

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



北京汽车
BAIC MOTOR

北京汽車股份有限公司

BAIC MOTOR CORPORATION LIMITED*

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

(Stock Code: 1958)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The board (the “**Board**”) 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, 2021 (“**2021**”) in conjunction with the comparative financial data of the previous year.

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2021

		As at December 31,	
		2021	2020
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		50,573,099	50,428,891
Land use rights		6,977,295	7,158,525
Investment properties		170,409	–
Intangible assets		11,016,548	12,459,098
Investments accounted for using equity method		12,529,144	14,296,379
Financial assets at fair value through other comprehensive income		2,688,906	1,896,816
Deferred income tax assets	4	7,719,320	9,763,971
Other receivables and prepayments	7	2,533,828	2,700,167
		<u>94,208,549</u>	<u>98,703,847</u>
Current assets			
Inventories		21,141,081	20,341,991
Accounts receivable	5	17,988,720	20,553,050
Advances to suppliers	6	149,549	340,313
Other receivables and prepayments	7	4,753,766	4,412,051
Restricted cash and time deposits with initial term of over three months		1,634,090	1,205,578
Cash and cash equivalents		40,968,622	48,146,250
		<u>86,635,828</u>	<u>94,999,233</u>
Total assets		<u>180,844,377</u>	<u>193,703,080</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)*AS AT DECEMBER 31, 2021*

		As at December 31,	
		2021	2020
	<i>Note</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
Perpetual bond		–	1,998,160
Other reserves		22,711,546	22,120,796
Retained earnings		21,855,875	18,953,206
		52,582,759	51,087,500
Non-controlling interests		22,304,316	22,506,443
Total equity		74,887,075	73,593,943
LIABILITIES			
Non-current liabilities			
Borrowings	9	7,632,677	8,721,150
Lease liabilities		55,062	59,220
Deferred income tax liabilities	4	21,273	26,423
Provisions		2,977,044	2,352,624
Deferred income		3,228,685	3,570,884
Other payables		64,464	105,865
		13,979,205	14,836,166

CONSOLIDATED BALANCE SHEET (CONTINUED)*AS AT DECEMBER 31, 2021*

		As at December 31,	
		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Accounts payable	<i>10</i>	39,615,698	48,017,125
Contract liabilities		1,366,602	1,291,797
Other payables and accruals	<i>11</i>	32,702,347	40,360,838
Current income tax liabilities		1,329,572	1,324,900
Borrowings	<i>9</i>	14,750,968	11,736,216
Lease liabilities		26,852	93,990
Provisions		2,186,058	2,448,105
		<u>91,978,097</u>	<u>105,272,971</u>
Total liabilities		<u>105,957,302</u>	<u>120,109,137</u>
Total equity and liabilities		<u>180,844,377</u>	<u>193,703,080</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*FOR THE YEAR ENDED DECEMBER 31, 2021*

		For the year ended	
		December 31,	
		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	<i>3</i>	175,915,687	176,973,004
Cost of sales	<i>13</i>	<u>(138,272,452)</u>	<u>(134,833,061)</u>
Gross profit		37,643,235	42,139,943
Selling and distribution expenses	<i>13</i>	(10,311,937)	(11,309,353)
General and administrative expenses	<i>13</i>	(5,798,684)	(7,984,162)
Net impairment losses on financial assets		(87,491)	(400,619)
Other gains/(losses), net	<i>12</i>	<u>2,515,020</u>	<u>(101,145)</u>
Operating profit		23,960,143	22,344,664
Finance income	<i>14</i>	887,138	952,947
Finance costs	<i>14</i>	<u>(826,238)</u>	<u>(852,801)</u>
Finance income, net		60,900	100,146
Share of loss of investments accounted for using equity method		<u>(1,100,562)</u>	<u>(2,014,904)</u>
Profit before income tax		22,920,481	20,429,906
Income tax expense	<i>15</i>	<u>(7,769,002)</u>	<u>(7,474,755)</u>
Profit for the year		<u>15,151,479</u>	<u>12,955,151</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)*FOR THE YEAR ENDED DECEMBER 31, 2021*

