and sells over ten types of vehicles, covering a full range of major car models including middle class, compact and A0 class models, as well as SUV models. The models on sale now primarily include All New Santa Fe, All New Tucson, the Ninth-Generation Sonata, New Mistra, Elantra and All New Celesta, which can satisfy various consumers' demands.

4. Fujian Benz

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

Fujian Benz currently manufactures and sells three major types of Mercedes-Benz vehicles, including the V-class model, New Vito and Sprinter, maintaining an edge in the field of joint venture premium commercial vehicles.

Core parts and components for passenger vehicles

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

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

Beijing Benz commenced to manufacture engines in 2013, and it is the first and largest engine manufacturing base of Daimler Group outside Germany. Beijing Benz currently has two engine factories, and its specific product offerings include M270, M274 and M276 engines.

Beijing Hyundai commenced to manufacture engines in 2004. Its specific product offerings cover six major series including Gamma1.6 MPI/GDI and Gamma1.6 Turbo-GDI. These engines are industry-leading in terms of technology and power, mainly for use in Hyundai-branded passenger vehicles manufactured by Beijing Hyundai.

Car financing

We conduct car financing and automobile aftermarket related businesses of Beijing Brand, Mercedes-Benz brand and Hyundai brand through associates including BAIC Group Finance Co., Ltd. ("**BAIC Finance**"), Mercedes-Benz Leasing Co. Ltd ("**MBLC**") and Beijing Hyundai Auto Finance Company Limited ("**BHAF**") and continue to promote the rapid development of car financing business through capital investment, business cooperation, etc.

Other related businesses

In the first half of 2017, we continued to conduct research and development of high-end passenger vehicles and light materials and used car businesses through relevant associates.

II. Business Development for the First Half of 2017

Passenger Vehicle Sector Development during the First Half of 2017

In the first half of 2017, China's GDP reached RMB38,149 billion, representing a year-on-year increase of 6.9% on comparable price basis, indicating a stable macro-economy. In general, the economic growth shifted to a new gear, structural adjustment experienced pressure, both new and old powers have been intertwined in the age of transformation, the task of supply-side structural reform was arduous; the economic growth was under downturn pressure, and there have been more challenges with macro-economic policies, resulting in more uncertainty to the development of passenger vehicle industry.

Affected by various factors such as the macro-economic environment and preferential policies of tax on vehicle purchases, the sales of passenger vehicles grow significantly slower in the first half of 2017 comparing to that in 2016. According to the statistics of China Association of Automobile Manufactures, the sales volume of passenger vehicles in the first half of 2017 amounted to 11.253 million, representing a year-on-year increase of 1.6%, which was 7.6 percentage points lower than that of the corresponding period of 2016.

In terms of segmented market, SUV products continued to maintain rapid growth with the accumulated sales volume amounting to 4.527 million in the first half of 2017, representing a year-on-year increase of 16.8%; while the sales of sedan, MPV and CUV were lower than expected, indicating a downward trend as compared with that of the corresponding period of 2016.

In terms of series market, the domestic branded vehicles remained their leading positions. The sales volume of passenger vehicles amounted to 4.94 million in the first half of 2017, representing a year-on-year growth of 4.3%, and the market share increased by 1.1 percentage points to 43.9% as compared with that of the corresponding period last year; the domestic branded SUV products maintained their leading position in the SUV market with the sales volume amounting to 2.7 million, representing a year-on-year growth of 24.4%.

In terms of new energy passenger vehicles, in the first half of 2017, the sales volume amounted to 0.164 million with a year-on-year growth of 35.9%. The sales volume of pure electric new energy passenger vehicles amounted to 0.132 million, representing a year-on-year increase of 62.9%.

Operational Performance of the Group during the First Half of 2017

1. *Production and Sales of Various Brands*

In 2017, the Group dedicates in deepening the reform and technique innovation, optimizing the integration of industry chain, and actively developing further corporation with other enterprises. During the first half of 2017, facing the stagnant growth in passenger vehicle market and intensified competition, the Board and the management addressed challenges directly and took active approach in their response. In particular, Beijing Benz and Fujian Benz continued to ride on a rapid growth momentum and made a number of historic breakthroughs; Beijing Brand and Beijing Hyundai made fast adjustment under multiple impacts and maintained relatively stable development.

