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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, 2014**

The board (the “**Board**”) of directors (the “**Directors**”) of Baic Motor Corporation Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended December 31, 2014 (“**2014**”) together with the comparative figures for the previous year.

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2014

		As at December 31,	
		2014	2013
	<i>Note</i>	RMB'000	RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		34,218,190	24,755,041
Land use rights		5,347,184	5,472,043
Intangible assets		8,251,308	5,539,639
Investments in joint ventures		12,675,306	11,841,449
Investments in associates		1,391,135	807,990
Available-for-sale financial assets		4,000	4,000
Deferred income tax assets	4	2,676,059	2,707,657
Other long-term assets		976,823	504,823
		65,540,005	51,632,642
Current assets			
Inventories		11,068,159	7,479,282
Accounts receivable	5	6,422,290	6,003,835
Advances to suppliers	6	1,029,695	232,618
Other receivables and prepayments	7	2,831,500	2,706,079
Restricted cash		1,043,710	546,901
Term deposits with initial term of over three months		–	4,500
Cash and cash equivalents		21,923,296	16,789,889
		44,318,650	33,763,104
Total assets		109,858,655	85,395,746

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT DECEMBER 31, 2014

		As at December 31,	
		2014	2013
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	8	7,508,018	6,381,818
Other reserves		16,677,213	11,636,899
Retained earnings		9,169,736	5,673,114
		<u>33,354,967</u>	<u>23,691,831</u>
Non-controlling interests		8,613,649	7,361,645
		<u>41,968,616</u>	<u>31,053,476</u>
LIABILITIES			
Non-current liabilities			
Borrowings	9	13,935,190	15,122,470
Deferred income tax liabilities	4	887,471	946,392
Provisions		894,901	694,331
Deferred income from government grants		672,609	659,315
		<u>16,390,171</u>	<u>17,422,508</u>
Current liabilities			
Accounts payable	10	14,977,797	11,111,747
Advances from customers		2,591,312	1,439,568
Other payables and accruals	11	17,115,051	15,680,559
Current income tax liabilities		38,787	520,067
Borrowings	9	15,983,058	7,833,408
Provisions		793,863	334,413
		<u>51,499,868</u>	<u>36,919,762</u>
Total liabilities		67,890,039	54,342,270
		<u>109,858,655</u>	<u>85,395,746</u>
Total equity and liabilities		109,858,655	85,395,746
		<u>109,858,655</u>	<u>85,395,746</u>
Net current liabilities		(7,181,218)	(3,156,658)
		<u>(7,181,218)</u>	<u>(3,156,658)</u>
Total assets less current liabilities		58,358,787	48,475,984
		<u>58,358,787</u>	<u>48,475,984</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2014

		For the year ended	
		December 31,	
		2014	2013
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Revenue	3	56,370,306	12,781,868
Cost of sales	13	(47,386,825)	(12,366,687)
Gross profit		8,983,481	415,181
Selling and distribution expenses	13	(5,646,798)	(2,203,297)
General and administrative expenses	13	(3,455,016)	(1,316,241)
Other gains, net	12	1,540,131	620,479
Operating profit/(loss)		1,421,798	(2,483,878)
Finance income	14	300,364	115,577
Finance costs	14	(833,460)	(589,342)
Finance costs, net		(533,096)	(473,765)
Share of profits of joint ventures		5,712,001	5,986,518
Share of profits of associates		97,136	35,749
Profit before income tax		6,697,839	3,064,624
Income tax expense	15	(856,527)	(113,567)
Profit for the year		5,841,312	2,951,057
Total comprehensive income for the year		5,841,312	2,951,057
Attributable to:			
Equity holders of the Company		4,510,807	2,714,024
Non-controlling interests		1,330,505	237,033
		5,841,312	2,951,057
Earnings per share for profit attributable to equity holders of the Company during the year (RMB)			
– Basic and diluted	16	0.70	0.48
Dividends	17	2,278,601	2,273,439

NOTES

FOR THE YEAR ENDED DECEMBER 31, 2014

1 GENERAL INFORMATION

BAIC Motor Corporation Limited (the “Company” or “Beijing Motor”), together with its subsidiaries (collectively referred to as the “Group”), are principally engaged in the manufacturing and sales of passenger vehicles, engines and auto parts in the People’s Republic of China (the “PRC”).