		For the year ended	
		December 31,	
		2021	2020
	Note	RMB'000	RMB'000
Profit attributable to:			
Equity holders of the Company		3,858,175	2,028,811
Non-controlling interests		<u>11,293,304</u>	<u>10,926,340</u>
		<u>15,151,479</u>	<u>12,955,151</u>
Earnings per share for profit attributable to			
ordinary shareholders of the Company for the year			
(expressed in RMB)			
Basic and diluted	16	<u>0.48</u>	<u>0.24</u>
Profit for the year		15,151,479	12,955,151
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
(Loss)/gain on cash flow hedges, net of tax		(259,824)	24,175
Share of other comprehensive (loss)/income of investments accounted for using the equity method		(11,577)	2,663
Currency translation differences		<u>(53,908)</u>	<u>(51,774)</u>
<i>Items that will not be reclassified to profit or loss</i>			
Changes in fair values of financial assets at fair value through other comprehensive income		<u>448,215</u>	<u>618,166</u>
Other comprehensive income for the year		<u>122,906</u>	<u>593,230</u>
Total comprehensive income for the year		<u>15,274,385</u>	<u>13,548,381</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

		For the year ended	
		December 31,	
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
Attributable to:			
Equity holders of the Company		4,136,486	2,635,629
Non-controlling interests		11,137,899	10,912,752
		<u>15,274,385</u>	<u>13,548,381</u>

NOTES:

1 General information

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

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

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

These financial statements are presented in Renminbi thousand Yuan ("RMB'000"), unless otherwise stated. These financial statements have been approved for issue by the Board on March 24, 2022.

2 Basis of preparation

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

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

(a) Going concern

As at December 31, 2021, the current liabilities of the Group exceeded its current assets by approximately RMB5,342 million. Given the debt obligations and working capital requirements, management has thoroughly considered the Group's available sources of the funds as follows:

- the Group's continuous net cash generated from operating and financing activities; and
- undrawn short-term and long-term banking facilities of approximately RMB14,406 million and RMB4,700 million respectively as at December 31, 2021.

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

(b) New standards, amendments to standards and interpretations

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

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

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

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

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

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

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, 2021				
Total revenue	8,174,349	167,966,443	(225,105)	175,915,687
Inter-segment revenue	(225,105)	–	225,105	–
Revenue from external customers	<u>7,949,244</u>	<u>167,966,443</u>	<u>–</u>	<u>175,915,687</u>
Timing of revenue recognition				
– At a point in time	7,724,274	166,428,334	–	174,152,608
– Over time	224,970	1,538,109	–	1,763,079
	<u>7,949,244</u>	<u>167,966,443</u>	<u>–</u>	<u>175,915,687</u>
Segment gross (loss)/profit	<u>(4,512,770)</u>	<u>42,255,038</u>	<u>(99,033)</u>	<u>37,643,235</u>
Other profit & loss disclosures:				
Selling and distribution expenses				(10,311,937)
General and administrative expenses				(5,798,684)
Net impairment losses on financial assets				(87,491)
Other gains, net				2,515,020
Finance income, net				60,900
Share of loss of investments accounted for using equity method				(1,100,562)
Profit before income tax				22,920,481
Income tax expense				(7,769,002)
Profit for the year				<u>15,151,479</u>
Other information:				
Significant non-cash expenses				
Depreciation and amortization	(4,116,918)	(5,353,824)	–	(9,470,742)
Provisions for impairments on assets	(929,439)	(4,163)	–	(933,602)
	<u>(4,116,918)</u>	<u>(5,353,824)</u>	<u>–</u>	<u>(9,470,742)</u>
	<u>(929,439)</u>	<u>(4,163)</u>	<u>–</u>	<u>(933,602)</u>
As at December 31, 2021				
Total assets	82,090,547	113,916,580	(15,162,750)	180,844,377
Including:				
Investments accounted for using equity method	12,529,144	–	–	12,529,144
Total liabilities	(37,946,651)	(68,030,203)	19,552	(105,957,302)

	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	<u>343,460</u>	<u>1,643,834</u>	<u>–</u>	<u>1,987,294</u>
	<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>

There is no customer accounting for 10 percent or more of the Group's revenue for each of the years ended December 31, 2021 and 2020.

The Group is domiciled in the PRC. The percentage of its revenue from external customers residing in the PRC is approximately 99.5% for the year ended December 31, 2021 (2020: 99.7%).

As at December 31, 2021, the percentage of the Group's non-current assets, other than financial instruments and deferred income tax assets, located in the mainland of the PRC is approximately 98.6% (December 31, 2020: 98.6%).

