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北京汽车
BAIC MOTOR

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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020**

The board (the “**Board**” or the “**Board of Directors**”) of directors (the “**Directors**”) of BAIC Motor Corporation Limited (the “**Company**”) is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the “**Group**” or “**we**” or “**our**”) for the year ended December 31, 2020 (“**2020**”) in conjunction with the comparative financial data of the previous year*.

In April 2020, the Company purchased 100% equity interest in BAIC International Development Co., Ltd. (“**BAIC International**”) and 24.78% equity interest in BAIC Yunnan Ruili Motor Co., Ltd. (“**BAIC Ruili**”) from Beijing Automotive Group Co., Ltd. (“**BAIC Group**”, the controlling shareholder of the Company) respectively. Given the Company, BAIC International and BAIC Ruili are under common control of BAIC Group before the business combination, the acquisitions are business combinations under common control, thus the Company applies the merger accounting principle in preparing the consolidated financial statements, and BAIC International and BAIC Ruili are deemed to have been included in the consolidated scope of the Company since they were under common control of BAIC Group together with the Company. The consolidated financial statements of the Group for the year ended December 31, 2020 include the financial positions, results and cash flows of BAIC International and BAIC Ruili. Comparative figures as at December 31, 2019 and for the year then ended are also restated following this principle.

BAIC International conducted a number of asset divestitures before the Company becoming its shareholder. After restatement, the changes in profit during the year of 2019 were mainly caused by the above divested assets. For relevant profit data of BAIC International (excluding the divested assets), please refer to relevant announcement issued by the Company on March 13, 2020.

* Those previously reported columns in the consolidated balance sheet as at December 31, 2019 and consolidated statement of comprehensive income for the year ended December 31, 2019 in this announcement are extracted from the 2019 annual report, which are voluntarily added for reference only. The figures of these columns are not part of the consolidated financial statements of the Group for the year ended December 31, 2020.

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2020

		As at December 31, 2020	2019 (Restated ^{Note 1})	<i>As at</i> <i>December 31,</i> <i>2019</i> <i>(extract from</i> <i>2019 annual</i> <i>report for</i> <i>reference</i> <i>only^{Note 2})</i>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS				
Non-current assets				
Property, plant and equipment		50,428,891	48,758,070	46,329,140
Land use rights		7,158,525	7,339,955	7,201,549
Intangible assets		12,459,098	13,047,095	13,039,160
Investments accounted for using equity method		14,296,379	15,938,613	16,104,148
Financial assets at fair value through other comprehensive income		1,896,816	1,278,650	1,278,650
Deferred income tax assets	4	9,763,971	10,540,458	10,540,458
Other receivables and prepayments	7	2,700,167	662,081	659,261
		98,703,847	97,564,922	95,152,366
Current assets				
Inventories		20,341,991	20,192,070	19,924,603
Accounts receivable	5	20,553,050	21,094,943	21,586,635
Advances to suppliers	6	340,313	390,990	310,089
Other receivables and prepayments	7	4,412,051	5,040,559	5,037,690
Restricted cash and term deposits with initial term of over three months		1,205,578	1,878,230	1,878,104
Cash and cash equivalents		48,146,250	50,231,353	49,322,499
		94,999,233	98,828,145	98,059,620
Total assets		193,703,080	196,393,067	193,211,986

CONSOLIDATED BALANCE SHEET (Continued)
AS AT DECEMBER 31, 2020

		As at December 31, 2020	2019 (Restated ^{Note 1})	<i>As at</i> <i>December 31,</i> <i>2019</i> <i>(extract from</i> <i>2019 annual</i> <i>report for</i> <i>reference</i> <i>only^{Note 2})</i>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	8	8,015,338	8,015,338	8,015,338
Perpetual bond		1,998,160	1,998,160	1,998,160
Other reserves		22,120,796	20,667,653	21,008,386
Retained earnings		18,953,206	19,325,921	19,381,328
		<u>51,087,500</u>	50,007,072	50,403,212
Non-controlling interests		<u>22,506,443</u>	22,367,709	22,223,988
Total equity		<u>73,593,943</u>	72,374,781	72,627,200
LIABILITIES				
Non-current liabilities				
Borrowings	9	8,721,150	9,815,277	9,542,718
Lease liabilities		59,220	77,045	18,034
Deferred income tax liabilities	4	26,423	731,315	731,315
Provisions		2,352,624	2,562,269	2,507,635
Deferred income		3,570,884	3,867,752	3,487,262
Other payables		105,865	174,676	–
		<u>14,836,166</u>	17,228,334	16,286,964

CONSOLIDATED BALANCE SHEET (Continued)
AS AT DECEMBER 31, 2020

		As at December 31, 2020	2019 (Restated ^{Note 1})	<i>As at December 31, 2019 (extract from 2019 annual report for reference only^{Note 2})</i>
	<i>Note</i>	RMB'000	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities				
Accounts payable	<i>10</i>	48,017,125	45,443,866	44,707,450
Contract liabilities		1,291,797	1,007,754	950,986
Other payables and accruals	<i>11</i>	40,360,838	39,416,198	38,024,236
Current income tax liabilities		1,324,900	4,442,695	4,437,845
Borrowings	<i>9</i>	11,736,216	14,319,995	14,019,499
Lease liabilities		93,990	33,195	31,557
Provisions		2,448,105	2,126,249	2,126,249
		105,272,971	106,789,952	104,297,822
Total liabilities		120,109,137	124,018,286	120,584,786
Total equity and liabilities		193,703,080	196,393,067	193,211,986

Note 1: The restated figures include the financial positions of BAIC International and BAIC Ruili. See Note 2(b) for more information.

Note 2: The figures of this column are extracted from the annual report of the Company for the year ended December 31, 2019, which are voluntarily added for reference only. These figures are not part of the consolidated financial statements of the Group for the year ended December 31, 2020.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

		For the year ended December 31, 2020		<i>For the year ended December 31, 2019</i>
		(Restated ^{Note 1})		<i>(extracted from 2019 annual report for reference only^{Note 2})</i>
		<i>(Per consolidated financial statements of the Group for 2020)</i>		
	<i>Note</i>	RMB'000	RMB'000	RMB'000
Revenue	<i>3</i>	176,973,004	175,410,209	<i>174,632,722</i>
Cost of sales	<i>13</i>	(134,833,061)	(137,776,461)	<i>(137,145,700)</i>
Gross profit		42,139,943	37,633,748	<i>37,487,022</i>
Selling and distribution expenses	<i>13</i>	(11,309,353)	(10,414,184)	<i>(10,294,174)</i>
General and administrative expenses	<i>13</i>	(7,984,162)	(7,194,521)	<i>(6,962,054)</i>
Net impairment losses on financial assets		(400,619)	(255,742)	<i>(313,323)</i>
Other (losses)/gains, net	<i>12</i>	(101,145)	2,861,847	<i>1,766,265</i>
Operating profit		22,344,664	22,631,148	<i>21,683,736</i>
Finance income	<i>14</i>	952,947	894,270	<i>884,190</i>
Finance costs	<i>14</i>	(852,801)	(1,056,401)	<i>(948,590)</i>
Finance income/(costs), net		100,146	(162,131)	<i>(64,400)</i>
Share of loss of investments accounted for using equity method		(2,014,904)	(313,791)	<i>(304,910)</i>
Profit before income tax		20,429,906	22,155,226	<i>21,314,426</i>
Income tax expense	<i>15</i>	(7,474,755)	(6,997,917)	<i>(6,991,319)</i>
Profit for the year		12,955,151	15,157,309	<i>14,323,107</i>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020

		For the year ended December 31, 2020	2019 (Restated ^{Note 1})	<i>For the year ended December 31, 2019 (extracted from 2019 annual report for reference only^{Note 2})</i>
	<i>Note</i>	RMB'000	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to:				
Equity holders of the Company		2,028,811	4,996,279	4,082,698
Non-controlling interests		10,926,340	10,161,030	10,240,409
		<u>12,955,151</u>	<u>15,157,309</u>	<u>14,323,107</u>
Earnings per share for profit attributable to ordinary shareholders of the Company for the year (expressed in RMB)				
Basic and diluted	<i>16</i>	<u>0.24</u>	<u>0.61</u>	<u>0.50</u>
Profit for the year		12,955,151	15,157,309	14,323,107
Other comprehensive income				
<i>Items that may be reclassified to profit or loss</i>				
Gain/(loss) on cash flow hedges, net of tax		24,175	(37,780)	(37,780)
Share of other comprehensive income of investments accounted for using the equity method		2,663	8,029	7,664
Currency translation differences		(51,774)	57,258	(8)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020