The address of the Company’s registered office is the fifth building, Block 25 Shuntong Road, Shunyi District, Beijing, the PRC.

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

On July 24, 2014, the Company acquired from BAIC Group its entire 100% equity interests in BAIC Guangzhou Automotive Co., Ltd (“Guangzhou Company”) at a cash consideration of approximately RMB2,369.8 million. The acquisition of Guangzhou Company is a business combination under common control.

These financial statements are presented in thousands of Renminbi Yuan (“RMB”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on March 22, 2015.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the revaluation of financial instruments at fair value through profit or loss, as appropriate.

These consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32 of the Laws of Hong Kong) for this financial year and the comparative period.

As at December 31, 2014, the current liabilities of the Group exceeded its current asset by approximately RMB7,181 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 RMB4,640 million and RMB24,379 million respectively as at December 31, 2014.

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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Group’s accounting policies.

(a) **Restatement of prior year's financial statements due to business combination under common control**

Corresponding to Note 1, given that the Company and Guangzhou Company are under common control of BAIC Group immediately before and after the business combination, the Company applies the principles of merger accounting in preparing these consolidated financial statements of the Company.

By applying the principles of merger accounting, these consolidated financial statements of the Company also includes the financial positions, results and cash flows of Guangzhou Company as if it had been combined with the Group throughout the year ended December 31, 2014. Comparative figures as at December 31, 2013 and for the year then ended have been restated as a result of such.

The following are reconciliations of the effects arising from the abovementioned common control combination on the consolidated balance sheet as at December 31, 2013, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2013.

(i) ***The consolidated balance sheet as at December 31, 2013:***

	Balances as previously reported <i>RMB'000</i>	Merger of Guangzhou Company <i>RMB'000</i>	Adjustments <i>RMB'000</i>	Balances as restated <i>RMB'000</i>
Share capital	6,381,818	980,000	(980,000)	6,381,818
Other reserves	10,680,468	596	955,835	11,636,899
Retained earnings/ (accumulated losses)	5,835,656	(164,808)	2,266	5,673,114
Non-controlling interests	7,361,645	–	–	7,361,645
Net assets	<u>30,259,587</u>	<u>815,788</u>	<u>(21,899)</u>	<u>31,053,476</u>

notes: The above adjustment of RMB21,899,000 to net assets represents the difference between the carrying value and the fair value of the land use right which was injected by BAIC Group to Guangzhou Company upon its incorporation.

(ii) ***The consolidated statement of comprehensive income for the year ended December 31, 2013:***

	Amounts as previously reported <i>RMB'000</i>	Merger of Guangzhou Company <i>RMB'000</i>	Adjustments <i>RMB'000</i>	Amounts as restated <i>RMB'000</i>
Revenues	<u>12,781,868</u>	<u>–</u>	<u>–</u>	<u>12,781,868</u>
Profit/(loss) for the year	<u>3,013,413</u>	<u>(63,111)</u>	<u>755</u>	<u>2,951,057</u>

(iii) ***The consolidated statement of cash flows for the year ended December 31, 2013:***

	Amounts as previously reported <i>RMB'000</i>	Merger of Guangzhou Company <i>RMB'000</i>	Adjustments <i>RMB'000</i>	Amounts as restated <i>RMB'000</i>
Net cash used in operating activities	(2,402,502)	(54,208)	–	(2,456,710)
Net cash generated from/ (used in) investing activities	3,637,547	(704,910)	–	2,932,637
Net cash generated from financing activities	<u>12,335,231</u>	<u>918,550</u>	<u>–</u>	<u>13,253,781</u>

(b) New/revised standards, amendments to standards and interpretations

(i) Adoption of new standards and amendments to standards

The Group has adopted the following amendments and interpretation which are mandatory for the financial year beginning on or after January 1, 2014:

IFRS 10, IFRS 12 and IAS 27 (Amendment)	Consolidation for investment entities
IAS 32 (Amendment)	Financial instruments: Presentation on asset and liability offsetting
IAS 36 (Amendment)	Impairment of assets
IAS 39 (Amendment)	Novation of derivatives
IFRIC 21	Levies

The adoption of above amendments and interpretation does not have any significant financial effect on these consolidated financial statements.