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, 2021	381,384	9,311,162	750,903	10,443,449
(Charged)/credited to statement of comprehensive income	<u>(70,569)</u>	<u>(2,276,452)</u>	<u>784,608</u>	<u>(1,562,413)</u>
At December 31, 2021	<u><u>310,815</u></u>	<u><u>7,034,710</u></u>	<u><u>1,535,511</u></u>	<u><u>8,881,036</u></u>
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>

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

	Capitalized interest	Valuation surplus upon acquisition of a subsidiary	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2021	(26,423)	(679,478)	–	(705,901)
Credited/(charged) to statement of comprehensive income	<u>5,150</u>	<u>19,900</u>	<u>(502,138)</u>	<u>(477,088)</u>
At December 31, 2021	<u><u>(21,273)</u></u>	<u><u>(659,578)</u></u>	<u><u>(502,138)</u></u>	<u><u>(1,182,989)</u></u>
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>–</u>	<u>25,414</u>
At December 31, 2020	<u><u>(26,423)</u></u>	<u><u>(679,478)</u></u>	<u><u>–</u></u>	<u><u>(705,901)</u></u>

Note:

Deferred income tax assets and liabilities are presented net to the consolidated balance sheet through setting-off of RMB1,161,716,000 as at December 31, 2021.

Deferred income tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets in respect of losses and deductible temporary differences amounting to approximately RMB40 billion (December 31, 2020: RMB35 billion) that can be carried forward against future taxable income as at December 31, 2021.

The unrecognized tax loss amounting to approximately RMB33 billion (December 31, 2020: RMB29 billion) can be carried forward for utilization in future included in which approximately RMB3 billion, RMB3 billion, RMB9 billion and RMB18 billion being expired in less than 1 year, 1-2 years, 2-5 years and 5-10 years respectively.

5 Accounts receivable

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables, gross (note (a))	16,586,469	17,849,531
Less: provision for impairment	(616,828)	(465,630)
	15,969,641	17,383,901
Notes receivable (note (b)) measured at		
– FVOCI	1,961,939	3,104,009
– amortized cost	57,140	65,140
	17,988,720	20,553,050

Notes:

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

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Current to 1 year	7,608,224	7,356,503
1 to 2 years	567,776	4,463,765
2 to 3 years	4,203,040	2,941,248
Over 3 years	4,207,429	3,088,015
	16,586,469	17,849,531

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

	For the year ended	
	December 31,	
	2021	2020
	RMB'000	RMB'000
As at January 1	465,630	261,565
Provision for impairment recognized during the year	151,198	204,065
As at December 31	<u>616,828</u>	<u>465,630</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) The amounts of accounts receivable pledged as collateral as at respective balance sheet dates are as follows:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables (i)	200,000	–
Notes receivable (ii)	543,684	1,808,208
	<u>743,684</u>	<u>1,808,208</u>

- (i) collateral for borrowings
- (ii) collateral for notes payable issued by banks

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,	
	2021	2020
	RMB'000	RMB'000
Deductible value-added tax	5,029,603	4,930,403
Contracts fulfillment costs	597,387	582,493
Receivable from		
– sales of emission credits	805,765	322,466
– disposals of property, plant and equipment	525,345	749,775
– sales of raw materials	207,086	331,538
Prepayments for property, plant and equipment	47,894	138,848
Service fees	76,880	78,384
Deposits	11,734	7,378
Dividend receivable from a joint venture	14,000	14,000
Others	389,991	441,422
	<u>7,705,685</u>	<u>7,596,707</u>
Less: non-current portion	(2,533,828)	(2,700,167)
Less: provision for impairment	<u>(418,091)</u>	<u>(484,489)</u>
	<u><u>4,753,766</u></u>	<u><u>4,412,051</u></u>

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

	For the year ended	
	December 31,	
	2021	2020
	RMB'000	RMB'000
As at January 1	484,489	287,935
(Reversal of provision)/provision for impairment recognized during the year	<u>(66,398)</u>	<u>196,554</u>
As at December 31	<u><u>418,091</u></u>	<u><u>484,489</u></u>

8 Share capital

	Number of ordinary shares of RMB 1 each (thousands)	RMB'000
At January 1, 2021 and December 31, 2021	<u>8,015,338</u>	<u>8,015,338</u>
At January 1, 2020 and December 31, 2020	<u>8,015,338</u>	<u>8,015,338</u>