	For the year ended December 31, 2020		<i>For the year ended December 31, 2019</i>
	2020		<i>2019</i>
	(Restated^{Note 1})		<i>(extracted from 2019 annual report for reference only^{Note 2})</i>
	<i>(Per consolidated financial statements of the Group for 2020)</i>		<i>annual report for reference only^{Note 2})</i>
<i>Note</i>	RMB'000	RMB'000	RMB'000
<u><i>Items that will not be reclassified to profit or loss</i></u>			
	Changes in fair values of financial assets at fair value through other comprehensive income		
	618,166	(825,449)	(463,334)
	593,230	(797,942)	(493,458)
	13,548,381	14,359,367	13,829,649
	13,548,381	14,359,367	13,829,649
	2,635,629	4,208,660	3,607,979
	10,912,752	10,150,707	10,221,670
	13,548,381	14,359,367	13,829,649

Note 1: The restated figures include the results of BAIC International and BAIC Ruili. See Note 2(b) for more information.

Note 2: The figures of this column are extracted from the annual report of the Company for the year ended December 31, 2019, which are voluntarily added for reference only. These figures are not part of the consolidated financial statements of the Group for the year ended December 31, 2020.

NOTES:

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").

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 the Company Law of the PRC. The immediate parent company of the Company is 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 (the "Stock Exchange") since December 19, 2014.

These financial statements are presented in Renminbi thousand Yuan ("RMB'000"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on March 24, 2021.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and 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, 2020, the current liabilities of the Group exceeded its current assets by approximately RMB 10,274 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 RMB 29,080 million and RMB 1,300 million respectively as at December 31, 2020.

Based on the above considerations, the Directors 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.

(b) Restatement of prior year's financial statements due to business combinations under common control

In April 2020, the Company acquired from BAIC Group its entire 100% equity interest in BAIC International and 24.78% equity interest in BAIC Ruili at a total cash consideration of approximately RMB 80 million.

The acquisitions were business combinations under common control given that the Company, BAIC International and BAIC Ruili are under common control of BAIC Group immediately before and after the business combinations, the Company applies the principles of merger accounting in preparing these consolidated financial statements.

By applying the principles of merger accounting, these consolidated financial statements also include the financial positions, results and cash flows of BAIC International and BAIC Ruili as if they had been combined with the Group throughout the year ended December 31, 2020. Comparative figures as at December 31, 2019 and for the year then ended December 31, 2019 have been restated as a result of such.

The followings are reconciliations of the effects arising from the abovementioned common control combinations on the consolidated balance sheet as at December 31, 2019, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2019.

(i) The consolidated balance sheet as at December 31, 2019:

	Balances as previously reported <i>RMB'000</i>	Merger of BAIC International <i>RMB'000</i>	Merger of BAIC Ruili <i>RMB'000</i>	Adjustments <i>RMB'000</i>	Balance as restated <i>RMB'000</i>
<u>Assets</u>					
Non-current assets	95,152,366	1,006,342	1,571,749	(165,535)	97,564,922
Current assets	98,059,620	2,597,753	165,363	(1,994,591)	98,828,145
<u>Equity</u>					
Share capital	8,015,338	1,252,442	296,655	(1,549,097)	8,015,338
Perpetual bond	1,998,160	–	–	–	1,998,160
Other reserves	21,008,386	(1,673,330)	39,466	1,293,131	20,667,653
Retained earnings/ (accumulated losses)	19,381,328	51,544	(578,114)	471,163	19,325,921
Non-controlling interests	22,223,988	432,292	–	(288,571)	22,367,709
<u>Liabilities</u>					
Non-current liabilities	16,286,964	391,801	549,569	–	17,228,334
Current liabilities	104,297,822	3,149,346	1,429,536	(2,086,752)	106,789,952

(ii) The consolidated statement of comprehensive income for the year ended December 31, 2019:

	Amounts as previously reported RMB'000	Merger of BAIC International RMB'000	Merger of BAIC Ruili RMB'000	Adjustments RMB'000	Amounts as restated RMB'000
Revenue	174,632,722	1,018,355	34,517	(275,385)	175,410,209
Profit/(loss) for the year	14,323,107	900,774	(151,756)	85,184	15,157,309

(iii) The consolidated statement of cash flows for the year ended December 31, 2019:

	Amounts as previously reported RMB'000	Merger of BAIC International RMB'000	Merger of BAIC Ruili RMB'000	Adjustments RMB'000	Amounts as restated RMB'000
Net cash generated from/ (used in) operating activities	35,952,781	(11,535)	(117,335)	–	35,823,911
Net cash used in investing activities	(11,614,557)	(18,562,458)	(286,533)	458,665	(30,004,883)
Net cash (used in)/ generated from financing activities	(10,428,524)	18,150,975	435,387	(460,869)	7,696,969

(c) 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, 2020:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 7, IFRS 9 and IAS 39	Interest Rate Benchmark Reform
Revised Conceptual Framework for Financial Reporting	

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 standards, amendments to standards and interpretations have been published that are not mandatory for December 31, 2020 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to IFRS 16	Covid-19-related Rent Concessions	June 1, 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021
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	Conceptual Framework for Financial Reporting	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

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

3 SEGMENT INFORMATION

(a) Description of segments and principal activities

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

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

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

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

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

	Passenger vehicles – Beijing Brand RMB'000	Passenger vehicles – Beijing Benz RMB'000	Elimination RMB'000	Total RMB'000
For the year ended December 31, 2020				
Total revenue	7,579,273	169,695,489	(301,758)	176,973,004
Inter-segment revenue	(301,758)	–	301,758	–
Revenue from external customers	<u>7,277,515</u>	<u>169,695,489</u>	<u>–</u>	<u>176,973,004</u>
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
	<u>7,277,515</u>	<u>169,695,489</u>	<u>–</u>	<u>176,973,004</u>
Segment gross (loss)/profit	<u>(3,666,223)</u>	<u>45,976,854</u>	<u>(170,688)</u>	<u>42,139,943</u>
Other profit & loss disclosures:				
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				<u>(2,014,904)</u>
Profit before income tax				20,429,906
Income tax expense				<u>(7,474,755)</u>
Profit for the year				<u>12,955,151</u>
Other information:				
Significant non-cash expenses				
Depreciation and amortization	(4,156,588)	(4,907,647)	–	(9,064,235)
Provisions for impairments on assets	<u>(722,963)</u>	<u>(221,123)</u>	<u>–</u>	<u>(944,086)</u>
As at December 31, 2020				
Total assets	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
Total liabilities	<u>(41,365,162)</u>	<u>(78,771,072)</u>	<u>27,097</u>	<u>(120,109,137)</u>

	Passenger vehicles – Beijing Brand RMB' 000 (Restated)	Passenger vehicles – Beijing Benz RMB' 000	Elimination RMB' 000	Total RMB' 000 (Restated)
For the year ended December 31, 2019				
Total revenue	20,384,735	155,153,705	(128,231)	175,410,209
Inter-segment revenue	(128,231)	–	128,231	–
Revenue from external customers	<u>20,256,504</u>	<u>155,153,705</u>	<u>–</u>	<u>175,410,209</u>
Timing of revenue recognition				
– At a point in time	20,090,586	153,660,188	–	173,750,774
– Over time	165,918	1,493,517	–	1,659,435
	<u>20,256,504</u>	<u>155,153,705</u>	<u>–</u>	<u>175,410,209</u>
Segment gross (loss)/profit	<u>(4,581,684)</u>	<u>42,215,432</u>	<u>–</u>	<u>37,633,748</u>
Other profit & loss disclosures:				
Selling and distribution expenses				(10,414,184)
General and administrative expenses				(7,194,521)
Net impairment losses on financial assets				(255,742)
Other gains, net				2,861,847
Finance costs, net				(162,131)
Share of loss of investments accounted for using equity method				<u>(313,791)</u>
Profit before income tax				22,155,226
Income tax expense				<u>(6,997,917)</u>
Profit for the year				<u>15,157,309</u>
Other information:				
Significant non-cash expenses				
Depreciation and amortization	(3,374,948)	(4,082,323)	–	(7,457,271)
Provisions for impairments on assets	(291,053)	(314,285)	–	(605,338)
	<u>(3,666,001)</u>	<u>(4,396,608)</u>	<u>–</u>	<u>(8,062,609)</u>
As at December 31, 2019				
Total assets	86,490,516	122,639,923	(12,737,372)	196,393,067
Including:				
Investments accounted for using equity method	15,938,613	–	–	15,938,613
Total liabilities	<u>(47,493,661)</u>	<u>(77,050,212)</u>	<u>525,587</u>	<u>(124,018,286)</u>

There is no customer accounting for 10 percent or more of the Group's revenue for each of the years ended December 31, 2020 and 2019.