(ii) Standards and amendments which are not yet effective

The following are new standards and amendments to standards that have been issued but are not yet effective for the financial year beginning after January 1, 2014 and have not been early adopted.

Annual Improvement Project	Annual improvements 2010-2012 Cycle and 2011-2013 Cycle ⁽¹⁾
IAS 19 (Amendment)	Employee benefits ⁽¹⁾
IAS 1 (Amendment)	The disclosure initiative ⁽²⁾
IAS 16 and IAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation ⁽²⁾
IAS 16 and IAS 41 (Amendments)	Agriculture: bearer plants ⁽²⁾
IAS 27 (Amendment)	Separate financial statements regarding the equity method ⁽²⁾
IAS 28 and IFRS 10 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture ⁽²⁾
IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception ⁽²⁾
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation ⁽²⁾
IFRS 14	Regulatory deferral accounts ⁽²⁾
Annual Improvement Project	Annual Improvements 2012-2014 Cycle ⁽²⁾
IFRS 15	Revenue from Contracts with Customers ⁽³⁾
IFRS 9	Financial Instruments ⁽⁴⁾

- (1) Effective for the accounting period beginning on July 1, 2014
- (2) Effective for the accounting period beginning on January 1, 2016
- (3) Effective for the accounting period beginning on January 1, 2017
- (4) Effective for the accounting period beginning on January 1, 2018

The Group will apply the above new standards and amendments to standards when they become effective. The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards.

(c) New Hong Kong Companies Ordinance (Cap.622 of the laws of Hong Kong)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) come into operation as from the Company’s first financial year commencing on or after March 3, 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

3 SEGMENT INFORMATION

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

Management has determined the reporting segments based on these reports.

The Group considers the business from a product perspective:

- Passenger vehicles of Beijing Motor: 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, and providing other related services.

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

	Passenger vehicles – Beijing Motor RMB'000	Passenger vehicles – Beijing Benz RMB'000	Total RMB'000
For the year ended December 31, 2014			
Total revenue	12,487,017	43,936,615	56,423,632
Inter-segment revenue	(53,326)	–	(53,326)
	<u>12,433,691</u>	<u>43,936,615</u>	<u>56,370,306</u>
Revenue from external customers	<u>12,433,691</u>	<u>43,936,615</u>	<u>56,370,306</u>
Segment gross (loss)/profit	<u>(68,920)</u>	<u>9,052,401</u>	<u>8,983,481</u>
Other profit & loss disclosure:			
Depreciation and amortization	(920,593)	(1,443,237)	(2,363,830)
Provisions for impairments on receivables, inventories and property, plant and equipment	(216,131)	(147,735)	(363,866)
Finance (costs)/income, net	(560,442)	27,346	(533,096)
Income tax credit/(expense)	18,848	(875,375)	(856,527)
	<u>(1,778,322)</u>	<u>(2,435,996)</u>	<u>(4,214,318)</u>
For the year ended December 31, 2013 (restated)			
Total revenue	6,847,499	5,934,369	12,781,868
Inter-segment revenue	–	–	–
	<u>6,847,499</u>	<u>5,934,369</u>	<u>12,781,868</u>
Revenue from external customers	<u>6,847,499</u>	<u>5,934,369</u>	<u>12,781,868</u>
Segment gross (loss)/profit	<u>(977,918)</u>	<u>1,393,099</u>	<u>415,181</u>
Other profit & loss disclosure:			
Depreciation and amortization	(610,151)	(208,143)	(818,294)
Provisions for impairments on receivables, inventories and property, plant and equipment	(224,548)	(9,017)	(233,565)
Finance (costs)/income, net	(478,141)	4,376	(473,765)
Income tax expense	(26,828)	(86,739)	(113,567)
	<u>(1,339,668)</u>	<u>(300,523)</u>	<u>(1,640,191)</u>

The revenue from external parties reported to the Group's Executive Committee is measured in a manner consistent with that in the statement of comprehensive income.