Beijing Brand

Affected by external factors such as slowdown of industry growth and adjustment to vehicle purchase tax preference policies, and restrained by internal factors such as periodic shifting gear of its own products and adjustment to product structure. During the Reporting Period, the accumulated sales volume of Beijing Brand amounted to 111,000, representing a year-on-year decrease of 45.5%.

To address the business slowdown, the Company took active actions to strengthen its project management and control capability and made more efforts in research and development with an aim to maintain stable results of operation and increase its market share by means of launching new products by starting with strategy evaluation, quality improvement, marketing innovation and product structure optimization.

Despite the adjustment of overall results, in the first half of 2017, Beijing Brand still made satisfactory achievements in adjustment of product structure, launch of new energy products and differentiation strategies:

In terms of product structure, Beijing Brand vigorously implemented the new energy + SUV ("**E+S**") product strategy and continued to strengthen the research and development as well as production and sales of E+S products. In the first half of 2017, the sales of E+S products of Beijing Brand hit a record high to 65.9%, representing a year-on-year increase of 10.2 percentage points;

In terms of new energy products, in the first half of 2017, Beijing Brand launched three types of pure electric new energy products, namely EX260, EH300 and EU400, further diversified its product series and increased the endurance mileage in the integrated operating condition to 360km, which further provided a solution to customers' anxiety about the mileage of pure electric vehicles and maintained its lead in the industry;

In terms of differentiation product strategies, the off-road vehicles products of Beijing Brand were well received and accepted by the market. The BJ80 model successfully became the special vehicles for military parade during the "20th Anniversary of Hong Kong's Return to the Motherland" and "90th Founding Anniversary of the Chinese People's Liberation Army", which enhanced the market reputation of the BJ branded series product "Celebrity Off-Road".

Beijing Benz

During the first half of 2017, Beijing Benz continued its exponential growth as a leader in China's booming luxury car market. During the Reporting Period, Beijing Benz realized sales of whole vehicles amounting to 211,000, representing a year-on-year increase of 47.0%, and secured its position as the second largest manufacturer of joint venture premium brands.

In terms of sales of segmented products, the three major types of Beijing Benz vehicles, namely the E-Class sedan, the C-Class sedan and GLC-Class SUV, recorded strong sales of over ten thousand units in the first half of 2017. GLA-Class SUV was launched upon mid-term replacement and achieved satisfactory sales performance.

In terms of optimization of production capacity, Beijing Benz is also accelerating the construction of plants. In the first half of 2017, Beijing Benz commenced the construction of its second engine factory and some production lines in its front-wheel-drive vehicles plant, and such new production facilities, once completed, will further satisfy the production demands of the next stage.

In the meantime, Beijing Benz is also actively striving for a new energy product layout. On July 5, 2017, the Company entered into a framework agreement with Daimler, pursuant to which the Company, Daimler and Daimler Greater China intended to jointly increase their investments in Beijing Benz by approximately RMB5 billion for the purpose of introducing the pure electric vehicles products of Daimler for Beijing Benz and establishing localized battery production and R&D capability for new energy vehicles. The conclusion of above-mentioned agreements will lay the foundation for Beijing Benz to maintain its leading position in future competition of new energy products.

Beijing Hyundai

With the slower growth rate of passenger vehicle market and the market downturn of Korean branded vehicles, during the first half of 2017, Beijing Hyundai sustained fluctuations in sales performance. During the Reporting Period, Beijing Hyundai realized sales of whole vehicles amounting to 301,000, representing a year-on-year decline of 42.4%.

Facing challenges, Beijing Hyundai took active actions and made adjustments, including adjusting product structure and production and sale plans and paces as well as enhancing terminal sales. After entering into the second quarter of 2017, the monthly terminal sales of Beijing Hyundai gradually recovered, and have achieved a consistent and steady rebound.

In the meantime, Beijing Hyundai focused on propelling and accelerating its localization strategies with its China exclusive platform expanded to four series including RUINA, CELASTA, MISTRA and IX, realizing full coverage of all market segments for small, medium-end, mid-to-high end vehicles as well as SUV, providing differentiated services to China's market.

