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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, 2022

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, 2022 (“**2022**”) in conjunction with the comparative financial data of the previous year.

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2022

		As at December 31,	
		2022	2021
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		49,086,066	50,573,099
Land use rights		6,787,039	6,977,295
Investment properties		242,107	170,409
Intangible assets		10,474,252	11,016,548
Investments accounted for using equity method		13,113,315	12,529,144
Financial assets at fair value through other comprehensive income		1,597,924	2,688,906
Deferred income tax assets	4	8,739,006	7,719,320
Other receivables and prepayments	7	880,895	2,533,828
		<u>90,920,604</u>	<u>94,208,549</u>
Current assets			
Inventories		26,092,623	21,141,081
Accounts receivable	5	15,738,853	17,988,720
Advances to suppliers	6	219,126	149,549
Other receivables and prepayments	7	2,312,559	4,753,766
Restricted cash and term deposits with initial term of over three months		864,662	1,634,090
Cash and cash equivalents		37,227,015	40,968,622
		<u>82,454,838</u>	<u>86,635,828</u>
Total assets		<u><u>173,375,442</u></u>	<u><u>180,844,377</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)*AS AT DECEMBER 31, 2022*

		As at December 31,	
		2022	2021
	Note	RMB'000	RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	8	8,015,338	8,015,338
Other reserves		21,711,410	22,711,546
Retained earnings		<u>24,770,018</u>	<u>21,855,875</u>
		54,496,766	52,582,759
Non-controlling interests		<u>24,440,339</u>	<u>22,304,316</u>
Total equity		<u>78,937,105</u>	<u>74,887,075</u>
LIABILITIES			
Non-current liabilities			
Borrowings	9	8,580,404	7,632,677
Lease liabilities		169,525	55,062
Deferred income tax liabilities	4	16,208	21,273
Provisions		3,590,878	2,977,044
Deferred income		2,710,497	3,228,685
Other payables		<u>23,534</u>	<u>64,464</u>
		<u>15,091,046</u>	<u>13,979,205</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)*AS AT DECEMBER 31, 2022*

		As at December 31,	
		2022	2021
	Note	RMB'000	RMB'000
Current liabilities			
Accounts payables	10	29,869,141	39,615,698
Contract liabilities		1,214,906	1,366,602
Other payables and accruals	11	32,095,423	32,702,347
Current income tax liabilities		1,772,890	1,329,572
Borrowings	9	11,732,976	14,750,968
Lease liabilities		105,076	26,852
Provisions		2,556,879	2,186,058
		<u>79,347,291</u>	<u>91,978,097</u>
Total liabilities		<u>94,438,337</u>	<u>105,957,302</u>
Total equity and liabilities		<u><u>173,375,442</u></u>	<u><u>180,844,377</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022

		For the year ended	
		December 31,	
		2022	2021
	Note	RMB'000	RMB'000
Revenue	3	190,462,586	175,915,687
Cost of sales	13	<u>(148,128,379)</u>	<u>(138,272,452)</u>
Gross Profit		42,334,207	37,643,235
Selling and distribution expenses	13	(11,176,768)	(10,311,937)
General and administrative expenses	13	(5,337,959)	(5,798,684)
Net impairment losses on financial assets		(474,556)	(87,491)
Other gains, net	12	<u>663,966</u>	<u>2,515,020</u>
Operating profit		26,008,890	23,960,143
Finance income	14	659,631	887,138
Finance costs	14	<u>(658,459)</u>	<u>(826,238)</u>
Finance income, net		1,172	60,900
Share of loss of investments accounted for using equity method		<u>(1,280,849)</u>	<u>(1,100,562)</u>
Profit before income tax		24,729,213	22,920,481
Income tax expense	15	<u>(8,393,911)</u>	<u>(7,769,002)</u>
Profit for the year		<u>16,335,302</u>	<u>15,151,479</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

		For the year ended	
		December 31,	
		2022	2021
	Note	RMB'000	RMB'000
Profit Attributable to:			
Equity holders of the Company		4,196,597	3,858,175
Non-controlling interests		<u>12,138,705</u>	<u>11,293,304</u>
		<u>16,335,302</u>	<u>15,151,479</u>
Earnings per share for profit attributable to			
ordinary shareholders of the Company for the year			
(expressed in RMB)			
Basic and diluted	16	<u>0.52</u>	<u>0.48</u>
Profit for the year		16,335,302	15,151,479
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Gain/(loss) on cash flow hedges, net of tax		345,359	(259,824)
Share of other comprehensive income/(loss) of investments accounted for using the equity method		18,905	(11,577)
Currency translation differences		<u>(98,683)</u>	<u>(53,908)</u>
<i>Items that will not be reclassified to profit or loss</i>			
Changes in fair value of financial assets at fair value through other comprehensive income		<u>(1,090,982)</u>	<u>448,215</u>
Other comprehensive (loss)/income for the year		<u>(825,401)</u>	<u>122,906</u>
Total comprehensive income for the year		<u>15,509,901</u>	<u>15,274,385</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

		For the year ended	
		December 31,	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Attributable to:			
Equity holders of the Company		3,196,461	4,136,486
Non-controlling interests		12,313,440	11,137,899
		<u>15,509,901</u>	<u>15,274,385</u>

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 Company Law of the PRC. The immediate parent company of the Company is Beijing Automotive Group Co., Ltd ("BAIC Group"), which is beneficially owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. The 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, 2023.

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.