Reconciliations of segment results to profit for each of the years ended December 31, 2014 and 2013 are as follows:

	For the year ended December 31,	
	2014	2013
	RMB'000	RMB'000 (Restated)
Segment gross profit	8,983,481	415,181
Selling and distribution expenses, general and administrative expenses and finance costs, net	(9,634,910)	(3,993,303)
Other gains, net	1,540,131	620,479
Share of profits of joint ventures and associates, net	5,809,137	6,022,267
Profit before income tax	6,697,839	3,064,624
Income tax expense	(856,527)	(113,567)
Profit for the year	<u>5,841,312</u>	<u>2,951,057</u>

There is no customer amounting to 10 percent or more of the Group's revenue for each of the years ended December 31, 2014 and 2013.

The Group is domiciled in PRC. The percentage of its revenue from external customers residing in the PRC is approximately 100% for the year ended December 31, 2014 (2013: 100%). The Group's long-lived assets are primarily located in Mainland China and Hong Kong.

The segment assets and liabilities as at December 31, 2014 and 2013 are as follows:

	Passenger vehicles – Beijing Motor RMB'000	Passenger vehicles – Beijing Benz RMB'000	Total RMB'000
At December 31, 2014			
Total assets	59,909,305	49,949,350	109,858,655
Including:			
Investment in joint ventures	12,675,306	–	12,675,306
Investment in associates	1,391,135	–	1,391,135
Total liabilities	(35,739,157)	(32,150,882)	(67,890,039)
At December 31, 2013 (restated)			
Total assets	44,611,810	40,783,936	85,395,746
Including:			
Investment in joint ventures	11,841,449	–	11,841,449
Investment in associates	807,990	–	807,990
Total liabilities	(28,884,700)	(25,457,570)	(54,342,270)

The total of non-current assets other than financial instruments and deferred tax assets of Beijing Motor and Beijing Benz of December 31, 2014 is RMB20,713,797,000 and RMB27,102,885,000 respectively (December 31, 2013: RMB16,744,628,000 as restated and RMB19,022,095,000 respectively).

4 DEFERRED INCOME TAXES

	As at December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Deferred income tax assets:		
– to be recovered after more than 12 months	2,521,527	2,092,026
– to be recovered within 12 months	<u>154,532</u>	<u>615,631</u>
	<u>2,676,059</u>	<u>2,707,657</u>
Deferred income tax liabilities:		
– to be settled after more than 12 months	(871,649)	(865,036)
– to be settled within 12 months	<u>(15,822)</u>	<u>(81,356)</u>
	<u>(887,471)</u>	<u>(946,392)</u>

The movement in deferred income tax assets and liabilities of the Group is as follows:

<u>Deferred income tax assets</u>	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, 2014	298,229	2,369,888	39,540	2,707,657
(Charged)/credited to statement of comprehensive income	<u>(174,468)</u>	<u>111,181</u>	<u>31,689</u>	<u>(31,598)</u>
At December 31, 2014	<u>123,761</u>	<u>2,481,069</u>	<u>71,229</u>	<u>2,676,059</u>
At January 1, 2013 (restated)	161	–	7,550	7,711
Acquisition of a subsidiary	289,519	2,394,144	30,892	2,714,555
Credited/(charged) to statement of comprehensive income	<u>8,549</u>	<u>(24,256)</u>	<u>1,098</u>	<u>(14,609)</u>
At December 31, 2013 (restated)	<u>298,229</u>	<u>2,369,888</u>	<u>39,540</u>	<u>2,707,657</u>