Meanwhile, Beijing Hyundai also implemented plans in new energy strategy and intelligence strategy, and successively carried forward NEW new energy plan and Blue-Melody intelligence strategy. Subsequent to the ninth-generation hybrid-powered Sonata, Beijing Hyundai launched its first pure electric product-New Elantra EV, providing efficient, intelligent, shared and personalized intelligence experience and services to more users.

The Chongqing plant of Beijing Hyundai was completed in July 2017. Beijing Hyundai aims to establish such plant as a world-leading high-quality, intelligent and environmental friendly factory, which constitutes the integral part of the initiatives to implement the national development strategies of "Yangtze River Economic Zone" and "Belt and Road". Beijing Hyundai will deepen its localized operational strategy in a comprehensive manner, give full play to its geographical advantages, accelerate its integration into the development of economy, culture and society in the Southwest region, and fully meet the demand of local consumers.

Fujian Benz

Leveraging on the market drive of new models such as V-Class vehicles, in the first half of 2017, Fujian Benz realized sales of whole vehicles amounting to 10,100, representing a year-on-year increase of 95.4%, maintaining a good momentum of rapid growth. With the constant development of communication and cooperation between the Company and Daimler, we believe that Fujian Benz will make further breakthrough in optimizing product structure and so on.

2. *Sales Network*

The Group always attaches great importance to the interests of customers, and strives to optimize its product-service system, in order to guarantee that product distributors and customers are able to receive timely, efficient, accurate and high quality services. In the first half of 2017, the Group strengthened its efforts in widening penetration of automobile sales network. Especially for Beijing Brand and Beijing Hyundai, the Group vigorously promoted the construction of satellite stores, so that the automobile sales network is no longer confined to the traditional 4S shop model, enhancing its sales efforts.

3. *Research and development*

The Group believes that our research and development capability is critical to the future development. In the first half of 2017, our various brands consistently and vigorously boosted construction of research and development system and capacity.

In the first half of 2017, Beijing Brand continued to make breakthroughs in research and development in style, intelligence, electrification, big data, performance and light-weight technology. It has achieved remarkable success in styling, with Senova OFFSPACE being awarded the "Best Concept Car Award" by CAR STYLING, a world-known car styling design magazine, and thus becoming the first concept car of Chinese brand appeared in a world-known magazine. In respect of electrification, EU400 successfully entered into the market, which further relieved the anxiety of customers about endurance mileage against pure electric vehicles. Meanwhile, during Las Vegas International Consumer Electronics Show[2] in January 2017, the Company released its "NOVA-PLS" strategy for intelligent products.

[2] International Consumer Electronics Show (CES), a show hosted by Consumer Technology Association (CTA), with a view to promoting the integration of cutting-edge electronic technology with modern life. Starting from 1967, the show has become the platform for major electronics companies around the world to release product information, demonstrate their capability in high technology and advocate the future lifestyle.

Currently, Beijing Benz has the largest research and development center among all joint ventures of Daimler, with seven state-of-the-art laboratories testing climate corrosion, vehicle emissions, engines and vibration noise, as well as trial production workshops and test runway, which provides major technical support for research and development and manufacturing of Mercedes-Benz's domestic models.

In the first half of 2017, Beijing Hyundai completed the independent research and development of Elantra, a pure electric vehicle, which, together with the completed fuel consumption improvement projects with 9th generation Sonata hybrid power model, all new Santa Fe and Tucson, makes the enterprise satisfy regulatory requirements on fuel consumption.

4. Production Facilities

We have dedicated facilities for product manufacturing and assembly, and all production sites are located within China and equipped with advanced production facilities. All our production facilities are equipped with flexible production lines, each able to produce different models of passenger vehicles. We believe, this not only allows us to change production plan in a flexible manner and quickly respond to changes in market demand, but also reduces capital expenditure and operating cost.

5. Industry chain extension and cooperation

On June 23, 2017, the Company entered into a capital increase agreement with Daimler Greater China, pursuant to which both parties contributed an amount of RMB500.0 million to MBLC in proportion to the original shareholding in MBLC. The Company contributed RMB175.0 million, and it continues to held 35.0% equity interest in MBLC after such capital increase. Driven by the successful development of Mercedes-Benz branded automobiles in China, MBLC's business volume has been on a rapid rise in recent years. It is expected that MBLC's business volume will further expand in the next few years with the rapid development of China's automobile leasing and automobile financial market. Such contribution is also expected to indirectly expand the sales volume of new vehicles sold by Beijing Benz, which will bring higher return on investment for the Company and the Shareholders.