The Group is domiciled in the PRC. The percentage of its revenue from external customers residing in the PRC is approximately 99.7% for the year ended December 31, 2020 (2019: 99.3% as restated).

As at December 31, 2020, 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, 2019: 98.5% as restated).

4 DEFERRED INCOME TAXES

Movements of deferred tax asset balances comprising temporary differences attributable to:

	Provisions for impairment losses	Accruals	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2020	381,871	8,986,480	1,172,107	10,540,458
(Charged)/credited to statement of comprehensive income	<u>(487)</u>	<u>324,682</u>	<u>(421,204)</u>	<u>(97,009)</u>
At December 31, 2020	<u><u>381,384</u></u>	<u><u>9,311,162</u></u>	<u><u>750,903</u></u>	<u><u>10,443,449</u></u>
At January 1, 2019	327,006	6,300,307	1,298,288	7,925,601
Credited/(charged) to statement of comprehensive income	<u>54,865</u>	<u>2,686,173</u>	<u>(126,181)</u>	<u>2,614,857</u>
At December 31, 2019	<u><u>381,871</u></u>	<u><u>8,986,480</u></u>	<u><u>1,172,107</u></u>	<u><u>10,540,458</u></u>

Movements of deferred tax liability balances comprising temporary differences attributable to:

	Capitalized interest	Valuation surplus upon acquisition of a subsidiary	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2020	(31,509)	(699,806)	(731,315)
Credited to statement of comprehensive income	<u>5,086</u>	<u>20,328</u>	<u>25,414</u>
At December 31, 2020	<u><u>(26,423)</u></u>	<u><u>(679,478)</u></u>	<u><u>(705,901)</u></u>
At January 1, 2019	(37,820)	(720,186)	(758,006)
Credited to statement of comprehensive income	<u>6,311</u>	<u>20,380</u>	<u>26,691</u>
At December 31, 2019	<u><u>(31,509)</u></u>	<u><u>(699,806)</u></u>	<u><u>(731,315)</u></u>

Note:

Deferred income tax assets and liabilities are presented net to the consolidated balance sheet through setting-off of RMB 679,478,000 as at December 31, 2020.

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 RMB 35 billion (December 31, 2019: RMB 29 billion as restated) that can be carried forward against future taxable income as at December 31, 2020.

The unrecognized tax loss amounting to approximately RMB 29 billion (December 31, 2019: RMB 26 billion as restated) can be carried forward for utilization in future included in which approximately RMB 2 billion, RMB 3 billion, RMB 6 billion and RMB 18 billion being expired in less than 1 year, 1-2 years, 2-5 years and 5-10 years respectively.

5 ACCOUNTS RECEIVABLE

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Trade receivables, gross (<i>note (a)</i>)	17,849,531	19,148,048
Less: provision for impairment	<u>(465,630)</u>	<u>(261,565)</u>
	17,383,901	18,886,483
Notes receivable (<i>note (b)</i>) measured at		
– FVOCI	3,104,009	1,947,357
– amortized cost	<u>65,140</u>	<u>261,103</u>
	<u><u>20,553,050</u></u>	<u><u>21,094,943</u></u>

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,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Current to 1 year	7,356,503	11,896,085
1 to 2 years	4,463,765	3,789,377
2 to 3 years	2,941,248	1,362,293
Over 3 years	<u>3,088,015</u>	<u>2,100,293</u>
	<u><u>17,849,531</u></u>	<u><u>19,148,048</u></u>

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

	For the year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
As at January 1	261,565	109,741
Provision for impairment recognized during the year	<u>204,065</u>	<u>151,824</u>
As at December 31	<u><u>465,630</u></u>	<u><u>261,565</u></u>

- (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) There is no trade receivable pledged as collateral.
- (e) The amounts of notes receivable pledged as collateral for notes payable issued by banks as at respective balance sheet dates are as follows:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Pledged notes receivable	1,808,208	1,655,008

6 ADVANCES TO SUPPLIERS

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

7 OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
		(Restated)
Deductible value-added tax and prepaid consumption tax	4,930,403	4,144,652
Contracts fulfillment costs	582,493	450,319
Receivable from disposals of property, plant and equipment	749,775	453,997
Receivable from sales of raw materials	331,538	444,594
Receivable from sales of emission credits	322,466	–
Prepayments for property, plant and equipment	138,848	12,416
Service fees	78,384	80,379
Deposits	7,378	13,482
Dividend receivable from a joint venture	14,000	14,000
Others	441,422	376,736
	7,596,707	5,990,575
Less: non-current portion	(2,700,167)	(662,081)
Less: provision for impairment	(484,489)	(287,935)
	4,412,051	5,040,559

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

	For the year ended	
	December 31,	
	2020	2019
	RMB'000	RMB'000
		(Restated)
As at January 1	287,935	184,017
Provision for impairment recognized during the year	196,554	103,918
As at December 31	484,489	287,935

8 SHARE CAPITAL

	Number of ordinary shares of RMB 1 each (thousands)	RMB'000
At January 1, 2020 and December 31, 2020	<u>8,015,338</u>	<u>8,015,338</u>
At January 1, 2019 and December 31, 2019	<u>8,015,338</u>	<u>8,015,338</u>

9 BORROWINGS

	As at December 31,	
	2020 RMB'000	2019 RMB'000 (Restated)
Non-current		
Borrowings from financial institutions (note (a))	2,523,924	1,720,662
Corporate bonds (note (b))	<u>6,197,226</u>	<u>8,094,615</u>
	<u>8,721,150</u>	<u>9,815,277</u>
Current		
Borrowings from financial institutions (note (a))	8,985,831	4,853,866
Add: current portion of non-current borrowings from financial institutions	251,587	3,967,892
Corporate bonds (note (b))	<u>2,498,798</u>	<u>5,498,237</u>
	<u>11,736,216</u>	<u>14,319,995</u>
Total borrowings	<u>20,457,366</u>	<u>24,135,272</u>

Maturity of borrowings

	As at December 31,	
	2020 RMB'000	2019 RMB'000 (Restated)
Current to 1 year	11,736,216	14,319,995
1 to 2 years	1,343,164	3,690,547
2 to 5 years	<u>7,377,986</u>	<u>6,124,730</u>
	<u>20,457,366</u>	<u>24,135,272</u>

Contractual repricing dates upon interest rate changes

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Within 6 months	8,512,479	4,999,391
6 to 12 months	279,967	1,348,790
	<u>8,792,446</u>	<u>6,348,181</u>

Weighted average annual interest rates

	As at December 31,	
	2020	2019
		(Restated)
Borrowings from financial institutions	4.29%	5.01%
Corporate bonds	3.66%	3.87%

Currency denomination

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
RMB	18,046,980	21,855,853
Euro	2,010,263	1,856,780
US\$	290,370	311,114
South African Rand	109,753	111,525
	<u>20,457,366</u>	<u>24,135,272</u>

Undrawn facilities at floating rates

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Within 1 year	29,080,169	10,364,111
Over 1 year	1,300,000	5,148,240
	<u>30,380,169</u>	<u>15,512,351</u>