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, 2022:

- Amendment to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
- Amendment to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- Amendment to IFRS 3 – Reference to the Conceptual Framework
- Annual Improvements to IFRS Standards 2018-2020

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, 2022 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts	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
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IFRS 16	Leases on Sale and Leaseback	January 1, 2024

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	Eliminations RMB'000	Total RMB'000
For the year ended December 31, 2022				
Total revenue	7,466,692	183,154,764	(158,870)	190,462,586
Inter-segment revenue	(158,870)	–	158,870	–
Revenue from external customers	<u>7,307,822</u>	<u>183,154,764</u>	<u>–</u>	<u>190,462,586</u>
Timing of revenue recognition				
– At a point in time	7,018,606	181,432,635	–	188,451,241
– Over time	289,216	1,722,129	–	2,011,345
	<u>7,307,822</u>	<u>183,154,764</u>	<u>–</u>	<u>190,462,586</u>
Segment gross (loss)/profit	<u>(5,037,973)</u>	<u>47,395,966</u>	<u>(23,786)</u>	<u>42,334,207</u>
Other profit & loss disclosures:				
Selling and distribution expenses				(11,176,768)
General and administrative expenses				(5,337,959)
Net impairment losses on financial assets				(474,556)
Other gains, net				663,966
Finance income, net				1,172
Share of loss of investments accounted for using equity method				(1,280,849)
Profit before income tax				24,729,213
Income tax expense				(8,393,911)
Profit for the year				<u>16,335,302</u>
Other information:				
Significant non-cash expenses				
Depreciation and amortization	(3,613,454)	(5,343,017)	–	(8,956,471)
Provisions for impairments on assets	<u>(1,385,693)</u>	<u>(99,158)</u>	<u>–</u>	<u>(1,484,851)</u>
As at December 31, 2022				
Total assets	73,840,724	114,675,089	(15,140,371)	173,375,442
Including:				
Investments accounted for using equity method	13,113,315	–	–	13,113,315
Total liabilities	<u>(30,476,937)</u>	<u>(63,974,955)</u>	<u>13,555</u>	<u>(94,438,337)</u>

	Passenger vehicles – Beijing Brand RMB'000	Passenger vehicles – Beijing Benz RMB'000	Eliminations 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				<u>(1,100,562)</u>
Profit before income tax				22,920,481
Income tax expense				<u>(7,769,002)</u>
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	<u>(37,946,651)</u>	<u>(68,030,203)</u>	<u>19,552</u>	<u>(105,957,302)</u>

There is no customer accounting for 10 percent or more of the Group's revenue for each of the years ended December 31, 2022 and 2021.

The Group is domiciled in the PRC. The percentage of its revenue from external customers residing in the PRC is approximately 99.2% for the year ended December 31, 2022 (2021: 99.5%).

As at December 31, 2022, the percentage of the Group's non-current assets, other than financial instruments and deferred income tax assets, located in the mainland of the PRC is approximately 98.4% (December 31, 2021: 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>
As at January 1, 2022	310,815	7,034,710	1,535,511	8,881,036
(Charged)/credited to statement of comprehensive income	<u>(81,868)</u>	<u>1,458,750</u>	<u>(326,697)</u>	<u>1,050,185</u>
As at December 31, 2022	<u>228,947</u>	<u>8,493,460</u>	<u>1,208,814</u>	<u>9,931,221</u>
As 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>
As at December 31, 2021	<u>310,815</u>	<u>7,034,710</u>	<u>1,535,511</u>	<u>8,881,036</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>
As at January 1, 2022	(21,273)	(659,578)	(502,138)	(1,182,989)
Credited/(charged) to statement of comprehensive income	<u>5,065</u>	<u>34,549</u>	<u>(65,048)</u>	<u>(25,434)</u>
As at December 31, 2022	<u>(16,208)</u>	<u>(625,029)</u>	<u>(567,186)</u>	<u>(1,208,423)</u>
As 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>
As at December 31, 2021	<u>(21,273)</u>	<u>(659,578)</u>	<u>(502,138)</u>	<u>(1,182,989)</u>

Notes:

Deferred income tax assets and liabilities are presented net to the consolidated balance sheet through setting-off of RMB1,192,215,000 as at December 31, 2022.

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 RMB48 billion (December 31, 2021: RMB40 billion) that can be carried forward against future taxable income as at December 31, 2022.

The unrecognized tax loss amounting to approximately RMB39 billion (December 31, 2021: RMB33 billion) can be carried forward for utilization in future included in which approximately RMB3 billion, RMB2 billion, RMB19 billion and RMB15 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,	
	2022	2021
	RMB'000	RMB'000
Trade receivables, gross (<i>note (a)</i>)	15,702,633	16,586,469
Less: provision for impairment	(890,428)	(616,828)
	14,812,205	15,969,641
Notes receivable (<i>note (b)</i>) measured at		
– FVOCI	917,168	1,961,939
– amortized cost	9,480	57,140
	<u>15,738,853</u>	<u>17,988,720</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,	
	2022	2021
	RMB'000	RMB'000
Current to 1 year	8,392,827	7,608,224
1 to 2 years	349,340	567,776
2 to 3 years	485,389	4,203,040
Over 3 years	6,475,077	4,207,429
	<u>15,702,633</u>	<u>16,586,469</u>

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

	For the year ended	
	December 31,	
	2022	2021
	RMB'000	<i>RMB'000</i>
As at January 1	616,828	465,630
Provision for impairment recognized during the year	273,600	151,198
As at December 31	890,428	616,828

- (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,	
	2022	2021
	RMB'000	<i>RMB'000</i>
Trade receivables (i)	–	200,000
Notes receivable (ii)	545,005	543,684
	545,005	743,684

- (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,	
	2022 RMB'000	2021 RMB'000
Deductible value-added tax	1,184,685	5,029,603
Receivable from		
– sales of raw materials	545,762	207,086
– disposals of property, plant and equipment and land use rights	542,101	525,345
– sales of new energy vehicle credits	466,382	805,765
Contracts fulfilment costs	447,928	597,387
Derivative financial instruments (<i>note (a)</i>)	352,027	–
Service fees	98,830	76,880
Deposits	13,151	11,734
Prepayments for acquisition of property, plant and equipment	11,704	47,894
Dividend receivable from a joint venture	–	14,000
Others	149,931	389,991
	3,812,501	7,705,685
Less: non-current portion	(880,895)	(2,533,828)
Less: provision for impairment	(619,047)	(418,091)
	2,312,559	4,753,766

Note:

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

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

	For the year ended December 31,	
	2022 RMB'000	2021 RMB'000
As at January 1	418,091	484,489
Provision/(reversal of provision) for impairment recognized during the year	200,956	(66,398)
As at December 31	619,047	418,091

8 Share capital

	Number of ordinary shares of RMB1 each (<i>thousands</i>)	<i>RMB'000</i>
As at January 1, 2022 and December 31, 2022	<u>8,015,338</u>	<u>8,015,338</u>
At January 1, 2021 and December 31, 2021	<u><u>8,015,338</u></u>	<u><u>8,015,338</u></u>

9 Borrowings

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Borrowings from financial institutions (<i>note (a)</i>)	2,655,662	3,811,976
Corporate bonds (<i>note (b)</i>)	<u>5,924,742</u>	<u>3,820,701</u>
	<u>8,580,404</u>	<u>7,632,677</u>
Current		
Borrowings from financial institutions (<i>note (a)</i>)	6,283,888	9,493,780
Add: current portion of non-current borrowings from financial institutions	3,278,064	534,710
Corporate bonds (<i>note (b)</i>)	<u>2,171,024</u>	<u>4,722,478</u>
	<u>11,732,976</u>	<u>14,750,968</u>
Total borrowings	<u><u>20,313,380</u></u>	<u><u>22,383,645</u></u>

Maturity of borrowings

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current to 1 year	11,732,976	14,750,968
1 to 2 years	5,079,675	2,570,409
2 to 5 years	<u>3,500,729</u>	<u>5,062,268</u>
	<u><u>20,313,380</u></u>	<u><u>22,383,645</u></u>

Contractual repricing dates upon interest rate changes

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	8,296,617	9,661,630
6 to 12 months	126,637	249,850
	<u>8,423,254</u>	<u>9,911,480</u>

Weighted average annual interest rates

	As at December 31,	
	2022	2021
Borrowings from financial institutions	3.11%	3.30%
Corporate bonds	2.99%	3.68%
	<u>3.11%</u>	<u>3.30%</u>
	<u>2.99%</u>	<u>3.68%</u>

Currency denomination

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	17,570,096	20,079,512
United States Dollar (“USD”)	2,704,338	2,235,888
South African Rand	38,946	68,245
	<u>20,313,380</u>	<u>22,383,645</u>

Undrawn facilities at floating rates

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	17,194,021	14,405,555
Over 1 year	6,140,434	4,700,000
	<u>23,334,455</u>	<u>19,105,555</u>

Notes:

- (a) Balances at December 31, 2022 include borrowings of RMB1,175 million (December 31, 2021: RMB2,399 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
As at December 31, 2022				
The Company	January 8, 2020	3.39%	619,890	3 years
The Company	November 5, 2021	3.45%	1,003,750	3 years
BAIC Finance Investment Co., Ltd	March 16, 2021	2.00%	2,446,648	3 years
The Company	June 22, 2022	2.88%	1,012,704	3 years
The Company	September 26, 2022	2.65%	1,506,113	3 years
The Company	September 23, 2022	1.76%	1,506,661	6 months
			8,095,766	
As 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	

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

- (c) The fair values of the borrowings of the Group 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,	
	2022	2021
	RMB'000	RMB'000
Trade payables	27,183,330	37,276,917
Notes payable	2,685,811	2,338,781
	<u>29,869,141</u>	<u>39,615,698</u>

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

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Current to 1 year	26,945,233	33,473,222
1 to 2 years	124,767	1,372,626
2 to 3 years	21,736	1,992,237
Over 3 years	91,594	438,832
	<u>27,183,330</u>	<u>37,276,917</u>

11 Other payables and accruals

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Sales discounts and rebates	11,717,464	11,155,224
Payable for		
– services	5,355,274	4,143,847
– property, plant and equipment and intangible assets	4,655,880	3,813,905
– general operations	3,191,859	3,026,655
Advertising and promotion	2,163,739	2,027,450
Wages, salaries and other employee benefits	1,788,918	1,448,684
Other taxes payable	1,205,187	3,002,740
Payables for transportation and warehouse expenses	1,087,356	1,216,130
Derivative financial instruments (Note 7(a))	–	745,820
Deposits	26,371	172,124
Others	903,375	1,949,768
	<u>32,095,423</u>	<u>32,702,347</u>

12 Other gains, net

	For the year ended	
	December 31,	
	2022	2021
	RMB'000	RMB'000
Government grants	378,215	1,933,232
Loss on disposals of property, plant and equipment, land use rights and intangible assets	(72,989)	(24,244)
Loss on forward foreign exchange contracts with fair value through profit or loss	(379,144)	(432,977)
Foreign exchange gains	783,509	1,037,288
Others	(45,625)	1,721
	<u>663,966</u>	<u>2,515,020</u>

13 Expenses by nature

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

	For the year ended	
	December 31,	
	2022	2021
	RMB'000	RMB'000
Raw materials and consumables used	123,466,103	114,521,117
Changes in inventories of finished goods and work in progress	(5,461,168)	(4,290,607)
Depreciation and amortization	8,956,471	9,470,742
Service fees	8,327,810	7,463,776
Employee benefit costs	5,809,065	5,201,841
Transportation and warehouse expense	3,299,360	3,203,680
Daily operating expenses	2,442,097	2,004,732
Warranty expenses	2,012,127	1,595,830
Advertising and promotion	1,632,398	1,654,382
Provision for impairment on non-financial assets	1,010,295	846,111
Auditor's remuneration – audit services	7,095	7,095
	<u>7,095</u>	<u>7,095</u>

14 Finance income, net

	For the year ended	
	December 31,	
	2022	2021
	RMB'000	RMB'000
Finance income		
Interest income on deposits in financial institutions	<u>659,631</u>	<u>887,138</u>
Finance costs		
Interest expense on borrowings from financial institutions	341,572	416,125
Interest expense on corporate bonds	229,242	355,365
Interest expense on loans from immediate parent company and fellow subsidiaries	38,537	46,295
Interest expense on lease liabilities	14,781	8,262
Amortization of discount on non-current provisions	<u>161,555</u>	<u>121,275</u>
	785,687	947,322
Less: amounts capitalized in qualifying assets	<u>(127,228)</u>	<u>(121,084)</u>
	<u>658,459</u>	<u>826,238</u>
Finance income, net	<u>1,172</u>	<u>60,900</u>