On July 20, 2017, the Company entered into a capital increase agreement with BJEV, pursuant to which the Company subscribed for the additional 223,600,000 shares issued by BJEV at a consideration of RMB1,185.08 million in aggregate by means of assets and cash. Upon completion of the capital increase, the Company held 8.15% equity interests in BJEV. As one of the participants in such capital increase, the Company can enhance its overall profitability and return to its shareholders by sharing the operating results and investment return of BJEV in the future.

III. Business Outlook for the Second Half of 2017

In the second half of 2017, the demand in China of passenger vehicle market is still expected to be susceptible to the abortion of purchase tax concession, which together with concentrated new product launches by auto-mobile manufacturers would present a compounding effect and result in further intensified competition. In 2017, China's passenger vehicle market is expected to sustain momentum surrounding China brands, luxury vehicle products demand is expected to further increase, and there shall be a healthy growth in the area of new energy products; meanwhile, supervision of policy enforcement will remain strict, particularly for traditional fuel auto-mobile manufacturers, and it is expected to be the same for passenger vehicle sector as a whole.

With the continued penetration of Internet and intellectual products, in the second half of 2017, more traditional auto-mobile manufacturers are expected to engage leading players in Internet and related sectors in close cooperation. With the preliminary development and gradual refinement of business cooperation model, by cross-sector cooperation and integration of user bases, such initiatives can further improve user awareness and satisfactory with intellectual features of vehicles, and will gradually shape a mainstream of intellectual and connected auto-mobiles in future.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The Group's primary business is in the development, manufacturing, sale and after-sales service of passenger vehicles, which brings lasting and stable income for the Group. The Group's revenue increased to RMB66,737.1 million in the first half of 2017 from RMB49,038.8 million for the same period of 2016, mainly contributed by the increase in the income of Beijing Benz.

The revenue associated with Beijing Benz increased from RMB37,368.5 million in the first half of 2016 to RMB58,313.3 million for the same period in 2017, representing a year-on-year increase of 56.0%, mainly due to (i) year-on-year increase of 47.0% in Beijing Benz sales volume; and (ii) increase in the sales of higher priced models.

The revenue associated with Beijing Brand decreased from RMB11,670.3 million in the first half of 2016 to RMB8,423.8 million for the same period in 2017, representing a year-on-year decrease of 27.8%, mainly contributed by (i) year-on-year decrease of 45.5% in Beijing Brand sales volume; (ii) the additional price promotion offered by Beijing Brand in order to cope with effects such as the slowdown in growth of domestic passenger vehicles industry and the preferential policy for automobile purchase tax; and (iii) effect of decrease in sales volume partially offset by increase in the sales contribution of higher priced E+S products.

Cost of Sales

The Group's cost of sales increased to RMB49,246.4 million in the first half of 2017 from RMB38,284.4 million for the same period of 2016, mainly contributed by the increase in the cost of Beijing Benz.

The cost of sales associated with Beijing Benz increased from RMB26,886.4 million in the first half of 2016 to RMB39,564.5 million for the same period in 2017, representing a year-on-year increase of 47.2%, mainly due to (i) year-on-year increase in Beijing Benz sales volume; and (ii) the increase in average cost due to the increase in sales volume of models with relatively higher selling price.

The cost of sales associated with Beijing Brand decreased from RMB11,398.0 million in the first half of 2016 to RMB9,681.9 million for the same period in 2017, representing a year-on-year decrease of 15.1%, mainly contributed by (i) year-on-year decrease in Beijing Brand sales volume; and (ii) increase in the sales contribution of higher priced E+S products.

Gross Profit

As a result of the above situation, the Group's gross profit increased to RMB17,490.7 million in the first half of 2017 from RMB10,754.4 million for the same period of 2016, mainly contributed by the increase in the gross profit of Beijing Benz.

The gross profit of Beijing Benz increased from RMB10,482.1 million in the first half of 2016 to RMB18,748.7 million for the same period in 2017, representing a year-on-year increase of 78.9% and gross profit margin increased from 28.1% to 32.2% between the two periods, mainly due to (i) year-on-year increase of 47.0% in Beijing Benz sales volume; and (ii) increase in the sales of higher gross profit margin models.