Notes:

- (a) Balances at December 31, 2020 include borrowings of RMB 2,459 million (December 31, 2019: RMB 2,120 million) obtained from BAIC Group Finance Co., Ltd. (the “**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	Par value RMB' 000	Carrying value RMB' 000	Maturity
At December 31, 2020					
BAIC Investment Co., Ltd. (“ BAIC Investment ”)	March 17, 2016	3.15%	1,500,000	1,499,867	5 years
BAIC Investment	January 20, 2017	4.29%	800,000	799,726	7 years
The Company	September 10, 2014	5.74%	400,000	399,584	7 years
The Company	September 22, 2014	5.54%	300,000	299,673	7 years
The Company	September 22, 2014	5.54%	300,000	299,673	7 years
The Company	April 22, 2016	3.45%	2,500,000	2,499,130	7 years
The Company	July 4, 2017	4.72%	2,300,000	2,298,781	7 years
The Company	January 8, 2020	3.39%	600,000	599,590	3 years
				8,696,024	
At December 31, 2019					
BAIC Investment	December 10, 2015	3.60%	1,500,000	1,499,391	5 years
BAIC Investment	March 17, 2016	3.15%	1,500,000	1,499,232	5 years
BAIC Investment	January 20, 2017	4.29%	800,000	799,643	7 years
The Company	September 10, 2014	5.74%	400,000	399,400	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	7 years
The Company	February 12, 2015	4.68%	500,000	499,941	5 years
The Company	April 22, 2016	3.45%	2,500,000	2,498,773	7 years
The Company	July 4, 2017	4.72%	2,300,000	2,298,467	7 years
The Company	May 10, 2019	3.30%	2,000,000	1,999,786	270 days
The Company	October 11, 2019	2.40%	1,000,000	999,423	270 days
The Company	October 21, 2019	2.79%	500,000	499,696	270 days
				13,592,852	

- (c) As at December 31, 2020, bank borrowings of RMB 400,000,000 were secured by the Group’s property, plant and equipment (December 31, 2019: Nil).
- (d) The fair values of the borrowings are not materially different to their carrying amounts, since the interests payable on these borrowings is either close to that calculated by current interest rate or the borrowings are of a short-term nature.

10 ACCOUNTS PAYABLE

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Trade payables	45,096,832	37,954,869
Notes payable	2,920,293	7,488,997
	<u>48,017,125</u>	<u>45,443,866</u>

Aging analysis of trade payables based on invoice date is as follows:

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Current to 1 year	41,313,474	37,059,486
1 to 2 years	3,251,420	841,132
2 to 3 years	520,981	44,812
Over 3 years	10,957	9,439
	<u>45,096,832</u>	<u>37,954,869</u>

11 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Sales discounts and rebates	17,001,881	17,658,968
Payable for general operations	4,260,949	2,897,599
Payable for services	4,269,878	3,325,398
Payables for property, plant and equipment and intangible assets	3,495,610	3,928,651
Advertising and promotion	2,228,745	2,606,674
Wages, salaries and other employee benefits	1,548,074	1,338,258
Payables for transportation and warehouse expenses	1,079,767	1,258,608
Other taxes payable	3,342,256	3,571,654
Dividends payable	43,596	533,596
Interests payable		
– perpetual bond	112,000	112,000
– other borrowings and loans	300,167	318,820
Derivative financial instruments (<i>note (a)</i>)	64,097	48,950
Deposits	44,493	64,416
Others	2,569,325	1,752,606
	<u>40,360,838</u>	<u>39,416,198</u>

Note:

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

12 OTHER (LOSSES)/GAINS, NET

	For the year ended December 31,	
	2020 RMB'000	2019 RMB'000 (Restated)
Government grants (<i>note (a)</i>)	631,910	2,361,622
Gain from sales of scrap materials	134,833	199,357
Loss on disposals of property, plant and equipment and intangible assets	(36,166)	(88,355)
Loss on forward foreign exchange contracts with fair value through profit or loss	(294,332)	(591,450)
Foreign exchange losses	(531,203)	(35,849)
Dividends from financial assets	–	1,023,863
Others	(6,187)	(7,341)
	<u>(101,145)</u>	<u>2,861,847</u>

Note:

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

13 EXPENSES BY NATURE

	For the year ended December 31,	
	2020 RMB'000	2019 RMB'000 (Restated)
Changes in inventories of finished goods and work in progress	3,244,961	817,387
Raw materials and consumables used	111,579,706	120,052,634
Service fees and charges	8,734,976	7,996,404
Depreciation and amortization	9,064,235	7,457,271
Employee benefit costs	5,363,909	5,329,368
Other taxes and levies	4,637,560	4,738,117
Advertising and promotion	1,780,686	2,143,067
Transportation and warehouse expenses	4,051,780	3,634,408
Daily operating expenses	1,999,363	1,625,935
Provision for impairment on non-financial assets	543,467	349,596
Warranty expenses	1,226,718	490,116
Auditor's remuneration- audit services	8,375	8,038
Others	1,890,840	742,825
	<u>154,126,576</u>	<u>155,385,166</u>

Total cost of sales, selling and distribution expenses,
and general and administrative expenses

14 FINANCE INCOME/(COSTS), NET

	For the year ended December 31,	
	2020	2019
	RMB'000	RMB'000
		(Restated)
Finance income		
Interest income on deposits in financial institutions	<u>952,947</u>	<u>894,270</u>
Finance costs		
Interest expense on borrowings from financial institutions	407,373	495,775
Interest expense on corporate bonds	421,668	562,032
Interest expense on loans from immediate parent company and fellow subsidiaries	48,310	22,968
Interest expense on lease liabilities	13,305	6,186
Amortization of discount on non-current provisions	<u>176,512</u>	<u>236,633</u>
	1,067,168	1,323,594
Less: amounts capitalized in qualifying assets	<u>(214,367)</u>	<u>(267,193)</u>
	<u>852,801</u>	<u>1,056,401</u>
Finance income/(costs), net	<u>100,146</u>	<u>(162,131)</u>

15 INCOME TAX EXPENSE

	For the year ended December 31,	
	2020	2019
	RMB'000	RMB'000
		(Restated)
Current income tax expense	7,411,218	9,626,873
Deferred income tax expense/(credit)	<u>63,537</u>	<u>(2,628,956)</u>
	<u>7,474,755</u>	<u>6,997,917</u>

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

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, 2020 and 2019 on the assessable income of respective Group entities in accordance with relevant PRC enterprise income tax rules and regulations.

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

	For the year ended December 31,	
	2020	2019
	RMB'000	RMB'000
		(Restated)
Profit before income tax	20,429,906	22,155,226
Tax calculated at the statutory tax rate of 25%	5,107,477	5,538,806
Effects of preferential tax rates and different tax rates in other jurisdictions	571,084	520,637
Impact on share of results of investments accounted for using equity method	595,389	155,193
Income not subject to tax	(3,784)	(259,436)
Expenses not deductible for tax purposes	16,320	13,846
Additional deduction on research and development expenses	(90,575)	(69,344)
Tax losses/deductible temporary differences for which no deferred tax was recognized	1,278,844	1,098,215
Tax charge	7,474,755	6,997,917

16 EARNINGS PER SHARE

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

	For the year ended December 31,	
	2020	2019
		(Restated)
Profit attributable to ordinary shareholders of the Company (note (a)) (RMB'000)	1,916,811	4,884,279
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)	0.24	0.61

Notes:

- (a) For the year ended December 31, 2020, the profit attributable to equity holders of the Company amounted to RMB 2,028,811,000 (2019: RMB 4,996,279,000 as restated), including the profit attributable to ordinary shareholders and perpetual bond holders of approximately RMB 1,916,811,000 and RMB 112,000,000 (2019: RMB 4,884,279,000 and RMB 112,000,000 as restated), respectively.
- (b) During the years ended December 31, 2020 and 2019, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.

17 DIVIDENDS

	For the year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend of RMB 0.08 per share (2019: RMB 0.17 per share) <i>(note (a))</i>	<u>641,227</u>	<u>1,362,607</u>

Note:

- (a) The Board of Directors proposes that the Company distributes a final dividend for the year 2020 of RMB 0.08 per share (tax inclusive). The proposal will be submitted to the Company's 2020 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, 2021.