15 Income tax expense

	For the year ended	
	December 31,	
	2022	2021
	RMB'000	RMB'000
Current income tax expense	9,533,782	5,642,893
Deferred income tax (credit)/expense	<u>(1,139,871)</u>	<u>2,126,109</u>
	<u>8,393,911</u>	<u>7,769,002</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, 2022 and 2021 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,	
	2022	2021
	RMB'000	RMB'000
Profit before income tax	<u>24,729,213</u>	<u>22,920,481</u>
Tax calculated at the statutory tax rate of 25%	6,182,303	5,730,120
Effects of preferential tax rates and different tax rates in other jurisdictions	88,145	98,918
Impact on share of results of investments accounted for using equity method	320,212	275,140
Income not subject to tax	(7,467)	(7,223)
Expenses not deductible for tax purposes	27,820	77,030
Additional deduction on research and development expenses	(247,855)	(232,604)
Tax losses/deductible temporary differences for which no deferred tax was recognized	<u>2,030,753</u>	<u>1,827,621</u>
Tax charge	<u>8,393,911</u>	<u>7,769,002</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,	
	2022	2021
Profit attributable to ordinary shareholders of the Company (<i>RMB'000</i>)	4,196,597	3,858,175
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 (<i>RMB</i>)	<u>0.52</u>	<u>0.48</u>

Note:

During the years ended December 31, 2022 and 2021, 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,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend of RMB0.17 per share (2021: RMB0.16 per share) (<i>note (a)</i>)	<u>1,362,607</u>	<u>1,282,454</u>

Note:

- (a) The Board of Directors proposes that the Company distributes a final dividend for the year 2022 of RMB0.17 per share (tax inclusive). The proposal will be submitted to the Company's 2022 annual general meeting (the "**2022 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, 2023.

The final dividend of approximately RMB1,282,454,000 (RMB0.16 per share (tax inclusive)) relating to the year ended December 31, 2021 was approved by the shareholders at the Company's annual general meeting held in June 2022 and paid in September 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

According to the data of China Association of Automobile Manufacturers (“CAAM”), in 2022, the sales volume of the overall industry of passenger vehicles in China reached 23.563 million units, representing a year-on-year increase of 9.5%, and kept ranking first in the world. In the first half of 2022, due to the unfavourable factors such as frequent outbreaks of the COVID-19 and chip shortage, the market was inactive. In the second half of the year, as the COVID-19 gradually eased and purchase tax halving policy yielded results, the overall growth rate of the industry showed a good recovery trend. The sales volume of the whole year made “a U-shaped recovery with an obvious rise”.

Thanks to favourable policies and markets, the sales of new energy vehicles continued to grow explosively. According to the data of CAAM, the annual sales volume of new energy vehicles was 6.887 million units, representing a year-on-year increase of 93.4%, with a market share of 25.6%. This means that the industry has entered a period of comprehensive market expansion. The annual volume of Chinese-branded passenger vehicles reached 11.766 million units, representing a year-on-year increase of 22.8%, and the market share of those vehicles was 49.9%, hitting a new high. The sales of premium brand passenger vehicles was 3.886 million units, representing a year-on-year increase of 11.1%; 3.111 million vehicles were exported, representing a year-on-year increase of 54.4% and achieving a leapfrog breakthrough.

As for industry policies, as the foundation for domestic economic recovery was not yet solid, China continued to increase macro policy regulation, introduced a package of policies to stabilize the economy in 2022, and implemented a combination of policies including the Announcement on the Reduction of Vehicle Purchase Tax for Some Passenger Vehicles, the Announcement on Extending the Exemption of Vehicle Purchase Tax for New Energy Vehicles, and Policy on Supporting L3 or Better Intelligent Networked Vehicles for Faster Entry into the Market and Driving on the Road. All these together will help promote high-quality development of the industry.

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, sales and after-sale services of passenger vehicles, production of core parts and components of passenger vehicles, car financing, international businesses and other related businesses. We keep optimizing industry chains and strengthening our brands.

Passenger Vehicles

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

1. Beijing Brand

Beijing Brand, our proprietary brand, offers a full range of oil powered and new energy models of sedan, SUV, and off-road vehicles to provide travelling experiences in all scenarios for users.

Beijing Brand intensifies efforts to develop A/A+-Class SUVs and sedans and comprehensively promotes the development of technologies for hybrid and pure vehicles with “cabin scenarios + vehicle networking + automatic self-driving” as the core. It now has oil powered models such as MOFANG and X7, pure electric vehicle models like EU5/EU5 PLUS and EU7, and hybrid model X7. With “professionalism, intelligence and comfort” as the core, its off-road vehicles continue with the legacy of the “old and well-known off-road brand” and have built an image of ardour, Chinese fashion, strength, and technology. Beijing Brand has many off-road vehicle models on the market, including BJ40, BJ60, and BJ80.

2. **Beijing Benz**

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 involved in research and development, manufacturing and sale of engines and vehicles, and after-sales services. It manufactures and sells Mercedes-Benz E-Class long-wheelbase sedan, the new long-wheelbase GLC SUV, the new EQE, and other oil powered and new energy vehicles. It exports core parts and components of engines and vehicles, which is an important part of the global production network of Mercedes-Benz, producing more than 4 million vehicles and engines.

Beijing Benz serves as an exemplary company that contributes to the capital’s automobile industry to transform and upgrade towards the direction of high precision and high technology. It integrates the world’s advanced manufacturing technology and modern management, applying the features of “digitalization, adaptability, efficiency and sustainability” in each stage of production. It has won various honorary titles including “Global Excellent Operating Factory”, “Green Model Factory”, “Intelligent Manufacturing Benchmarking Enterprise in Beijing” and “Pilot Model Project for Sino-German Intelligent Manufacturing Cooperation”, constantly promoting high-quality development.