The gross profit of Beijing Brand decreased from RMB272.3 million in the first half of 2016 to gross loss of RMB1,258.0 million for the same period in 2017, and the gross profit margin decreased from 2.3% to -14.9% between the two periods, mainly contributed by (i) year-on-year decrease of 45.5% in Beijing Brand sales volume and (ii) the additional price promotion offered by Beijing Brand in order to cope with effects such as the slowdown in growth of domestic passenger vehicles industry and the preferential policy for automobile purchase tax.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased to RMB6,218.7 million in the first half of 2017 from RMB4,554.4 million for the same period of 2016, mainly contributed by the increase in the selling and distribution expenses of Beijing Benz.

The selling and distribution expenses of Beijing Benz increased from RMB3,550.8 million in the first half of 2016 to RMB5,403.3 million for the same period in 2017, representing a year-on-year increase of 52.2%, the ratio of selling and distribution expenses of Beijing Benz in its revenue decreased from 9.5% to 9.3% between the two periods, mainly attributable to (i) the increase in expenses from trademark license fee, technical fee and advertising cost resulting from the increased sales; and (ii) Beijing Benz's stricter budget control system on distribution expenses which resulted in a decrease in the proportion of distribution expenses to revenue.

The selling and distribution expenses of Beijing Brand decreased from RMB1,003.6 million in the first half of 2016 to RMB815.4 million for the same period in 2017, representing a year-on-year decrease of 18.7%. The proportion of Beijing Brand's selling and distribution expenses to its revenue increased to 9.7% in the first half of 2017 from 8.6% in the first half of 2016, mainly due to (i) the decrease in expenses from marketing fee, quality premium and transportation cost resulting from the increased sales volume; and (ii) the less decrease in distribution expenses than the decrease in revenue due to the fixed costs of warehousing and labor costs, resulting in an increase in the percentage of distribution expenses as a percentage of revenue.

Administrative Expenses

The Group's administrative expenses increased to RMB2,123.3 million in the first half of 2017 from RMB1,923.5 million for the same period of 2016, mainly due to the increase in the administrative expenses of Beijing Benz.

The administrative expenses of Beijing Benz increased from RMB1,292.1 million in the first half of 2016 to RMB1,553.1 million for the same period of 2017, representing a year-on-year increase of 20.2%. The proportion of Beijing Benz's administrative expenses to its revenue decreased to 2.7% in the first half of 2017 from 3.5% in the first half of 2016, mainly due to (i) increased expenses from urban development tax and education surcharge as result of increased sales volume; and (ii) strict budgetary system carried out in Beijing Benz, which stabilized administrative expenses and decreased the ratio in revenue.

The administrative expenses of Beijing Brand decreased from RMB631.3 million in the first half of 2016 to RMB570.2 million for the same period in 2017, representing a year-on-year decrease of 9.7%. The proportion of Beijing Benz's administrative expenses to its revenue increased to 6.8% in the first half of 2017 from 5.4% in the first half of 2016, mainly due to (i) the reduction in expenses from urban development tax and education surcharge resulting from the decreased sales; and (ii) the less decrease in administrative expenses than the decrease in revenue due to the fixed costs of labor costs and rental fees, resulting in an increase in the percentage of administrative expenses as a percentage of revenue.

Foreign Exchange Losses[3]

The Group's foreign exchange loss increased from RMB422.0 million in the first half of 2016 to RMB866.8 million in the first half of 2017. The increase in foreign exchange loss was mainly attributable to exchange losses incurred by euro-denominated payments as a result of the decline in the exchange rate of Renminbi against Euro.

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

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

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

Finance Costs

The Group's net finance costs increased to RMB325.8 million in the first half of 2017 from RMB254.7 million in the first half of 2016, mainly attributable to the increase in finance costs of Beijing Brand.

Net financial income of Beijing Benz decreased to RMB101.7 million in the first half of 2017 from RMB117.1 million in the first half of 2016, representing a year-on-year decrease of 13.2%, mainly attributable to the increase in the amortization of discount on the non-current warranty provisions.

Net finance costs of Beijing Brand increased to RMB427.5 million in the first half of 2017 from RMB371.8 million in the first half of 2016, representing a year-on-year increase of 15.0%, mainly because the cost of capital market in the first half of 2017 was generally higher than that in the first half of 2016.