9 Borrowings

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Non-current		
Borrowings from financial institutions (note (a))	3,811,976	2,523,924
Corporate bonds (note (b))	<u>3,820,701</u>	<u>6,197,226</u>
	<u>7,632,677</u>	<u>8,721,150</u>
Current		
Borrowings from financial institutions (note (a))	9,493,780	8,985,831
Add: current portion of non-current borrowings from financial institutions	534,710	251,587
Corporate bonds (note (b))	<u>4,722,478</u>	<u>2,498,798</u>
	<u>14,750,968</u>	<u>11,736,216</u>
Total borrowings	<u>22,383,645</u>	<u>20,457,366</u>

Maturity of borrowings

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Current to 1 year	14,750,968	11,736,216
1 to 2 years	2,570,409	1,343,164
2 to 5 years	<u>5,062,268</u>	<u>7,377,986</u>
	<u>22,383,645</u>	<u>20,457,366</u>

Contractual repricing dates upon interest rate changes

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	9,661,630	8,512,479
6 to 12 months	249,850	279,967
	<u>9,911,480</u>	<u>8,792,446</u>

Weighted average annual interest rates

	As at December 31,	
	2021	2020
Borrowings from financial institutions	3.30%	4.29%
Corporate bonds	3.68%	3.66%
	<u>3.30%</u>	<u>4.29%</u>
	<u>3.68%</u>	<u>3.66%</u>

Currency denomination

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	20,079,512	18,046,980
Euro	–	2,010,263
US\$	2,235,888	290,370
South African Rand	68,245	109,753
	<u>22,383,645</u>	<u>20,457,366</u>

Undrawn facilities at floating rates

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	14,405,555	29,080,169
Over 1 year	4,700,000	1,300,000
	<u>19,105,555</u>	<u>30,380,169</u>

Notes:

- (a) Balances at December 31, 2021 include borrowings of RMB2,399 million (December 31, 2020: RMB2,459 million) obtained from BAIC Finance, an associate of the Group. The remaining balances were obtained from banks.
- (b) Corporate bonds are analyzed as follows:

Issuer	Issue date	Interest rate per annum	Carrying value RMB'000	Maturity
At December 31, 2021				
BAIC Investment Co., Ltd. (“BAIC Investment”)	January 20, 2017	4.29%	832,251	7 years ⁽ⁱ⁾
The Company	July 4, 2017	4.72%	2,352,946	7 years ⁽ⁱ⁾
The Company	January 8, 2020	3.39%	619,683	3 years
The Company	November 5, 2021	3.45%	1,003,089	3 years
BAIC Finance Investment Co., Ltd.	March 16, 2021	2.00%	2,235,888	3 years
The Company	October 22, 2021	2.92%	1,499,322	6 months
			8,543,179	
At December 31, 2020				
BAIC Investment	March 17, 2016	3.15%	1,499,867	5 years
BAIC Investment	January 20, 2017	4.29%	799,726	7 years ⁽ⁱ⁾
The Company	September 10, 2014	5.74%	399,584	7 years
The Company	September 22, 2014	5.54%	299,673	7 years
The Company	September 22, 2014	5.54%	299,673	7 years
The Company	April 22, 2016	3.45%	2,499,130	7 years
The Company	July 4, 2017	4.72%	2,298,781	7 years ⁽ⁱ⁾
The Company	January 8, 2020	3.39%	599,590	3 years
			8,696,024	

(i) redeemable by bondholders after the end of 5th year.

- (c) As at December 31, 2021, no bank borrowings were secured by the Group’s property, plant and equipment (December 31, 2020: RMB400,000,000).
- (d) The fair values of the borrowings are not materially different to their carrying amounts, since the interests payable on these borrowings is either close to that calculated by current interest rate or the borrowings are of a short-term nature.

10 Accounts payable

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Trade payables	37,276,917	45,096,832
Notes payable	2,338,781	2,920,293
	<u>39,615,698</u>	<u>48,017,125</u>

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

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Current to 1 year	33,473,222	41,313,474
1 to 2 years	1,372,626	3,251,420
2 to 3 years	1,992,237	520,981
Over 3 years	438,832	10,957
	<u>37,276,917</u>	<u>45,096,832</u>

11 Other payables and accruals

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Sales discounts and rebates	11,155,224	17,001,881
Payable for		
– services	4,143,847	4,269,878
– property, plant and equipment and intangible assets	3,813,905	3,495,610
– general operations	3,026,655	4,260,949
Other taxes payable	3,002,740	3,342,256
Advertising and promotion	2,027,450	2,228,745
Wages, salaries and other employee benefits	1,448,684	1,548,074
Payables for transportation and warehouse expenses	1,216,130	1,079,767
Derivative financial instruments (<i>note (a)</i>)	745,820	64,097
Deposits	172,124	44,493
Others	1,949,768	3,025,088
	<u>32,702,347</u>	<u>40,360,838</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 gains/(losses), net