3. **Beijing Hyundai**

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

Beijing Hyundai manufactures and sells a total of over ten types of middle class, compact, and mini class sedans, as well as SUV models, including the seventh-generation Elantra, the tenth-generation Sonata, the fourth-generation Santa Fe Traveller, the fifth-generation TUCSON L 8AT, new ix35, Custo, LA FESTA N Line 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 establishes an act-in-concert agreement with Fujian Motor Industry Group Co. (“**FJMOTOR**”), which holds 15.0% equity interest of 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. 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, power batteries and other core parts and components for passenger vehicles through the production bases of Beijing Brand, Beijing Benz and Beijing Hyundai.

In respect of Beijing Brand, we manufacture engines, transmissions, new energy reducer and other core automobile parts and components through entities including BAIC Motor Powertrain Co., Ltd. mainly for use in our whole vehicles as well as for sale to other automobile manufacturers. By digesting and assimilating Saab technology and through the combination of cooperative and independent development, we have broken through many technological difficulties, successively completed 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 2021 “China Heart” Top 10 engine prize.

Beijing Benz commenced to manufacture engines in 2013 and currently owns two engine plants and the first power battery factory outside Germany, which produce several engines and the new-energy power battery products. In 2022, EB42X, the new generation of battery, was put into production. This battery has more electricity and less energy consumption, thereby helping advance Beijing Benz’s electrification drive.

Beijing Hyundai commenced to manufacture engines in 2004. Its specific product offerings cover four major series namely BETA, Kappa, Gamma and GammaII, which are industry-leading in terms of technology and power, etc. and 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 mainly through BAIC Finance 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 comprehensively promoted its digital business, which further stimulated the sales of Beijing Benz’s electric vehicles.

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. BHAF was ranked amongst the best in the industry in terms of the new retail loan contract volume and progressed steadily to business diversification, which further stimulated the sales of Beijing Hyundai’s new models.

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.

International Business

We promote the rapid development of international business through the production and operation businesses of the South African production base and the marketing business in South African and Southern African Development Community (SADC) markets which are in the charge of BAIC Automobile SA Proprietary Limited, a joint venture of the Company, through international marketing business in markets outside China and South Africa which are in the charge of BAIC International, a wholly-owned subsidiary of the Company, and through overseas sales companies, KD technology¹ cooperation, vehicle distribution, etc. International business focuses on exporting passenger vehicle products of Beijing Brand. The sales of vehicles maintained fast growth thanks to business innovation like a change in the product mix, piloting in new markets, and a shift towards new energy solutions.

OTHER RELATED BUSINESSES

During 2022, 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 2022

Despite many external challenges such as frequent outbreaks of the pandemic, a continuous rise in raw material prices, impact from the global supply chain, and intensified industry competition, the Group's four business segments sold a total of 947,000 units of vehicles in 2022. Beijing Brand seized opportunities and took several measures to maintain the stability of overall operations with breakthroughs in core markets and products. Beijing Benz promoted product structure optimization and still stably ranked among top domestic luxury brands in terms of sales volume; Beijing Hyundai focused on differentiated marketing for its main models, leading to sound business operations. Fujian Benz continued to improve its stable operation capabilities.

¹ means Knocked-down

1. Beijing Brand

In 2022, Beijing Brand actively responded to external challenges and made every effort to promote the synergy of the entire value chain of products. The sales volume increased significantly in the second half of the year and the annual sales of pure electric vehicles reached 72,000 units, representing a year-on-year decrease of 0.7%. With the EU5 as the main model, Beijing Brand spared no effort to develop the pure electric vehicle market, resulting in a year-on-year increase of 51.1% in sales. The stable delivery of the EU5 fast battery-swapping version of the public battery swap electric vehicle model will help the mobility industry with full electrification. MOFANG, a smart model equipped with the Harmony OS intelligent vehicle operation system, and X7, which is positioned as a family vehicle for enjoying life, were introduced as the “Binary Star” product portfolio. Meanwhile, Beijing Brand also expedited the implementation of its hybrid vehicle platform and new pure electric vehicle platform to accelerate the overall electrification drive and implement the “carbon peak and neutrality” goals.

In terms of overseas markets, 18,000 vehicles were exported throughout the year, representing a year-on-year growth rate of 81.8%, which was higher than the export growth rate of Chinese automobiles. X7 had excellent performance in the Vietnam market. The Company used the “special zone” operation model for the piloting of its international business and expanded the export of new energy and off-road vehicles. Models like MOFANG received place of origin certification, diversifying Beijing Brand’s export products.

2. Beijing Benz

In 2022, under external pressures such as tight supply chains and insufficient market vitality, Beijing Benz took the initiative to take measures such as grid management. The number of vehicles produced in the year once again exceeded 600,000 units and that of vehicles sold reached 592,000 units, a year-on-year increase of 5.5%. In view of this, Beijing Benz still ranked among the best premium brands in China.

Beijing Benz fully promoted the implementation of its product strategy. Mercedes-Benz’s new EQE, C350e L plug-in hybrid sedan and new long-wheelbase GLC SUV were put into production as scheduled. The M260 engine and EB42X power battery managed to be installed on vehicles. All these would provide the impetus for the sustainable development. Meanwhile, Beijing Benz comprehensively promoted the implementation of the manufacturing concept of “new luxury”, worked with partners to create a green supply chain of automotive steel, helping to achieve the “carbon peak and neutrality” goals. It continued to strengthen intelligent manufacturing and green manufacturing, and was awarded the “Beijing Intelligent Manufacturing Energy Measurement Center (Automobile Manufacturing)”.

3. Beijing Hyundai

In 2022, Beijing Hyundai actively responded to multiple internal and external challenges such as the increased industry competition by accelerating the application of digitalization, intelligent network, and autonomous driving technologies. It successfully launched the fourth-generation Santa Fe Traveller, new LA FESTA N Line, fifth-generation Tucson L 8AT and other models with better intelligence. Meanwhile, Beijing Hyundai focused on innovation in brand marketing and further improved the sale proportion of main models such as Elantra with 250,000 vehicles sold throughout the year.