Share of Profits of Joint Ventures and Associates

The Group recorded a total investment income of RMB-132.3 million in the first half of 2017, representing a year-on-year decrease of RMB2,111.1 million, mainly due to the decrease in profit of Beijing Hyundai and related supporting enterprises due to the slowdown in passenger vehicle market and other effect.

Income Tax Expense

Income tax expense of the Group increased to RMB2,833.7 million in the first half of 2017 from RMB1,333.6 million in the first half of 2016, representing a year-on-year increase of 112.5%, mainly attributable to the increase in taxable income of Beijing Benz. Effective tax rate increased to 36.0% in the first half of 2017 from 23.2% in the first half of 2016.

The rates of enterprise income tax applicable to the Company and its subsidiaries in the first half of 2016 and the first half of 2017 were: 15.0% for PRC subsidiaries entitled to new and high technology enterprises, 16.5% for Hong Kong profits tax, 32.8% for German enterprise income tax and 25.0% for other PRC enterprises. The PRC statutory enterprise income tax rate of 25% was applicable to Beijing Benz in the first half of 2016 and the first half of 2017.

Net Profit

Based on the aforesaid reasons, the Group's net profit increased to RMB5,047.9 million in the first half of 2017 from RMB4,420.3 million in the first half of 2016, representing a year-on-year increase of 14.2%, mainly attributable to (i) the increase in net profits of Beijing Benz; and (ii) decrease in net profits of Beijing Brand.

Net profit of Beijing Benz increased to RMB8,312.8 million in the first half of 2017 from RMB4,021.9 million in the first half of 2016, representing a year-on-year increase of 106.7%.

Net profit (including investment income) of Beijing Brand decreased to RMB-3,264.9 million in the first half of 2017 from RMB398.4 million in the first half of 2016, representing a year-on-year decrease of RMB3,663.3 million.

Net Profit Attributable to Equity Holders of the Company

The Group's net profit attributable to equity holders of the Company decreased to RMB985.7 million in the first half of 2017 from RMB2,411.3 million in the first half of 2016, representing a year-on-year decrease of 59.1%. Basic earnings per Share decreased to RMB0.13 in the first half of 2017 from RMB0.32 in the first half of 2016, representing a year-on-year decrease of 59.4%.

Financial Resources and Capital Structure

As at June 30, 2017, the Group had cash and cash equivalents of RMB35,522.1 million, notes receivable of RMB6,149.3 million, notes payable of RMB9,524.7 million, outstanding borrowings of RMB35,151.0 million, undrawn bank facilities of RMB20,757.2 million, and commitments for capital expenditure of RMB6,116.6 million. The above outstanding borrowings included RMB1,921.8 million equivalents of Euro loans and RMB103.1 million equivalents of USD loans as at June 30, 2017.

At the end of 2016, the Group had cash and cash equivalents of RMB36,063.9 million, notes receivable of RMB14,640.5 million, notes payable of RMB9,916.9 million, outstanding borrowings of RMB35,378.7 million, and undrawn bank facilities of RMB22,491.0 million.

The Group usually satisfied its daily working capital requirements through self-owned cash and borrowings. As at June 30, 2017, the outstanding borrowings of the Group included short term borrowings and long-term borrowings of RMB24,530.3 million and RMB10,620.7 million, respectively. The Group will promptly repay the aforesaid borrowings at maturity.

In January 2017, BAIC Investment completed the issuance of the first tranche of 2017 corporate bonds with an issuance size of RMB0.8 billion, a term of 7 years and a coupon rate of 4.29% per annum (with the issuer's option to adjust the coupon rate and investor's resale option at the end of the fifth year).

In July 2017, the Company completed the issuance of the 2017 green bonds with an issuance size of RMB2.3 billion, a term of 7 years and a coupon rate of 4.72% per annum.

In July 2017, the Company completed the issuance of the first tranche of ultra-short-term debentures for 2017 with an issuance size of RMB2.0 billion, a term of 270 days and a coupon rate of 4.41% per annum.

As of June 30, 2017, none of the debt covenants of the Group in effect includes any agreement on the performance of controlling shareholder's obligations. The Group has also strictly followed all the terms in its debt covenants, and no default has taken place.