The final dividend of approximately RMB 1,362,607,000 (RMB 0.17 per share) relating to the year ended December 31, 2019 was approved by the shareholders at the annual general meeting held in June 2020 and paid in September 2020.

18 EVENTS AFTER THE REPORTING PERIOD

On March 17, 2021, BAIC Finance Investment Co., Ltd., an indirect wholly-owned subsidiary of the Company, issued corporate notes in an amount of US\$ 350 million with annual interest rate of 2%. The notes are guaranteed by the Company and will become due in March 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

According to the data of China Association of Automobile Manufacturers (“CAAM”), in 2020, the wholesale volume of passenger vehicles reached 20.178 million units, representing a year-on-year decrease of 6.0%. Throughout the year, due to the impact of the Coronavirus Disease 2019 (COVID-19) (the “COVID-19 outbreak”), the national and local governments actively introduced a series of policies to promote vehicle purchase. There was a decline followed by a rise in the overall passenger vehicle market. The industry has the following characteristics:

Affected by various factors, the passenger vehicle market was under structural pressure, with the sales volume being stable with a slight decline, and the market share of brands of China falling continuously; new energy vehicles continued to see growth; passenger vehicle enterprises further accelerated the pace of competition.

According to the data of CAAM, in terms of market segment by type, the sales volume of sedans for the year was 9.275 million units, representing a year-on-year decline of 9.9%; the sales volume of SUV model for the year was 9.461 million units, representing a year-on-year increase of 0.7%, thus changing its growth rate from negative to positive; the sales volume of MPV model for the year was 1.054 million units, representing a significantly decrease of 23.8% year-on-year; the sales volume of CUV for the year was 0.388 million units, representing a year-on-year decline of 2.9%.

Meanwhile, there was a decline followed by an increase in the sales volume of premium brands, with a significant growth since April. Major products of first-line domestic premium brands saw a steady year-on-year increase in the sales volume, showing the trend of continuous consumption upgrades.

According to the data of CAAM, in terms of market segment by series, the sales volume of Chinese-branded passenger vehicles reached 7.749 million units, representing a year-on-year decrease of 8.1%, and the market share of those vehicles was 38.4%, representing a decrease of 0.8 percentage point as compared with last year. Chinese brands continued to have the largest share of the Chinese passenger vehicle market. Against the backdrop of overall weak demand, there was increased competition among enterprises and ongoing profound changes in the industry.

According to the data of CAAM, new energy passenger vehicles saw a significant growth trend, with the sales volume of 1.246 million units for the year, representing a year-on-year growth of 14.6%; the sales volume of pure electric passenger vehicles reached 1 million units, representing a year-on-year increase of 16.1%. The sales volume of plug-in hybrid electric passenger vehicles reached 0.247 million units, representing a year-on-year increase of 9.1%. The mileage range of new energy passenger vehicle products was further increased, and there was a further expansion in the product market.

Overview of the Group

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

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

Major Business Operations

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

The traditional oil-powered car models of Beijing Brand are targeted at consumers who value both vehicle performance and high-quality life, with the "metropolitan beauty" design and continual quality improvement. At present, "BEIJING AUTO" brand has BEIJING-X3 and BEIJING-X5 compact SUV, BEIJING-X7 midsize SUV, BEIJING-U5 compact sedan, BEIJING-U7 middle class sedan and other best-selling vehicle models. In the future, it will enrich its product lineup.

While manufacturing traditional oil-powered passenger vehicles, Beijing Brand accelerates the process of intelligent networking and transition to new energy vehicles, developing many pure electric new energy vehicle models based on traditional oil-powered car models. It has BEIJING-EU5, BEIJING-EU7 and other best-selling electric vehicle products. Its major vehicle models have a mileage range in the integrated operating condition reaching 500 km. Meanwhile, Beijing Brand is arranging for and advancing electrification upgrade work for the diversity of products including 48V hybrid electric vehicle model and PHEV plug-in hybrid electric vehicle model. Beijing Brand successfully launched BEIJING-X7 PHEV, a key vehicle model, in 2020.

2. Beijing Benz

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

Beijing Benz currently manufactures and sells various Mercedes-Benz vehicle models, namely E-Class long-wheelbase sedan, C-Class long-wheelbase and standard-wheelbase sedan, A-Class long-wheelbase sedan, long-wheelbase GLC SUV, GLB SUV, GLA SUV, EQC pure electric SUV and AMG A 35 L.

Beijing Benz has become a joint venture enterprise of Daimler, 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. Beijing Benz has exported core engine parts and components, and engines. As a result, Beijing Benz becomes an important part of the global production network of Mercedes-Benz. In recent years, Beijing Benz has won various honorary titles including “Global Excellent Operating Factory”, “Green Model Factory”, “Beijing Intelligent Manufacturing Benchmarking Enterprise” and “Pilot Model Project for Sino-German Intelligent Manufacturing Cooperation”.

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, while Hyundai Motor Company (“**Hyundai Motor**”) holds another 50.0% equity interest in Beijing Hyundai. Beijing Hyundai commenced the manufacturing and sales of passenger vehicles of Hyundai brand in 2002.

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 and A0-Class models, 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 fourth-generation TUCSON, new ix35, LA FESTA EV, and ENCINO EV, thus fully meeting different consumer needs.

4. Fujian Benz

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

Core parts and components for passenger vehicles

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

In respect of Beijing Brand, we manufacture engines, transmissions, new energy reducer and other core automobile parts and components through entities including BAIC Motor Powertrain Co., Ltd. (“**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.

Beijing Benz commenced to manufacture engines in 2013 and owns two engine plants and the first power battery factory outside Germany. The specific product offerings of Beijing Benz include M270, M274, M264 and M282 engines and the first new-energy power battery. Beijing Benz has exported core engine parts and components, and engines.

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

Car financing

We conduct car financing and automobile aftermarket-related businesses of Beijing Brand, Mercedes-Benz brand and Hyundai brand through associates and joint ventures including 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 commercial banks, automobile financial companies and lease finance companies, offering clients a great variety of financial products covering all car models now selling on the market, and meeting different customer demands. We have provided 24- and 36-installment interest-free fixed-amount loan products for interest-sensitive customers. During the COVID-19 outbreak, we launched a preferential financial product “Zhijing Loan (致敬貸)” for people working at the frontline against the outbreak. Moreover, we launched various financial products including standard loan, flexible loan, low down payment, and repurchase at the residual value, which offer multiple options for 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 five 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 2020, 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.

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. (北京汽車藍穀營銷服務有限公司) (“**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 are responsible for 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, a wholly-owned subsidiary, and promote the rapid development of international business, through overseas sales companies, KD technology¹ cooperation, vehicle distribution, etc. International business focuses on exporting passenger vehicle products of Beijing Brand.

Other related businesses

During 2020, we conducted lightweight research and development, new energy technology changes, information big data and used car businesses through relevant joint ventures.

¹ It means parts and components of a vehicle

Production and sales of brands in 2020

In 2020, in the face of complicated domestic and international circumstances, four business segments of the Group achieved the total sales of 1.169 million units of vehicles, representing a year-on-year decrease of 18.0%. Beijing Brand actively responded to severe market conditions, with further optimization of its production and sales structure; Beijing Benz continued to maintain strong momentum and stably ranked among top joint-venture luxury brands in terms of sales volume; Beijing Hyundai actively responded to industry change, launching many new products in due course, and supported its operation in terms of new vehicle, marketing, channel and customer retention; Fujian Benz outperformed the market, in spite of the pressure from the overall market downturn.

1. Beijing Brand

In 2020, in the face of the impact of the COVID-19 outbreak and the pressure from the increased competition in the industry, Beijing Brand took “brand upgrade, improvement in three strengths, and breakthrough through reform” as its management principle, and confirmed its differentiated competitive strategies, focused on products, adopted the dual-driver strategy, and continuously improve its core capacities:

In terms of sales performance, in 2020, Beijing Brand recorded the wholesales of 82 thousand units of passenger vehicles, and the sales performance of oil-powered vehicles improved driven by key vehicle models including BEIJING-X7 and BEIJING-X3. The sales volume of oil-powered vehicles for the year was 68 thousand units, representing a year-on-year increase of 9.0%, and the sales volume of SUV models was 54 thousand units, representing a year-on-year increase of 24.1% and accounting for 66.4%.