<u>Deferred income tax liabilities</u>	Unrealized loss in inventories <i>RMB'000</i>	Capitalized interest <i>RMB'000</i>	Valuation surplus upon acquisition of a subsidiary <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2014	–	(72,165)	(874,227)	(946,392)
Credited to statement of comprehensive income	–	16,537	42,384	58,921
At December 31, 2014	–	(55,628)	(831,843)	(887,471)
At January 1, 2013	(9,355)	(61,845)	–	(71,200)
Acquisition of a subsidiary	–	–	(900,962)	(900,962)
Credited/(charged) to statement of comprehensive income	9,355	(10,320)	26,735	25,770
At December 31, 2013	–	(72,165)	(874,227)	(946,392)

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 of RMB2,094,642,000 (December 31, 2013: RMB1,455,377,000 as restated) in respect of losses and deductible temporary differences amounting to RMB8,369,427,000 (December 31, 2013: RMB5,821,508,000 as restated) that can be carried forward against future taxable income as at December 31, 2014. These unrecognized tax loss carry forwards are expiring within 5 years.

5 ACCOUNTS RECEIVABLE

	As at December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables, gross <i>(note (a))</i>	2,454,837	3,407,728
Less: provision for impairment	(3,496)	(10,078)
	<u>2,451,341</u>	<u>3,397,650</u>
Notes receivable <i>(note (b))</i>	3,970,949	2,606,185
	<u>6,422,290</u>	<u>6,003,835</u>

notes:

- (a) The majority of the Group's sales are on credit or on advance payments. A credit period of up to 3 to 6 months may be granted in respect of sales to customers with good credit history and long-established relationship with the Group. The ageing analysis of trade receivables is as follows:

	As at December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Current to 1 year	2,421,937	3,402,939
1 to 2 years	30,223	2,182
2 to 3 years	70	270
Over 3 years	2,607	2,337
	<u>2,454,837</u>	<u>3,407,728</u>

As at December 31, 2014 and 2013, the following trade receivables were past due but not impaired. These mainly relate to a number of customers for whom there is no recent history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	As at December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Current to 1 year	103,151	155,886
1 to 2 years	29,182	2,182
2 to 3 years	59	270
Over 3 years	202	–
	<u>132,594</u>	<u>158,338</u>

As at December 31, 2014 and 2013 movement on the provision for impairment of trade receivables is as follows:

	<i>RMB'000</i>
As at January 1,2014	10,078
Reversal of provision for impairment	<u>(6,582)</u>
As at December 31, 2014	<u>3,496</u>
As at January 1,2013	1,341
Provision for impairment	<u>8,737</u>
As at December 31,2013	<u>10,078</u>

- (b) Substantially all notes receivable are bank acceptance notes with average maturity periods of within six months.
- (c) All accounts receivable are denominated in RMB and their carrying amounts approximate fair values.
- (d) There is no trade receivable pledged as collateral.
- (e) The amounts of notes receivable pledged as collateral for notes payable issued by banks and borrowings as at respective balance sheet dates are as follows:

	As at December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Pledged notes receivable	<u>1,275,055</u>	<u>165,588</u>

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,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
Value-added tax, consumption tax recoverable and prepaid income tax	1,535,941	922,244
Government grants (<i>note (a)</i>)	552,263	129,645
Disposal of interest in joint ventures and associates	–	363,861
Disposal of property, plant and equipment and intangible assets	139,431	411,247
Service fees	206,621	520
Others	397,837	879,480
	<u>2,832,093</u>	<u>2,706,997</u>
Less: provision for impairment	(593)	(918)
	<u>2,831,500</u>	<u>2,706,079</u>

note:

- (a) This mainly includes subsidies from national and local governments for the sales of new energy vehicles.

8 SHARE CAPITAL

	Ordinary shares of RMB1 each ('000)	RMB'000
At January 1, 2013	5,462,000	5,462,000
Additions	919,818	919,818
At December 31, 2013	<u>6,381,818</u>	<u>6,381,818</u>
At January 1, 2014	6,381,818	6,381,818
Additions (<i>note</i>)	1,126,200	1,126,200
At December 31, 2014	<u>7,508,018</u>	<u>7,508,018</u>

note: On December 19, 2014, the Company completed its global public offering of shares (“Global Offering”) by issuing 1,126,200,000 new shares with nominal value of RMB1.00 each at a price of HK\$8.90 per share. The Company’s shares were then listed on the Main Board of the Stock Exchange of Hong Kong.