	For the year ended	
	December 31,	
	2021	2020
	RMB'000	RMB'000
Government grants	1,933,232	631,910
Loss on disposals of property, plant and equipment and intangible assets	(24,244)	(36,166)
Loss on forward foreign exchange contracts with fair value through profit or loss	(432,977)	(294,332)
Foreign exchange gains/(losses)	1,037,288	(531,203)
Others	1,721	128,646
	<u>2,515,020</u>	<u>(101,145)</u>

13 Expenses by nature

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

	For the year ended	
	December 31,	
	2021	2020
	RMB'000	RMB'000
Raw materials and consumables used	114,521,117	111,579,706
Changes in inventories of finished goods and work in progress	(4,290,607)	3,244,961
Service fees and charges	7,463,776	8,734,976
Depreciation and amortization	9,470,742	9,064,235
Employee benefit costs	5,201,841	5,363,909
Advertising and promotion	1,654,382	1,780,686
Transportation and warehouse expenses	3,203,680	4,051,780
Daily operating expenses	2,004,732	1,999,363
Provision for impairment on non-financial assets	846,111	543,467
Warranty expenses	1,595,830	1,226,718
Auditor's remuneration-audit services	7,095	8,375

14 Finance income, net

	For the year ended	
	December 31,	
	2021	2020
	RMB'000	RMB'000
Finance income		
Interest income on deposits in financial institutions	887,138	952,947
	<u>887,138</u>	<u>952,947</u>
Finance costs		
Interest expense on borrowings from financial institutions	416,125	407,373
Interest expense on corporate bonds	355,365	421,668
Interest expense on loans from immediate parent company and fellow subsidiaries	46,295	48,310
Interest expense on lease liabilities	8,262	13,305
Amortization of discount on non-current provisions	121,275	176,512
	<u>947,322</u>	<u>1,067,168</u>
Less: amounts capitalized in qualifying assets	(121,084)	(214,367)
	<u>826,238</u>	<u>852,801</u>
Finance income, net	<u>60,900</u>	<u>100,146</u>

15 Income tax expense

	For the year ended	
	December 31,	
	2021	2020
	RMB'000	RMB'000
Current income tax expense	5,642,893	7,411,218
Deferred income tax expense	2,126,109	63,537
	<u>7,769,002</u>	<u>7,474,755</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%.

Except for the aforementioned companies and certain overseas subsidiaries which are subject to statutory income tax rates in respective tax jurisdictions, provision for income tax is calculated based on the statutory income tax rate of 25% for each of the years ended December 31, 2021 and 2020 on the assessable income of respective Group entities in accordance with relevant PRC enterprise income tax rules and regulations.

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

	For the year ended	
	December 31,	
	2021	2020
	RMB'000	RMB'000
Profit before income tax	<u>22,920,481</u>	<u>20,429,906</u>
Tax calculated at the statutory tax rate of 25%	5,730,120	5,107,477
Effects of preferential tax rates and different tax rates in other jurisdictions	98,918	571,084
Impact on share of results of investments accounted for using equity method	275,140	595,389
Income not subject to tax	(7,223)	(3,784)
Expenses not deductible for tax purposes	77,030	16,320
Additional deduction on research and development expenses	(232,604)	(90,575)
Tax losses/deductible temporary differences for which no deferred tax was recognized	<u>1,827,621</u>	<u>1,278,844</u>
Tax charge	<u>7,769,002</u>	<u>7,474,755</u>

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,	
	2021	2020
Profit attributable to ordinary shareholders of the Company (<i>note (a)</i>) (RMB'000)	3,858,175	1,916,811
Weighted average number of ordinary shares in issue (<i>thousands</i>)	8,015,338	8,015,338
Earnings per share for profit attributable to ordinary shareholders of the Company for the year (RMB)	<u>0.48</u>	<u>0.24</u>

Notes:

- (a) For the year ended December 31, 2021, the profit attributable to equity holders of the Company amounted to RMB3,858,175,000 (2020: RMB2,028,811,000), including the profit attributable to ordinary shareholders and perpetual bondholders of approximately RMB3,858,175,000 and nil (2020: RMB1,916,811,000 and RMB112,000,000), respectively.
- (b) During the years ended December 31, 2021 and 2020, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.