In terms of new vehicle model, in 2020, Beijing Brand launched key vehicle models including BEIJING-X7 and BEIJING-X7 PHEV, thus further optimizing its product mix. Meanwhile, it continuously promoted the improvement in the brand strength of “BEIJING” and product upgrade, and built a brand philosophy.

2. Beijing Benz

In 2020, Beijing Benz actively promoted the resumption of work and production, with the sales of 611 thousand units of vehicles during the year, representing a year-on-year increase of 7.7%, and stably ranked among top domestic premium brands in terms of sales volume.

In terms of sales of product segment, in 2020, the average monthly sales volumes of three main vehicle models of Beijing Benz, namely E-Class sedan, C-Class sedan and GLC SUV, exceeded 10 thousand units, showing a strong sales performance.

In terms of product improvement, the new-generation GLA SUV and the new-generation E-Class long-wheelbase sedan were launched for model change and iteration as scheduled, which steadily improved the product strength of Beijing Benz.

In terms of capacity optimization, the factory of Beijing Benz in Shunyi was fully put into operation, and will adopt the philosophy of “digital, flexible and green”, and benchmark against the most advanced modern production base, so as to support the development of Beijing Benz.

3. *Beijing Hyundai*

In 2020, in the face of the increasingly severe market environment and the test arising out of the COVID-19 outbreak, Beijing Hyundai made active adjustments and orderly responses, recording the wholesales of 446 thousand units of vehicles and tertiary sales of 502 thousand units of vehicles during the year.

In 2020, Beijing Hyundai adjusted the form and date of launching new vehicles in a timely manner, and launched various products including LA FESTA EV, the tenth-generation Sonata, the seventh-generation Elantra, the new ix35, thus achieving a complete upgrade through new platforms. Beijing Hyundai carried out various phased theme marketing activities to strengthen experiential marketing, thus promoting brand upgrade. Beijing Hyundai focused on network arrangement optimization and the improvement in the profit and loss of dealers to enhance the revenue of dealers and customer stickiness. Beijing Hyundai launched a new fans marketing platform to carry out targeted marketing activities for approximately ten million existing customers, so as to support the profit improvement.

4. *Fujian Benz*

The sales volume of Fujian Benz hit a record high, with 30 thousand units sold in 2020, representing a year-on-year increase of 6.2%. Mercedes-Benz V-Class and Vito facelifted model were mass produced and launched in September, and were continuously recognized by customers in their respective market segments.

Production facilities

We have specialized production facilities to manufacture and assemble products. All of our established manufacturing bases already completed are located in China, and all production facilities are equipped with flexible production lines, each of which can produce different models of passenger vehicles. This not only allows us to flexibly change production plans and respond quickly to changes in market demand, but also reduces our capital expenditures and operating costs.

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

Beijing Benz continuously upgrades and constructs the world-leading modern production base of Mercedes-Benz. Beijing Benz is committed to integrating the philosophy of digital ecology into its production system and quality management. It has built a factory in Shunyi District with the philosophy of “digital, flexible and green”, so as to promote its sustainable development and even the sustainable development of the region where it is located. This lays a foundation for continuous improvement in the product competitiveness.

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

Sales network

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

In 2020, Beijing Brand continuously optimized its network arrangements, improved its store image and network structure. Based on the “2020 network upgrade plan”, Beijing Benz directed the effective online and offline synergy of the retail system of Benz brand, and realized the “customer-oriented” transformation and upgrade. Beijing Benz continuously improved customer experience, controlled costs, and improved the efficiency. Beijing Hyundai achieved stable dealer channel operation and actively maintained the healthy development of its network system by optimizing its network coverage.

Research and development

The Group believes that our research and development capability is critical to the future development. During 2020, all of our brands vigorously promoted the construction of research and development system and capacity.

In 2020, Beijing Brand made achievements in terms of innovation of research and development management, and new vehicle model research and development. New products – BEIJING-X7 and BEIJING-X7 PHEV, were successfully launched, showing the latest achievements of the Company in terms of intelligent networking, transition to new energy vehicles, styling upgrade, perceived quality, etc., which helps improve the product competitiveness. Meanwhile, it has carried out the development of many new energy vehicle products based on midsized SUVs and sedans, and continued to deepen its strategic cooperation relations with Huawei, Microsoft, Bosch and IFLYTEK and other scientific and technological enterprises, so as to comprehensively promote the steady implementation of the “dual-driver” strategy in sub-sectors including automatic self-driving, intelligent cabin and networking.

Beijing Benz has built the biggest research and development center among joint venture companies of Daimler. The research and development center introduced the Mercedes-Benz development system, and continuously shortened the development cycle and strengthened the digital verification capability. The research and development center has international advanced laboratories which have been established and operated strictly according to the standards of Daimler AG, including climate corrosion, vehicle emission, engine and vibration noise, electromotor laboratories, power battery electric performance and environmental laboratories, material laboratories, thus providing important professional technical support for research and development, test and verification, internal quality control, problem analysis and production of traditional vehicle models and new energy vehicle models of Mercedes-Benz made in China.

In 2020, Beijing Hyundai launched many new vehicle models, and its main products were completely upgraded. In the face of the rapid changes in the PRC market and consumer demand, Beijing Hyundai was deeply and comprehensively engaged in the strategy of HSMART+, strengthened the application of many advanced system technologies including i-GMP platform, Smart Stream powertrain, the third-generation intelligent networking and Smart Sense driver assistance, so as to improve its product strength. Beijing Hyundai independently developed CELESTA CNG TAXI, and strengthened its local development capability. Beijing Hyundai launched the E-GMP electric vehicle-specific platform, developed new Mistra pure electric vehicle, accelerated the introduction of subsequent new energy vehicle models, so as to further enrich the new energy product line of Beijing Hyundai.

Joint venture cooperation and industrial chain extension

During 2020, the Group continuously promoted the integration of industry and finance and industrial cooperation in various fields, thus further expanding the scope of cooperation, extending the industry chain, expanding the business market and enhancing its competitive strength.

1. Additional capital contributions to BAIC Finance

On February 13, 2020, BAIC Investment, a non wholly-owned subsidiary of the Company, entered into a capital increase agreement with BAIC Finance, pursuant to which BAIC Investment agreed to further subscribe to the capital increase of BAIC Finance (the total capital increase being RMB 2,500 million) amounting to RMB 500 million, in proportion to its capital contribution to the current registered capital of BAIC Finance (namely 20%). Upon completion of the capital increase, the capital contribution by BAIC Investment to the registered capital of BAIC Finance will be RMB 1,000 million, accounting for 20%, remaining unchanged.

2. Acquisition of 100% equity interest of BAIC International and 24.78% equity interest in BAIC Ruili from BAIC Group

On March 13, 2020, the Company and BAIC Group entered into the equity transfer agreement, pursuant to which the Company agreed to purchase, and BAIC Group agreed to dispose of a 100% equity interest held by BAIC Group in BAIC International and 24.78% equity interest held by BAIC Group in BAIC Ruili, at a total consideration of approximately RMB 80 million. Upon the completion of the transaction under the equity transfer agreement, BAIC International will become a wholly-owned subsidiary of the Company, while BAIC Ruili will become a non-wholly-owned subsidiary of the Company.

3. Subscription of new A shares of BAIC BluePark

On August 3, 2020, BAIC Guangzhou Automotive Co., Ltd. (“**BAIC Guangzhou**”), a wholly-owned subsidiary of the Company, and BAIC BluePark New Energy Technology Co., Ltd. (“**BAIC BluePark**”), an A-share listed subsidiary of BAIC Group, entered into a share subscription agreement, pursuant to which BAIC BluePark agrees to issue to BAIC Guangzhou, and BAIC Guangzhou agrees to subscribe for, not less than 6.25% of the total number of new A shares to be issued by BAIC BluePark, up to a maximum subscription amount of approximately RMB 343.8753 million.