The total gross proceeds from the Global Offering was approximately HK\$9,872,513,000 (equivalent to approximately RMB7,910,355,000), of which share capital was approximately RMB1,126,200,000 and share premium was approximately RMB6,784,155,000. The share issuance costs relating to the Global Offering amounted to approximately RMB118,967,000.

9 BORROWINGS

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
		(Restated)
Non-current		
Bank borrowings		
– secured (<i>note (c)</i>)	984,900	1,705,000
– unsecured (<i>note (b)</i>)	7,357,289	7,933,824
	<u>8,342,189</u>	9,638,824
Corporate bonds, unsecured (<i>note (a)</i>)	5,593,001	5,483,646
	<u>13,935,190</u>	15,122,470
Total non-current borrowings	<u>13,935,190</u>	15,122,470

	As at December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Current		
Bank borrowings		
– secured (<i>note (c)</i>)	600,000	–
– unsecured (<i>note (b)</i>)	9,854,500	6,953,549
Add: current portion of non-current bank borrowings:		
– secured (<i>note (c)</i>)	120,100	–
– unsecured (<i>note (b)</i>)	2,912,453	879,859
	<u>13,487,053</u>	<u>7,833,408</u>
Corporate bonds, unsecured (<i>note (a)</i>)	<u>2,496,005</u>	–
Total current borrowings	<u>15,983,058</u>	<u>7,833,408</u>
Total borrowings	<u>29,918,248</u>	<u>22,955,878</u>

Maturity of borrowings

	As at December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Within 1 year	15,983,058	7,833,408
Between 1 and 2 years	4,210,666	6,382,076
Between 2 and 5 years	8,726,024	8,545,404
Over 5 years	998,500	194,990
	<u>29,918,248</u>	<u>22,955,878</u>
Wholly repayable:		
– within 5 years	28,919,748	22,326,878
– over 5 years	998,500	629,000
	<u>29,918,248</u>	<u>22,955,878</u>

Contractual repricing dates upon interest rate changes

	As at December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Within 6 months	17,681,235	15,621,263
6 to 12 months	996,507	790,000
	<u>18,677,742</u>	<u>16,411,263</u>

Weighted average annual interest rates

	As at December 31,	
	2014	2013
		(Restated)
Bank borrowings	5.04%	5.69%
Corporate bonds	5.38%	5.42%
	<u>5.04%</u>	<u>5.69%</u>
	<u>5.38%</u>	<u>5.42%</u>

Currency denomination

	As at December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
RMB	24,917,499	18,003,093
US\$	1,354,640	1,315,486
HK\$	186,296	159,819
Euro	3,459,813	3,477,480
	<u>29,918,248</u>	<u>22,955,878</u>

Undrawn facilities at floating rates

	As at December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Within 1 year	4,640,111	7,124,848
Over 1 year	24,379,185	26,058,353
	<u>29,019,296</u>	<u>33,183,201</u>

notes:

(a) Corporate bonds are analysed as follows:

Issuer	Issue date	Interest rate per annum	Par value RMB'000	Carrying value RMB'000	Fair value RMB'000	Maturity
At December 31, 2014						
BAIC Investment Co., Ltd. ("BAIC Investment")	January 29, 2010	5.18%	1,500,000	1,496,977	1,564,411	7 years
Company	February 9, 2012	5.70%	1,000,000	999,573	1,051,712	3 years
Company	August 14, 2012	5.00%	1,500,000	1,496,432	1,462,150	3 years
Company	April 10, 2013	4.96%	1,500,000	1,498,524	1,558,536	3 years
Company	September 22, 2014	5.74%	300,000	299,550	314,706	7 years
Company	September 22, 2014	5.54%	300,000	299,550	314,706	7 years
Company	October 9, 2014	5.74%	400,000	399,400	424,982	7 years
Company	December 8, 2014	5.40%	1,000,000	999,000	1,037,361	3 years
Beijing Benz	December 11, 2014	5.20%	600,000	600,000	595,914	3 years
				<u>8,089,006</u>		
At December 31, 2013						
BAIC Investment	January 29, 2010	5.18%	1,500,000	1,495,637	1,441,743	7 years
Company	February 9, 2012	5.70%	1,000,000	995,712	977,175	3 years
Company	August 14, 2012	5.00%	1,500,000	1,493,698	1,479,635	3 years
Company	April 10, 2013	4.96%	1,500,000	1,498,599	1,460,080	3 years
				<u>5,483,646</u>		