4. Fujian Benz

In 2022, Fujian Benz continued to stabilize its operations and consolidated its supply chain and mass-produced new models to cope with market challenges. It sold 33,000 units of vehicles throughout the year.

Production Facilities

We have specialized production facilities to manufacture and assemble products. All of our production facilities are equipped with flexible production lines. This not only enables 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 and continued to improve the accuracy of digital standards implementation.

Guided by the principle of “digitalization, flexibility, effectiveness and sustainability”, Beijing Benz continuously builds Mercedes-Benz’s most comprehensive production base in the world to continuously promote its own high-quality development. It has established a quality centre based on Mercedes-Benz Group’s global standards to ensure that every unit of Mercedes-Benz vehicle is up to its globally unified standards and quality management system.

Beijing Hyundai adheres to the production philosophy of “green, quality, intelligent and efficient” and adopts intelligent production equipment and international management system with over 90% automation rate to fully ensure accuracy and output high-quality products. Meanwhile, it reasonably uses flexible production plan and mixed-model line production to effectively reduce manufacturing costs.

SALES NETWORK

There are independent marketing channels for all our brands. 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.

In 2022, 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 had a new fresh start and facilitated online sales through innovated marketing activities and new media matrix operations, and continuously optimized the channel mix. In terms of services, Beijing Brand focused on customers’ key concerns, and promoted the building of a service ecosystem. Beijing Brand focused on publicity via its club, app and WOM, and deepened the systematic operation.

Guided by “2020 network upgrade plan”, Beijing Benz assisted its Benz brand sales network with retail transformation by upgrading store design, improving channel development capabilities, and optimizing customer experience. Meanwhile, Beijing Benz kept an eye on the profitability of dealers and pushed forward their efforts to improve quality and increase efficiency by focusing on key cost items.

Beijing Hyundai actively promoted network layout and coverage optimization, and continued to enhance the healthy development of its channels. It performed innovative marketing with hot topics, and increased the popularity of brands and models. Beijing Hyundai strengthened the communication of technical brand characteristics, and promoted fan marketing to achieve accurate marketing/service/line management, assisting in the transformation of customer value.

RESEARCH AND DEVELOPMENT

The Group believes that our research and development capability is critical to the future development. During 2022, all of our brands vigorously promoted the construction of research and development system and capacity.

Beijing Brand continued to focus on “electrification”, “intelligence”, and “networking” and promoted a combination of independent innovation and strategic cooperation to achieve breakthroughs in core technologies and core capabilities. In terms of intelligent cockpits, Beijing Brand built a unified hardware platform and software ecosystem to improve customer data operation capabilities. In the area of hybridization, the Company developed engines with high thermal efficiency. In terms of electrification, the Company advanced self-development of super charging cores, improved the energy density of batteries, and increased the power density and operating efficiency of electric drive assemblies with an aim to build a 800V high-voltage platform.

Beijing Benz has the largest research and development center among all joint venture enterprises of Mercedes-Benz Group. It 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. It has established the only fully functional prototype plant of the Mercedes-Benz Group abroad, which is able to finish high-quality localized prototype trials, significantly shorten the validation cycle for new product introduction and increase product maturity. Meanwhile, it has a high-level research and development team, with a leading level technology in China in localization of components, product introduction, 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.

Beijing Hyundai kept an eye on the market changes and consumer demands in China, promoted innovative transformation, and expanded its product portfolio. In 2022, it promoted intelligent network upgrades for its main vehicle model, and launched auto-pilot technique application to meet the needs of consumers. The Company expedited the development of a variety of new energy models. Its first EV model based on an exclusive platform equipped with F-OTA technology will be launched in 2023.

Joint venture cooperation and industrial chain extension

During 2022, the Group continuously promoted the integration of industry and finance and industrial cooperation in various fields, further broadening the scope of cooperation, optimizing the industry chain, focusing on its main business and enhancing its competitive strength.

On March 18, 2022, BAIC Investment, a subsidiary of the Company, and Hyundai Motor entered into an amendment agreement to the Joint Venture Contract and the Articles of Association, pursuant to which, BAIC Investment and Hyundai Motor have agreed to jointly inject capital of US\$0.942 billion in Beijing Hyundai in proportion to their respective current interest in the registered capital of Beijing Hyundai, with each party injecting US\$0.471 billion. Upon completion of the capital increase, the shareholding of BAIC Investment in Beijing Hyundai remained unchanged at 50%. Through this capital increase and the continued support of shareholders of Beijing Hyundai, it is expected that Beijing Hyundai can improve its working capital and prevent liquidity risks, and will further increase strategic resource investment in collaboration with shareholders, thus improving its operation and market position. Meanwhile, the transaction is also expected to provide capital protection for the introduction of new products and expansion of the layout of new-energy vehicles sector and export business.

On July 15, 2022, the Company and BAIC BluePark New Energy Technology Co., Ltd. (“**BAIC BluePark**”), an A-share listed subsidiary of BAIC Group, entered into a conditional share subscription agreement for the non-public issuance (the “**Share Subscription Agreement**”), pursuant to which, BAIC BluePark conditionally agreed to issue to the Company, and the Company conditionally agreed to subscribe for, not less than 35.99% of the total number of new A shares to be issued under the proposed non-public issuance of BAIC BluePark (the “**A Share Issuance**”). The subscription price per new A share shall be determined in accordance with the pricing principle in respect of the A Share Issuance and the total subscription amount payable by the Company shall not exceed RMB2.879 billion. Upon completion of the subscription, the Company and BAIC Guangzhou Automotive Co., Ltd. (“**BAIC Guangzhou**”) shall in aggregate hold not less than 6.25%, and not more than 24.36% of the enlarged total issued A shares. Through participation in the A Share Issuance, the Company can prevent the dilution of its shareholding in BAIC BluePark, while further deepening the cooperation relationship between the Company and BAIC BluePark through increasing its shareholding, broadening cooperation fields, saving investment costs of the Company in new energy fields and sharing development dividends in new energy fields. The subscription was approved at the general meeting of the Company on August 26, 2022, the completion of which is subject to the fulfilment of the conditions set out in the Share Subscription Agreement.