In accordance with the share subscription agreement, the minimum shareholding of BAIC Guangzhou in BAIC BluePark will remain at 6.25% and the maximum shareholding will not exceed 7.32% (if the actual subscription price is determined according to the audited net asset value per share of BAIC BluePark as at 31 December 2019, namely RMB 5.06).

PERFORMANCE ANALYSIS AND DISCUSSION

Note: Due to the acquisition of a 100% equity interest in BAIC International and a 24.78% equity interest in BAIC Ruili, the financial information of the Company as at the end of 2019 was restated according to the principle of business combination under common control. The financial data as at the end of 2019 in this section are restated.

REVENUE AND NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The Group’s main business operations are the research and development, manufacturing, sales and after-sale services of passenger vehicles. The above business has brought sustained and stable revenue to the Group. The revenue of the Group increased from RMB 175,410.2 million for the year ended December 31, 2019 (“**2019**”) to RMB 176,973.0 million in 2020, representing a year-on-year increase of 0.9%, mainly attributable to the increase in revenue of Beijing Benz.

Revenue associated with Beijing Benz increased from RMB 155,153.7 million in 2019 to RMB 169,695.5 million in 2020, representing a year-on-year increase of 9.4%, mainly attributable to a year-on-year increase of 7.7% in sales volume of Beijing Benz.

Revenue associated with Beijing Brand decreased from RMB 20,256.5 million in 2019 to RMB 7,277.5 million in 2020, representing a year-on-year decrease of 64.1%, mainly attributable to (i) a year-on-year decrease in sales volume of Beijing Brand; and (ii) a decrease in new energy subsidies.

The Group’s net profit attributable to equity holders of the Company decreased from RMB 4,996.3 million in 2019 to RMB 2,028.8 million in 2020, representing a year-on-year decrease of 59.4%; the basic earnings per share decreased from RMB 0.61 in 2019 to RMB 0.24 in 2020, representing a year-on-year decrease of 60.7%, mainly due to a decrease in the profits of Beijing Brand and certain investment enterprises as a result of increased competition in the domestic passenger vehicle industry, the market downturn, etc.

Gross profit

The Group's gross profit increased from RMB 37,633.7 million in 2019 to RMB 42,139.9 million in 2020, representing a year-on-year increase of 12.0%, mainly attributable to the increase in the gross profit of Beijing Benz and the decrease in the gross loss of Beijing Brand.

The gross profit of Beijing Benz increased from RMB 42,215.4 million in 2019 to RMB 45,976.9 million in 2020, representing a year-on-year increase of 8.9%; the gross profit margin was 27.1% in 2020, basically in line with the figure of 27.2% for 2019.

The gross profit of Beijing Brand decreased from RMB -4,581.7 million in 2019 to RMB -3,666.2 million in 2020, 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 RMB 35,823.9 million in 2019 to RMB 26,007.6 million in 2020, representing a year-on-year decrease of 27.4%, mainly attributable to a decrease in the net cash inflow generated from operating activities of Beijing Brand.

As at the end of 2020, the Group had cash and cash equivalents of RMB 48,146.3 million, notes receivable of RMB 3,169.1 million, notes payable of RMB 2,920.3 million, outstanding borrowings of RMB 20,457.4 million, unused bank credit lines of RMB 53,661.2 million, and commitments for capital expenditure of RMB 32,672.8 million. The above outstanding borrowings included RMB 2,010.3 million equivalents of Euro borrowings and RMB 290.4 million equivalents of USD borrowings as at the end of 2020.

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 63.1% at the end of 2019 to 62.0% at the end of 2020, representing a year-on-year decrease of 1.1 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)) decreased from -56.4% at the end of 2019 to -60.3% at the end of 2020, representing a year-on-year decrease of 3.9 percentage points, mainly attributable to (i) an increase in total equity; and (ii) a smaller increase in the total equity than in cash and cash equivalents.

As at the end of 2020, the total outstanding borrowings was RMB 20,457.4 million, including short-term borrowings of RMB 11,736.2 million in aggregate and long-term borrowings of RMB 8,721.2 million in aggregate. The Group will promptly repay the aforesaid borrowings at maturity.

As at the end of 2020, 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 2020.

Total capital expenditures of the Group decreased from RMB 8,700.5 million in 2019 to RMB 8,358.1 million in 2020, representing a year-on-year decrease of 3.9%. Capital expenditures of Beijing Benz decreased from RMB 7,583.8 million in 2019 to RMB 7,230.9 million in 2020. Capital expenditures of Beijing Brand increased from RMB 1,116.7 million in 2019 to RMB 1,127.2 million in 2020.

Total research and development expenses of the Group decreased from RMB 3,100.0 million in 2019 to RMB 2,601.5 million in 2020, representing a year-on-year decrease of 16.1%, 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

On February 13, 2020, BAIC Investment, a non wholly-owned subsidiary of the Company, entered into a capital increase agreement with BAIC Finance, pursuant to which BAIC Investment agreed to further subscribe to the capital increase of BAIC Finance (the total capital increase being RMB 2,500 million) amounting to RMB 500 million, in proportion to its capital contribution to the current registered capital of BAIC Finance (namely 20%). Upon completion of the capital increase, the capital contribution by BAIC Investment to the registered capital of BAIC Finance will be RMB 1,000 million, accounting for 20%, remaining unchanged.

On March 13, 2020, the Company and BAIC Group entered into the equity transfer agreement, pursuant to which the Company agreed to purchase, and BAIC Group agreed to dispose of a 100% equity interest held by BAIC Group in BAIC International and a 24.78% equity interest held by BAIC Group in BAIC Ruili, at a total consideration of RMB 80 million. Upon the completion of the transaction under the equity transfer agreement, BAIC International will become a wholly-owned subsidiary of the Company, while BAIC Ruili will become a non-wholly-owned subsidiary of the Company.

On August 3, 2020, BAIC Guangzhou, a wholly-owned subsidiary of the Company, and BAIC BluePark, an A-share listed subsidiary of BAIC Group, entered into a share subscription agreement, pursuant to which BAIC BluePark agrees to issue to BAIC Guangzhou, and BAIC Guangzhou agrees to subscribe for, not less than 6.25% of the total number of new A shares to be issued by BAIC BluePark, up to a maximum subscription amount of approximately RMB 343.8753 million.

For details of the aforesaid cooperation matters, see the relevant announcements issued by the Company respectively on February 13, March 13 and August 3, 2020.

FOREIGN EXCHANGE LOSSES²

The Group's foreign exchange loss (mainly from the business of Beijing Benz) increased from RMB 627.3 million in 2019 to RMB 825.5 million in 2020. Such increase in foreign exchange loss was mainly due to (i) the increase in exchange losses from Euro-denominated payments as a result of the decline in the exchange rate of RMB against Euro; and (ii) effective control on the foreign exchange rate risks due to the judgment on foreign exchange forward contracts offsetting part of loss.

The Group used foreign currencies (primarily Euro) to pay for part of its imported parts and components, and the Group also had borrowings denominated in foreign currencies. Foreign exchange rate fluctuations may 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 21,712 at the end of 2019 to 21,038 at the end of 2020. The staff costs incurred by the Group increased from RMB 5,329.4 million in 2019 to RMB 5,363.9 million in 2020, representing a year-on-year increase of 0.6%, mainly due to an increase in the production volume of Beijing Benz and the increase in the average staff cost resulting from, among others, the longer labor hours and the increase in the annual average wage in society.

Through integrating human resources strategy on the basis of job classification, the Group has established a performance and competence-oriented remuneration system, and will link the annual operating objectives with the performance appraisal of staff through a performance evaluation system, 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 2020, the Group had pledged notes receivable of RMB 1,808.2 million.

² Foreign exchange losses include foreign exchange forward contracts at fair value through profit or loss

CONTINGENT LIABILITIES

As at the end of 2020, the Group had no material contingent liabilities.

Risk factors

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. In 2020, China saw a GDP growth of 2.3%, with downward pressure on the economy. If China's economic growth continues to slow down, the purchasing power of residents will be affected, leading to a decrease in the customer demand for the Group's products, thus adversely affecting the Group's financial situation, operating results and prospects. The Group will continuously pay attention to China's macroeconomic situation, and take measures in due course to respond to fluctuations in the economic environment.