The above fair values are based on cash flows discounted using the market borrowing rates of 4.68% to 5.45% at December 31, 2014 (December 31, 2013: 4.44% to 5.17%). They are within level 2 of the fair value hierarchy.

(b) Balances of the Group at December 31, 2014 include the borrowings of RMB1,797 million (December 31, 2013: RMB1,716 million) from BAIC Group Finance Co., Ltd, an associate of the Group.

(c) The Group's long-term and short-term borrowings are secured as follows:

	As at December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Securities over the Group's assets, at carrying value		
– Notes receivable (<i>Note 5(e)</i>)	600,000	–
Guarantees provided by		
– Ultimate holding company	<u>1,105,000</u>	<u>1,705,000</u>
	<u>1,705,000</u>	<u>1,705,000</u>

10 ACCOUNTS PAYABLE

	As at December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	13,748,685	10,404,199
Notes payable	<u>1,229,112</u>	<u>707,548</u>
	<u>14,977,797</u>	<u>11,111,747</u>

Aging analysis of trade payables is as follows:

	As at December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Current to 1 year	13,737,253	10,386,070
1 year to 2 years	9,576	17,026
2 years to 3 years	827	199
Over 3 years	<u>1,029</u>	<u>904</u>
	<u>13,748,685</u>	<u>10,404,199</u>

11 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2014	2013
	RMB'000	RMB'000 (Restated)
Sales discounts and rebates	3,666,133	4,874,650
Advertising and promotion	1,486,014	1,182,608
Wages, salaries and other employee benefits	1,139,821	840,929
Payables for property, plant and equipment and intangible assets	5,909,446	1,927,661
Payables for services and materials	1,305,662	1,729,377
Interests payable	284,327	239,873
Other taxes (<i>note (a)</i>)	234,241	142,911
Deposits	137,123	88,708
Transportation and warehouse expenses	347,201	179,549
Pre-delivery inspection expenses	126,646	88,013
Dividend payable	436,245	2,472,998
Investment payable	419,138	955,283
Royalty fee	815,594	847,699
Transfer of new shares	790,968	–
Other	16,492	110,300
	<u>17,115,051</u>	<u>15,680,559</u>

note:

(a) These include payables of value-added tax, business tax, consumption tax and other taxes.

12 OTHER GAINS, NET

	For the year ended	
	December 31,	
	2014	2013
	RMB'000	RMB'000 (Restated)
Gain from sales of scrap materials	88,989	39,532
Net foreign exchange gain	732,677	25,597
Government grants (<i>note</i>)	613,996	213,886
Gain/(loss) on disposal of		
– property, plant and equipment and intangible assets	122,564	(1,510)
– investments in subsidiaries	–	126,201
Gain on remeasuring existing 50% interests in		
Beijing Benz upon business combination	–	156,552
Others	(18,095)	60,221
	<u>1,540,131</u>	<u>620,479</u>

note: The government grants received in 2014 and 2013 mainly include subsidies from national and local government for the sales of new energy vehicles.