Please refer to the relevant announcements of the Company for details of the above cooperation. In the future, the Group will focus on the overall business strategy, optimize effective cooperation, support its various business reforms, and further enhance its competitiveness.

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-mentioned business has brought sustained and stable revenue to the Group. The revenue of the Group increased from RMB175,915.7 million in 2021 to RMB190,462.6 million in 2022, representing a year-on-year increase of 8.3%, mainly attributable to the increase in revenue of Beijing Benz.

Revenue associated with Beijing Benz increased from RMB167,966.4 million in 2021 to RMB183,154.8 million in 2022, representing a year-on-year increase of 9.0%, mainly attributable to the increase in sales volume of Beijing Benz and the proportion of high-value vehicle models.

Revenue associated with Beijing Brand decreased from RMB7,949.2 million in 2021 to RMB7,307.8 million in 2022, representing a year-on-year decrease of 8.1%, mainly attributable to the change in structure of Beijing Brand's vehicle models.

The Group's net profit attributable to equity holders of the Company increased from RMB3,858.2 million in 2021 to RMB4,196.6 million in 2022, representing a year-on-year increase of 8.8%; the basic earnings per share increased from RMB0.48 in 2021 to RMB0.52 in 2022.

GROSS PROFIT

The Group's gross profit increased from RMB37,643.2 million in 2021 to RMB42,334.2 million in 2022, representing a year-on-year increase of 12.5%, mainly attributable to the increase in the gross profit of Beijing Benz.

The gross profit of Beijing Benz increased from RMB42,255.0 million in 2021 to RMB47,396.0 million in 2022, representing a year-on-year increase of 12.2%; the gross profit margin increased from 25.2% in 2021 to 25.9% in 2022, mainly attributable to the rise in sales volume and the change in structure of vehicle models.

The gross profit of Beijing Brand decreased from RMB-4,512.8 million in 2021 to RMB-5,038.0 million in 2022, mainly attributable to 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 increased from RMB12,903.0 million in 2021 to RMB18,654.1 million in 2022, representing a year-on-year increase of 44.6%, mainly attributable to an increase in the net cash inflow generated from operating activities of Beijing Benz.

As at the end of 2022, the Group had cash and cash equivalents of RMB37,227.0 million, notes receivable of RMB926.6 million, notes payable of RMB2,685.8 million, outstanding borrowings of RMB20,313.4 million, unused bank credit lines of RMB23,334.5 million, and commitments for capital expenditure of RMB34,512.6 million. The above outstanding borrowings included RMB2,704.3 million equivalents of USD borrowings as at the end of 2022.

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 58.6% as at the end of 2021 to 54.5% as at the end of 2022, representing a year-on-year decrease of 4.1 percentage points, mainly attributable to an increase in equity due to profit contribution and a decrease in interest-bearing liabilities.

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 -33.0% as at the end of 2021 to -27.3% as at the end of 2022, mainly attributable to (i) an increase in total equity; and (ii) a decrease in total borrowing, cash and cash equivalents.

As at the end of 2022, the total outstanding borrowings was RMB20,313.4 million, including short-term borrowings of RMB11,733.0 million in aggregate and long-term borrowings of RMB8,580.4 million in aggregate. The Group will repay the aforesaid borrowings in a timely manner at maturity.

As of the end of 2022, 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 also strictly followed all the terms and conditions in its debt covenants, and no default took place.

SIGNIFICANT INVESTMENTS

Total capital expenditures of the Group decreased from RMB7,066.0 million in 2021 to RMB5,520.1 million in 2022, representing a year-on-year decrease of 21.9%. Capital expenditures of Beijing Benz decreased from RMB6,442.2 million in 2021 to RMB4,703.1 million in 2022. Capital expenditures of Beijing Brand increased from RMB623.8 million in 2021 to RMB817.0 million in 2022.

Total research and development expenses of the Group increased from RMB2,651.4 million in 2021 to RMB2,712.5 million in 2022, representing a year-on-year increase of 2.3%, 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 March 18, 2022, BAIC Investment and Hyundai Motor entered into an Amendment Agreement on capital increase. Upon completion of the capital increase, the registered capital of Beijing Hyundai was increased to US\$2.979 billion and shareholding of BAIC Investment in Beijing Hyundai remained unchanged at 50%.

On July 15, 2022, the Company and BAIC BluePark, an A-share listed subsidiary of BAIC Group, entered into a conditional Share Subscription Agreement for the non-public issuance, pursuant to which BAIC BluePark conditionally agrees to issue to the Company, and the Company conditionally agrees to subscribe for, not less than 35.99% of the total number of new A Shares actually issued under the A Share Issuance. The subscription price per new A Share shall be determined in accordance with the pricing principle in respect of the A Share Issuance and the total subscription amount payable by the Company shall not exceed RMB2.879 billion. Upon the completion of the subscription, the Company and BAIC Guangzhou, a wholly-owned subsidiary of the Company, shall in aggregate hold not less than 6.25%, and not more than 24.36% of the enlarged total issued A Shares.

For detail announcements on the aforesaid cooperations, please refer to the relevant announcements of the Company dated March 18, 2022 and July 15, 2022.

FOREIGN EXCHANGE GAINS²

The Group's foreign exchange gains (mainly from the businesses of Beijing Benz) decreased from RMB604.3 million in 2021 to RMB404.4 million in 2022, 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 decrease in exchange gains from Euro- denominated payments as a result of the drop 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 fluctuations may affect the Group's operating results.

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

EMPLOYEE AND REMUNERATION POLICIES

The Group's staff increased from 18,694 as at the end of 2021 to 19,491 as at the end of 2022. The staff costs incurred by the Group increased from RMB5,201.8 million in 2021 to RMB5,809.1 million in 2022, representing a year-on-year increase of 11.7%, mainly due to increased production and increased working hours at the Group and the increase in the average staff costs 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 based remuneration system, and will link the annual business objectives with the performance appraisal of staff through a performance evaluation system, providing effective assurance in recruiting, retaining and motivating talents, as well as the pursuit 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 system with certain guarantee on retirement income.