17 Dividends

	For the year ended	
	December 31,	
	2021	2020
	RMB'000	RMB'000
Proposed final dividend of RMB0.16 per share (2020: RMB0.08 per share) (note (a))	<u>1,282,454</u>	<u>641,227</u>

Note:

- (a) The Board proposes that the Company distributes a final dividend for the year 2021 of RMB0.16 per share (tax inclusive). The proposal will be submitted to the 2021 annual general meeting for consideration and approval. This is not reflected as dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending December 31, 2022.

The final dividend of approximately RMB641,227,000 (RMB0.08 per share) relating to the year ended December 31, 2020 was approved by the shareholders at the annual general meeting held in June 2021 and paid in September 2021.

18 Event after the reporting period

On March 18, 2022, BAIC Investment and Hyundai Motor Company entered into an agreement, pursuant to which BAIC Investment and Hyundai Motor Company agreed to jointly increase capital of approximately US\$942 million in Beijing Hyundai Motor Company (“**Beijing Hyundai**”, a joint venture of the Group), in proportion to their respective current interest in Beijing Hyundai with each party injecting approximately US\$471 million in 2022. Upon completion of the capital increase, the registered capital of Beijing Hyundai shall be increased to approximately US\$2,979 million and ownership of BAIC Investment in Beijing Hyundai shall remain unchanged at 50%.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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 of Hong Kong Limited (the “**Stock Exchange**” or “**Hong Kong Stock Exchange**”) on December 19, 2014 (H shares stock abbreviation: BAIC Motor; H shares stock code: 1958).

MAJOR BUSINESS OPERATIONS

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

Passenger vehicles

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

1. Beijing Brand

Beijing Brand, our proprietary brand, has nearly ten models on the market, covering a full range of oil powered models and new energy models of sedan and SUV.

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

2. Beijing Benz

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

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

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

3. **Beijing Hyundai**

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

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

4. Fujian Benz

Fujian Benz Automotive Co., Ltd. (“**Fujian Benz**”) is a joint venture of the Company. The Company holds 35.0% equity interest of Fujian Benz, and has reached an act-in-concert agreement with Fujian Motor Industry Group Co. (“**FJMOTOR**”), which holds 15.0% equity interest of Fujian Benz, on the operation, management and other matters of Fujian Benz, as well as the exercising of power by the directors appointed by FJMOTOR. Mercedes-Benz Vans Hong Kong Limited holds the remaining 50.0% equity interest of Fujian Benz. Fujian Benz commenced the manufacturing and sales of multi-purpose passenger vehicles and light passenger vehicles of Mercedes-Benz brand in 2010. At present, Fujian Benz stays on the leading edge in the field of joint venture premium business purpose vehicles, with production and sale of Mercedes-Benz V-Class vehicles and New Vito products.

Core parts and components for passenger vehicles

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

In respect of Beijing Brand, we manufacture engines, transmissions, new energy reducer and other core automobile parts and components through entities including BAIC Motor Powertrain Co., Ltd. (“**Powertrain**”) mainly for use in our whole vehicles as well as for sale to other automobile manufacturers. By digesting and assimilating Saab technology and through the combination of cooperative and independent development, we have broken through many technological difficulties, successively completed the development of many types of engines and transmission products, and realized mass production of such products. Such products have been widely used for Beijing Brand passenger vehicles. The “Magic Core*” (魔核) 1.5T engine was awarded the “China Heart” Top 10 engine prize in the year of 2021.

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

Beijing Hyundai commenced to manufacture engines in 2004. Its specific product offerings cover four major series namely BETA, Kappa, Gamma and 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 after-sales business of Beijing Brand, Mercedes-Benz brand and Hyundai brand through associates and joint ventures including BAIC Group Finance Co., Ltd. (“**BAIC Finance**”), Mercedes-Benz Leasing Co., Ltd. (“**MBLC**”), Beijing Hyundai Auto Finance Company Limited (“**BHAF**”) and BH Leasing Co., Ltd. (“**BH Leasing**”) and continuously promote the rapid development of car financing businesses by methods including capital investment and business cooperation.