Total Assets

Total assets of the Group decreased to RMB167,376.4 million as at June 30, 2017 from RMB168,900.4 million at the end of 2016, representing a year-on-year decrease of 0.9%, mainly attributable to (i) the decrease in receivables arising from reduction of sales volume of Beijing Brand; and (ii) the increase in receivables arising from growth of sales volume of Beijing Benz, partially offset the effect of decrease in receivables of Beijing brand.

Total Liabilities

Total liabilities of the Group increased to RMB113,253.0 million as at June 30, 2017 from RMB110,867.1 million at the end of 2016, representing a year-on-year increase of 2.2%, mainly attributable to (i) the decrease in trade payable for the purchase of raw materials as a result of decrease in production of Beijing Brand; (ii) the increase in trade payable for the purchase of raw materials as a result of the increase in production of Beijing Benz; and (iii) the increase in other payables due to the dividend distribution declared by the Company and Beijing Benz.

Total Equity

Total equity of the Group decreased to RMB54,123.4 million as at June 30, 2017 from RMB58,033.3 million at the end of 2016, representing a year-on-year decrease of 6.7%, mainly attributable to (i) the increase in net profit of Beijing Benz; and (ii) dividend distribution declared by the Company and Beijing Benz which offset part of the equity.

Net Gearing Ratio

The Group's net gearing ratio ((total borrowings less cash and cash equivalents)/(total equity plus the total borrowings less cash and cash equivalents)) increased to -0.7% as at June 30, 2017 from -1.2% at the end of 2016, representing a year-on-year increase of 0.5 percentage points and remained stable generally.

Significant Investments

Total capital expenditures of the Group decreased to RMB2,237.9 million in the first half of 2017 from RMB2,411.1 million in the first half of 2016, representing a year-on-year decrease of 7.2%, of which capital expenditures of Beijing Benz decreased to RMB1,025.1 million in the first half of 2017 from RMB2,040.0 million in the first half of 2016, and capital expenditures of Beijing Brand increased to RMB1,212.8 million in the first half of 2017 from RMB371.1 million in the first half of 2016.

Total research and development expenses of the Group decreased to RMB1,214.6 million in the first half of 2017 from RMB1,398.5 million in the first half of 2016, representing a year-on-year decrease of 13.1%, the majority of which were incurred by Beijing Brand for its product research and development projects. Based on applicable accounting standards and the Group's accounting policy, most of the aforesaid research and development expenses complied with capitalization conditions and had been capitalized accordingly.

Material Acquisitions and Disposals

On June 23, 2017, the Company and Daimler Greater China entered into a capital increase agreement for capital increase to MBLC in proportion to their respective shareholding. After the capital increase, the Company continues to hold 35.0% equity interest of MBLC.

On July 20, 2017, the Company entered into a capital increase agreement with BJEV for the subscription of additional shares issued by BJEV. After the capital increase, the Company holds 8.15% of the equity interests.

For detailed information on the above co-operation, please refer to the Company's announcements dated June 25, 2017 and July 20, 2017.

Pledge of Assets

As at June 30, 2017, the Group had pledged notes receivable of RMB5,580.3 million.

Contingent Liabilities

The Group had no material contingent liabilities as at June 30, 2017.

Employee and Remuneration Policies

The Group's staffs decreased from 25,159 at the end of 2016 to 24,123 on 30 June 2017. The staff costs incurred by the Group increased from RMB2,261.0 million in the first half of 2016 to RMB2,504.9 million in the first half of 2017, representing a year-on-year increase of 10.8%, mainly due to (i) the increase in average labor cost of Beijing Benz; (ii) the higher labor hour as a result of the increase in production of Beijing Benz; and (iii) the increase in the annual average wage in society, resulting in the corresponding increase in the social pooling costs paid by the Group for employees.

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

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

Lending

In the first half of 2017, the Group did not provide any loans to any entities.

External Financial Assistance or Guarantees

In the first half of 2017, the Group did not provide any financial assistance or guarantees to external parties.

Material Litigation and Arbitration

As at June 30, 2017, the Company had no material litigation or arbitration. The Directors were also not aware of any litigation or claims which were pending or had significant adverse effect on the Company.

Events after Balance Sheet Date

In July 2017, the Group completed the issuance of 2017 green bond. The issuance size was RMB2,300.0 million with a term of 7 years and an interest rate of 4.72% per annum.