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 2020, the sales volume of passenger vehicles in China was 20.178 million units, representing a year-on-year decrease of 6.0%, showing higher pressure on the automobile industry. 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. With the annually continuous increase in production and sales, the key materials for production annually procured by the Group from its suppliers have also grown in volume with each passing year. A surge in the prices of bulk raw materials will adversely affect the Group's results of operations.

5. *Risks relating to emission and environmental protection policies*

Exhaust emissions of traditional vehicles are viewed as one of the primary sources of air pollution. "China VI"³ emission standards came into force in advance in key regions on July 1, 2019. The Group has taken initiative to fulfill its social responsibilities and support the implementation of the regulations in relation to emission and air quality in vehicles, but the resultant increased promotion costs, raw material costs and development expenditures will also affect the Group's results of operations.

OUTLOOK OF 2021

Prospect for the Development of Passenger Vehicle Industry in 2021

In 2021, the domestic economy is expected to remain stable and efforts are made to achieve "high-quality" development. It is expected that the PRC passenger vehicle market will be subject to cyclical adjustment, the impact of shrinking industry and higher competitive pressure.

Automotive Data of China Co., Ltd. and relevant authorities believe that the main trend of the macroeconomy and the development of the automobile industry in 2021 will be as follows:

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

1. *Macroeconomy is about to get back on track*

The domestic economy remained stable, and there were many favorable factors supporting the stable recovery of the economy, thus getting the economy gradually back to the potential growth level. Under the influence of the base, the economic growth rate in 2021 will be significantly higher than the pre-outbreak level. The domestic economy will show long-term positive economic fundamentals. A full economic recovery and a further pick-up in domestic demand are expected in 2021.

2. *Expansion of consumption and unleashing of vehicle market potential*

In 2021, policies will focus on local governments and consumption. Restrictive consumption policies may continue to be relaxed, so as to encourage cities with purchasing restrictions to optimize measures on vehicle purchasing restrictions, which will still promote the unleashing of regional market demand. Meanwhile, national and local authorities will continue to accelerate the popularization and application of new energy, and optimize and improve the financial and tax support policies for new energy vehicles. The focus of overall policies was mere consumption stimulation, but will be expanded to include the improvement in the supporting level, the change of management methods, etc.

3. *Expansion of the scale of trade-in of vehicles helps unleash the demand for new vehicles*

The PRC vehicle market gradually enters the stage of competition among existing products, with the great demand for trade-in under consumption upgrade. It is expected that there will be a great number of trade-in transactions in the passenger vehicle market in 2021, which will promote sales of a huge number of new vehicles in the trade-in transactions. Meanwhile, the phase-out of old diesel-powered trucks accelerates the increase in the demand for trade-in of commercial vehicles, thus promoting the market growth.

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

OPERATIONAL STRATEGY OF THE GROUP FOR 2021

Overall operational strategy

In the face of pressure and challenges in 2021, the Group will continuously focus on high-quality development and market-oriented philosophy, and practically enhance its core competitiveness. The Group will make efforts for its principal businesses in terms of strategy, brand, product, technology, resource and management, and enhance the synergy between business segments, attach importance to innovation, seek development, and follow the endogenous growth path and a differentiated operation strategy.

Operational strategy of Beijing Brand

In 2021, Beijing Brand adopts the operation principle of “focus on development, value orientation, comprehensive deepening of reform, and collaborative innovation”. In terms of focus on development, Beijing Brand is oriented towards customers and accurately positioned, and focuses on its principal businesses, so as to achieve the “high-quality” development target. In terms of value orientation, Beijing Brand implements the “market-oriented” philosophy and is guided by the creation of value for customers. Beijing Brand comprehensively deepens its reform with a focus on the realization of customer value. In terms of collaborative innovation, Beijing Brand adopts the market-oriented strong matrix innovation mechanism and actively gives full play to the main supporting role.

Operational strategy of Beijing Benz

In 2021, Beijing Benz comprehensively upgrades extremely challenging strategic targets including SQDCM⁴. The philosophies of “passionate employees”, “excellent products”, “global flexibility”, “excellent operation”, “pioneering digitalization” and “responsible sustainability” will guide Beijing Benz in promoting change and innovation, and driving continuous efficiency improvement, vitality and value enhancement for businesses, and consolidating its leading position in the high-end premium vehicle market, in the next five years.

Operational strategy of Beijing Hyundai

In 2021, under the management principle of “unalterable and victorious in 2021”, Beijing Hyundai promotes business operation from four aspects, namely basic business innovation, sales/profitability improvement with a focus on new vehicles, optimization of business arrangements, and enhancement of future competitiveness, so as to lay a foundation for comprehensively promoting the achievement of the “14th five-year” strategic objectives.

Operational strategy of Fujian Benz

In 2021, Fujian Benz will continue its steady development and strive to achieve the goal of “becoming a respected front-runner in travel solutions in the new era”.

⁴ It means five aspects, namely safety, quality, delivery, cost and morale

PROFIT DISTRIBUTION

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

The Board recommends the Company to distribute an annual final dividend for the year 2020 of RMB 0.08 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 (the “**Listing Rules**”). Based on the total ordinary share capital of 8,015,338,182 shares as at December 31, 2020, the total cash dividend distributed by the Company will be amounted to RMB 641,227,054.56. The proposal will be submitted to the Company’s 2020 annual general meeting (the “**2020 Annual General Meeting**”) for consideration and approval. The expected date of distribution will be no later than September 3, 2021.

For the details of the distribution of annual dividends by the Company, please refer to the circular for the 2020 Annual General Meeting to be despatched by the Company in due course.

MATERIAL LITIGATION AND ARBITRATION

As at December 31, 2020, the Company was not involved in any material litigation or arbitration. To the 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company and the Group did not purchase, dispose of or redeem any of the Company’s listed securities in 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The term of office of Directors of the third session of the Board was longer than such term for retirement by rotation at least every three years as specified in provision A.4.2 of the Corporate Governance Code (the “**CG Code**”) in Appendix 14 of the Listing Rules.

The three-year term of office for the third session of the Board expired on April 20, 2020. Due to the impact of the COVID-19 outbreak, the election of the Board was postponed. The term of office for the third session of the Board of Directors was extended until March 24, 2021, namely the date on which members of the fourth session of the Board of Directors approved by the general meeting. The fourth session of the Board of Directors established on March 24, 2021.

The three-year term of office for the third session of the board of supervisors of the Company (the “**Board of Supervisors**”) expired on December 4, 2020. As the nomination and selection of supervisor candidates for the new session of the Board of Supervisors has not been completed, the election of the third session of the Board of Supervisors needs to be postponed, so as to maintain the continuity of the work of the Board of Directors and the Board of Supervisors. The term of office for the third session of the Board of Supervisors was extended until March 24, 2021, namely the date on which members of the fourth session of the Board of Supervisors approved by the general meeting. The fourth session of the Board of Supervisors established on March 24, 2021.

Save as disclosed above, the Directors as a whole believe that for 2020, the Company had complied with all the Code provisions under the CG Code in all other respects.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

Having made all enquiries to all Directors and Supervisors, the Board confirms that, in 2020, the Directors and Supervisors have all strictly followed the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) in Appendix 10 to the Listing Rules. The Company has not adopted a standard lower than that provided for by the Model Code in relation to the securities dealings of the Directors and Supervisors.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Company’s 2020 annual results and audited consolidated financial statements as at December 31, 2020 prepared in accordance with the IFRS.

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

For details of the resolutions to be considered and approved at the 2020 Annual General Meeting, the book closure date of H shares, the record date for payment of dividends, and the date of the 2020 Annual General Meeting, please refer to the circular for the 2020 Annual General Meeting to be despatched by the Company in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.baicmotor.com) respectively. The Company will despatch to the shareholders the 2020 annual report of the Company containing all the information required by the Listing Rules which will also be published on the websites of the Company and the Stock Exchange.

By order of the Board
BAIC Motor Corporation Limited
Jiang Deyi
Chairman

Beijing, the PRC, March 24, 2021

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

* *For identification purpose only*