In respect of Beijing Brand’s car financing business, we have conducted group strategic cooperation with various automobile financial companies, commercial banks and lease finance companies, offering clients a great variety of financial products covering all car models now selling in the market, and meeting different customer demands. We offer interest-free fixed-rate loans, low/zero down payments, zero monthly payments and other financial products to meet the different financial needs of our customers.

MBLC is an associate of the Company. The Company and Daimler Greater China hold 35.0% and 65.0% equity interests in MBLC respectively. MBLC’s sale-leaseback volume has increased rapidly for six years in a row, which further stimulated the sales of Beijing Benz’s new models.

BHAF is an associate of the Company. The Company holds 33.0% and 14.0% equity interests in BHAF through its subsidiary, BAIC Investment, and its joint venture, Beijing Hyundai, respectively, while Hyundai Capital Services and Hyundai Motor hold the remaining equity interest. In 2021, BHAF was ranked amongst the top ten in the industry in terms of the new retail loan contract volume, which further stimulated the sales of Beijing Hyundai’s new models and progressed steadily to business diversification.

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

Sales service business

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

International business

We conduct the production and operation businesses of the South African production base and the marketing business in South African and SADC markets, through BAIC Automobile SA, a joint venture company, and the international marketing business in markets outside China and South Africa, through BAIC International Development Co., Ltd., a wholly-owned subsidiary, and promote the rapid development of international business, through overseas sales companies, KD technology¹ cooperation, vehicle distribution, etc., International business focuses on exporting passenger vehicle products of Beijing Brand.

OTHER RELATED BUSINESSES

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

Brand production and sales in 2021

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

1. Beijing Brand

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

¹ It means parts and components of a vehicle

2. Beijing Benz

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

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

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

3. Beijing Hyundai

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

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

4. Fujian Benz

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

Production facilities

We have specialized production facilities to manufacture and assemble products. All production facilities are equipped with flexible production lines, which not only allow us to flexibly change production plans and respond quickly to changes in market demand, but also reduce our capital expenditures and operating costs.

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

Beijing Benz continuously builds Mercedes-Benz's most comprehensive production base in the world. Based on the principle of "digitalization, flexibility, effectiveness and sustainability", it will also construct a high-end production base to continuously promote its own high-quality development. In order to protect the interests of users, Beijing Benz has established a quality centre based on Mercedes-Benz Group's global standards to ensure that every unit of Mercedes-Benz vehicles is up to its globally unified standards and quality management system.

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

SALES NETWORK

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

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

RESEARCH AND DEVELOPMENT

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

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

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

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

Joint venture cooperation and industrial chain extension

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

PERFORMANCE ANALYSIS AND DISCUSSION

REVENUE AND NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The Group's main business operations are the research and development, manufacturing, sales and after-sales services of passenger vehicles. The above business has brought sustained and stable revenue to the Group. The revenue of the Group decreased from RMB176,973.0 million in 2020 to RMB175,915.7 million in 2021, representing a year-on-year decrease of 0.6%, mainly attributable to the decrease in revenue of Beijing Benz.

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

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

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

GROSS PROFIT

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

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

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

WORKING CAPITAL AND FINANCIAL RESOURCES

The Group usually satisfied its daily working capital requirements through self-owned cash and borrowings. The Group's net cash generated from operating activities decreased from RMB26,007.6 million in 2020 to RMB12,903.0 million in 2021, representing a year-on-year decrease of 50.4%, mainly attributable to a decrease in the net cash inflow generated from operating activities of Beijing Benz.

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

CAPITAL STRUCTURE

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

The Group's asset-liability ratio (total liabilities/total assets) decreased from 62.0% as at the end of 2020 to 58.6% as at the end of 2021, representing a year-on-year decrease of 3.4 percentage points, mainly attributable to a greater decrease in liabilities than in assets.

The Group's net gearing ratio ((total borrowings less cash and cash equivalents)/(total equity plus total borrowings less cash and cash equivalents)) changed from -60.3% at the end of 2020 to -33.0% at the end of 2021, mainly attributable to (i) an increase in total borrowings; and (ii) a decrease in cash and cash equivalents.

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

As of the end of 2021, none of the Group's loan agreements in effect includes any agreement on the obligations to be performed by the controlling shareholder of the Company. In the meantime, the Group has also strictly followed all the terms and conditions in its loan agreements, and no default has taken place.

SIGNIFICANT INVESTMENTS

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

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

Total research and development expenses of the Group increased from RMB2,601.5 million in 2020 to RMB2,651.4 million in 2021, representing a year-on-year increase of 1.9%, the majority of which were incurred by the Group for its product research and development activities. Based on accounting standards and the Group's accounting policy, expenses of the aforesaid research and development complied with capitalization conditions had been capitalized accordingly.