PLEDGE OF ASSETS

As at the end of 2022, the Group had pledged notes receivable of RMB545.0 million.

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

CONTINGENT LIABILITIES

As at the end of 2022, the Group had no material contingent liabilities.

PRINCIPAL RISKS AND UNCERTAINTIES

1. 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.

2. Risk of increased market competition

The Group operates in a highly competitive industry with fierce market competition. According to the statistics of CAAM, in 2022, the sales volume of passenger vehicles in China was 23.563 million units, representing a year-on-year increase of 9.5%, 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.

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

The key raw materials used by the Group in the research and development, production and sales of automobiles include power batteries, steel, aluminium, rubber, plastics and paint, etc. With the increase in production and sales year over year, the volume of production factors procured by the Group from suppliers has also increased every year. Chip shortage and high prices of bulk raw materials will adversely affect the Group's results of operations.

OUTLOOK OF 2023

Prospect for the Development of Passenger Vehicle Industry in 2023

In 2023, China will continue to adhere to the general tone of seeking progress in a stable manner and make efforts to achieve high-quality development. The implementation of relevant supporting policies and measures will further invigorate market entities and stimulate consumption. In addition, problems such as chip shortage are expected to be alleviated. Given all this, China's passenger vehicle market will maintain a moderate growth trend in the future.

CAAM and relevant authorities believe that the main trend of the macroeconomy and the development of the automobile industry in 2023 will be as follows:

1. Macroeconomic growth is about to gradually get back to normal and favourable policies will be introduced

In 2023, China's GDP is expected to achieve better growth, and macro policies that support auto consumption, stabilize growth and expand domestic demand will drive the recovery of the underlying consumption.

2. China's automobile market will remain steady

In 2023, the long-term positive macroeconomic fundamentals of China will not change, chip shortage will gradually ease, and hopefully the share of the new energy vehicle market will further increase, and the automobile market in China is expected to show a trend of stable development.

3. Favourable policies will further boost the new energy market demand

In 2023, the preferential policy of exempting vehicle purchase tax for new energy vehicles will remain unchanged, and the successive launch of local policies such as prolonged quota increase and subsidies for inner purchase of vehicles will further boost the new energy market demand.

OPERATIONAL STRATEGY OF THE GROUP FOR 2023

Overall operational strategy

In 2023, the Group will seize new opportunities to focus on its main business, stabilize its foundation, and accelerate electrification and intelligence for achieving high-quality development.

Operational strategy of Beijing Brand

In 2023, with the theme of “Survival, Reform and Development”, Beijing Brand will accelerate the iteration of off-road vehicles and pure electric vehicle models for strategic markets in China and beyond. The Company will comprehensively deepen reforms and build efficient and responsive system capabilities. It will resolutely seek electrification and hybridization, continue to advance the upgrade of platforms and technologies, and promote the achievement of annual business goals, paving way for high-quality development.

Operational strategy of Beijing Benz

In 2023, Beijing Benz will follow strategic development planning, continuously implement the concept of high-quality development into the whole production and operation process, continue to stabilize production and increase sales, and accelerate the implementation of high-quality projects. It will also ensure a successful electrification and continue to consolidate its leading position in China’s high-end premium vehicle market.

Operational strategy of Beijing Hyundai

In 2023, Beijing Hyundai will seek for transformation. It will focus on strengthening business innovation, improving internal competency, and responding to market changes. It will reshape brand value, improve product competitiveness, and enhance channel operation capabilities and optimize supply chain management to ensure sales and revenue growth.

Operational strategy of Fujian Benz

In 2023, Fujian Benz will continue to focus on its economic benefits, 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 released by the Ministry of Finance or the IFRSs, whichever is lower.

The Board recommends the Company to distribute a final dividend for the year 2022 of RMB0.17 per share (tax inclusive) in cash to the shareholders whose names appear on the register of members at the close of business on the record date determined in accordance with the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”). Based on the total ordinary share capital of 8,015,338,182 Shares as at the end of 2022, the aggregate cash dividend to be paid out will amount to RMB1,362,607,490.94. The proposal will be submitted to the 2022 Annual General Meeting for consideration and approval. The expected date of distribution will be no later than September 15, 2023.

For the details of the distribution of a final dividend by the Company, please refer to the circular for the 2022 Annual General Meeting to be despatched by the Company in due course.

MATERIAL LITIGATION

As at December 31, 2022, the Company was not involved in any material litigation or arbitration. To the best knowledge of the Directors, there is also no pending 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 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group has been building and maintaining a high level of corporate governance so as to protect the rights and interests of Shareholders and enhance corporate value and a sense of responsibility. The Company has put together a sound and market-oriented corporate governance structure and established the general meeting, the Board of Directors, the Strategy Committee of the Board, the Audit Committee of the Board, the Remuneration Committee of the Board, the Nomination Committee of the Board and the Board of Supervisors, and implemented corporate governance practices in strict accordance with the Articles of Association. The Company has adopted the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”). The Company has complied with all applicable code provisions under the Corporate Governance Code throughout 2022.

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 2022.

AUDIT COMMITTEE

The Audit Committee has reviewed the Company’s and the Group’s 2022 annual results, and the audited consolidated financial statements for 2022 prepared in accordance with the IFRS.

DATE FOR ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

For details of the resolutions to be considered and approved at the 2022 Annual General Meeting, the book closure date of H shares, the record date for payment of dividends, and the date of the 2022 Annual General Meeting, please refer to the circular for the 2022 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 2022 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
Chen Wei
Chairman

Beijing, the PRC, March 24, 2023

As at the date of this announcement, the Board comprises Mr. Chen Wei, as Chairman of the Board and non-executive Director; Mr. Hu Hanjun, and Mr. Chen Hongliang, 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*