In July 2017, the Group completed the issuance of the first tranche of 2017 ultra short-term debentures. The issuance size was RMB2,000.0 million with a term of 270 days and an interest rate of 4.41% per annum.

On July 20, 2017, the Group entered into a capital increase agreement with BJEV, pursuant to which, the Group subscribed for 223.6 million shares additionally issued by BJEV for a total consideration in cash and assets valued at RMB1,185.08 million. Upon completion of the capital increase, the Group will hold 8.15% of BJEV's total equity interests.

INTERIM DIVIDEND

The Board has not made any recommendation on the payment of an interim dividend for the six months ended June 30, 2017 (six months ended June 30, 2016: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

THE BOARD, THE BOARD OF SUPERVISORS AND THE COMMITTEES

The three-year term of the Company's second session of the Board and the board of Supervisors (the "**Board of Supervisors**") expired on September 8, 2016. As the nomination work of Directors and Supervisors requires completion of certain process, in order to provide continuity to the two Boards, the terms of the second session of the Board and the second session of the Board of Supervisors have been extended until the new session of the Board and the Board of Supervisors are approved by Shareholders at the general meeting in accordance with the Articles of Association. The Company's China Legal Advisor, JunHe LLP, considers that the postponed formation of the second session of the Board and the Board of Supervisors, and the continuation by the existing Directors and Supervisors to execute their duties until the general meeting approving the new session of the Board and the Board of Supervisors do not contravene the requirements under the Company Law of the PRC or the Company's Articles of Association.

On April 21, 2017, the Company convened its extraordinary general meeting, in which the appointment of the Directors of the third session of the Board was approved. On the same day, the third session of the Board approved the membership of the special committees. At the first meeting of the third session of the Board held on the same day, Mr. Xu Heyi was re-appointed as the chairman of the Board, Mr. Chen Hongling was appointed as the president of the Company, and chairmen and the members for the Audit Committee, the remuneration committee, the nomination committee and the strategy committee were also appointed. The term of offices of above personnel is from April 21, 2017 up to the expiration of the term of the then session of the Board. Please refer to the relevant announcement dated April 21, 2017 of the Company for details.

Due to the job adjustment of the relevant candidates for the Board of Supervisors, the term of the Board of Supervisors, the retirement and the appointment procedures have not been completed and the second session of the Board of Supervisors are further extended until the new session of the Board of Supervisors are approved by Shareholders at the general meeting in accordance with the Articles of Association. Please refer to the relevant announcement dated March 7, 2017 of the Company for details.

On June 23, 2017, the Company convened its 2016 annual general meeting, in which Mr. Chen Hongliang was appointed as the executive Director, effective from June 23, 2017 up to the expiration of the term of office of the third session of the Board. Since the appointment of Mr. Chen Hongliang became effective, Mr. Li Feng ceased to be the executive Director due to the job requirement. At the same time, Mr. Chen Hongliang, an executive Director, was appointed as the member of the strategy committee and the remuneration committee, effective from June 23, 2017 up to the expiration of the term of office of the third session of the Board. Upon the appointment of Mr. Chen Hongliang, Mr. Li Feng ceased to be the member of the strategy committee and the remuneration committee. Please refer to the relevant announcement dated June 23, 2017 of the Company for details.

Save as disclosed above, as at the date of this announcement, there was no change in the composition of the Board, the strategy committee, the Audit Committee, the nomination committee and the remuneration committee of the Board.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference. The Audit Committee comprises three members, namely Mr. Wong Lung Tak Patrick (Chairman), Mr. Zhang Jianyong and Mr. Liu Kaixiang, among which two are independent non-executive Directors. The Audit Committee has reviewed with the management the accounting standards and practices adopted by the Group and reviewed the unaudited interim financial statements for the six months ended June 30, 2017, the 2017 interim results and the 2017 interim report of the Group.

PUBLICATION OF UNAUDITED INTERIM RESULTS AND 2017 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement will be published on the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (www.baicmotor.com) respectively. The Company will dispatch to the shareholders in due course all the information required by the Listing Rules together with the 2017 interim report of the Company, which will also be published on the websites of the Stock Exchange and the Company.

By Order of the Board
BAIC Motor Corporation Limited
Chairman
Xu Heyi

Beijing, the PRC, August 29, 2017

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

* *For identification purpose only*