MATERIAL ACQUISITIONS AND DISPOSALS

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

FOREIGN EXCHANGE GAINS OR LOSSES²

The Group's foreign exchange gains or losses (mainly from the businesses of Beijing Benz) changed from foreign exchange losses of RMB825.5 million in 2020 to foreign exchange gains of RMB604.3 million in 2021, mainly due to (i) the effective control on the foreign exchange rate risks due to the judgment in foreign exchange forward contracts; and (ii) the increase in exchange gains from Euro-denominated payments as a result of the rise in the exchange rate of RMB against Euro.

The Group used foreign currencies (primarily Euro) to pay for part of its imported parts and components, and the Group also had borrowings denominated in foreign currencies. Foreign exchange rate fluctuations may have a certain impact on the Group's results of operations.

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

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

EMPLOYEE AND REMUNERATION POLICIES

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

Through integrating human resources strategy on the basis of job classification, the Group has established a performance and competence-oriented remuneration system, and will link the annual operating objectives with the performance appraisal of staff through a performance evaluation system, effectively supporting the Group's talent recruitment, retention and motivation, as well as the realization of the Group's human resources strategy.

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

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

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

PRINCIPAL RISKS AND UNCERTAINTIES

1. Risk from the COVID-19 outbreak

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

2. Risks relating to macroeconomic volatility

Macroeconomic performance will have an impact on consumer demands for automobiles, and therefore will affect the Group's operating performance. If China's economic growth slows down, the purchasing power of residents will be affected, leading to a decrease in the customer demand for the Group's products, thus adversely affecting the Group's financial situation, operating results and prospects. The Group will continuously pay attention to China's macroeconomic situation, and take measures in due course to respond to fluctuations in the economic environment.

3. Risk of increased market competition

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

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

The key raw materials used by the Group in the research and development, production and sales of automobiles include steel, aluminum, rubber, plastics and paint, etc. Chip shortage and high prices of bulk raw materials will adversely affect the Group's results of operations.

OUTLOOK OF 2022

Prospect for the Development of Passenger Vehicle Industry in 2022

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

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

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

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

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

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

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

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

OPERATIONAL STRATEGY OF THE GROUP FOR 2022

Overall operational strategy

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

Operational strategy of Beijing Brand

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

Operational strategy of Beijing Benz

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

Operational strategy of Beijing Hyundai

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

Operational strategy of Fujian Benz

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

PROFIT DISTRIBUTION

In accordance with the provisions of Article 197 of the Articles of Association of BAIC Motor Corporation Limited (the “**Articles of Association**”), 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 2021 of RMB0.16 per share (tax inclusive) in cash to the shareholders whose names appear on the register of members at the close of business on the record date determined in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the “**Listing Rules**”). Based on the total ordinary share capital of 8,015,338,182 shares as at December 31, 2021, the total cash dividend distributed by the Company will be amounted to RMB1,282,454,109.12. The proposal will be submitted to the Company’s 2021 annual general meeting (the “**2021 Annual General Meeting**”) for consideration and approval. The expected date of distribution will be no later than September 15, 2022.

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

MATERIAL LITIGATION

As at December 31, 2021, 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, sell or redeem any of the Company’s listed securities in 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”). The re-election of the Board and the board of supervisors was completed on March 24, 2021. In addition, the Company had complied with all applicable code provisions under the Corporate Governance Code throughout 2021.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities by the Directors, supervisors and senior management. After making all reasonable enquiries to all Directors, supervisors and senior management, it is confirmed that they complied with the Model Code in 2021.

AUDIT COMMITTEE

The Audit Committee has reviewed the Company’s and the Group’s 2021 annual results, and the audited consolidated financial statements for 2021 prepared in accordance with the 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 2021 Annual General Meeting, the book closure date of H shares, the record date for payment of dividends, and the date of the 2021 Annual General Meeting, please refer to the circular for the 2021 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 2021 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 in due course.

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

Beijing, the PRC, March 24, 2022

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. Gu Tiemin and Mr. Sun Li, as non-executive Directors; and Mr. Ge Songlin, Ms. Yin Yuanping, Mr. Xu Xiangyang, Mr. Tang Jun and Mr. Edmund Sit, as independent non-executive Directors.

* *For identification purpose only*