13 EXPENSES BY NATURE

	For the year ended December 31,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Raw materials used	43,961,530	12,004,130
Changes in inventories of finished goods and work-in-progress	(1,895,990)	(1,389,343)
Advertising and promotion	2,171,169	1,287,926
Employee benefit costs	3,490,543	1,178,728
Transportation and warehouse expenses	735,571	367,010
Depreciation on property, plant and equipment	1,841,706	555,836
Amortization on		
– land use rights	125,119	45,078
– intangible assets	397,005	217,380
Provision for/(reversal of) impairment		
– inventories	277,433	223,594
– receivables	(6,907)	7,876
– property, plant and equipment	93,340	2,095
Warranty expenses	765,554	101,256
Research costs	16,359	23,479
Utilities	161,465	154,129
Operating lease expenses	121,906	120,003
Office and travel expenses	280,296	86,182
Tax and levies	734,825	157,911
Conference fees	17,353	16,985
Consulting fees	9,363	19,013
Entertainment	5,639	13,766
Auditor's remuneration	25,451	3,040
Service fees and charges	1,571,726	219,347
Listing expenses	35,463	–
Others	1,552,720	470,804
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses, and general and administrative expenses	56,488,639	15,886,225

14 FINANCE COSTS, NET

	For the year ended	
	December 31,	
	2014	2013
	RMB'000	RMB'000
		(Restated)
Finance income		
Interest on bank deposits	300,364	115,577
Finance costs		
Interest expense on bank borrowings		
– Wholly repayable within 5 years	930,908	604,134
– Not wholly repayable within 5 years	–	4,080
Interest expense on corporate bonds		
– Wholly repayable within 5 years	317,717	275,131
– Not wholly repayable within 5 years	15,655	–
Amortization of discount on non-current provisions	75,614	10,762
	1,339,894	894,107
Less: amount capitalized in qualifying assets	(506,434)	(304,765)
	833,460	589,342
Finance costs, net	(533,096)	(473,765)

15 INCOME TAX EXPENSE

	For the year ended	
	December 31,	
	2014	2013
	RMB'000	RMB'000
		(Restated)
Current income tax	883,850	124,728
Deferred income tax (<i>Note 4</i>)	(27,323)	(11,161)
	856,527	113,567

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

	Period with preferential rate
– Company	2012 to 2014
– Beijing Beinei Engine Parts and Components Co., Ltd.	2009 to 2014
– BAIC Motor Powertrain Co., Ltd.	2013 to 2015

Except for the aforementioned companies and a subsidiary which is subject to Hong Kong profits tax at a rate of 16.5%, provision for PRC enterprise income tax is calculated based on the statutory income tax rate of 25% for each of the years ended December 31, 2014 and 2013 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,	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Profit before income tax	6,697,839	3,064,624
Tax calculated at the statutory tax rate of 25%	1,674,460	766,156
Preferential tax rates on income of certain Group entities	(2,164)	(11,640)
Impact on share of results of joint ventures and associates	(1,452,284)	(1,505,567)
Income not subject to tax	(53,057)	(87,715)
Expenses not deductible for tax purposes	50,307	25,006
Utilization of previously unrecognized tax losses	(3,428)	–
Tax losses/deductible temporary differences for which no deferred tax was recognized	642,693	927,327
Tax charge	856,527	113,567

16 EARNINGS PER SHARE

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

	For the year ended December 31,	
	2014	2013
		(Restated)
Profit attributable to equity holders of the Company (RMB'000)	4,510,807	2,714,024
Weighted average number of ordinary shares in issue (thousands)	6,418,844	5,612,391
Basic and diluted earnings per share (RMB)	0.70	0.48

During the years, 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,	
	2014	2013
	RMB'000	RMB'000
Interim dividends, paid of RMB Nil (2013: RMB 0.25) per share	–	1,595,455
Final dividend, proposed of RMB 0.30 (2013: RMB 0.11) per share	<u>2,278,601</u>	<u>677,984</u>
	<u><u>2,278,601</u></u>	<u><u>2,273,439</u></u>

The 2014 final dividend is proposed by the directors at a meeting held on the date of approval of these financial statements, which is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending December 31, 2015.

18. SUBSEQUENT EVENTS

On January 9, 2015, the Company issued additional 87,320,000 new shares with nominal value of RMB1.00 each for the exercises of over-allotment of the Global Offering at a price of HK\$8.90 per share.

On February 12, 2015, the Company issued RMB500 million of medium-term notes which are unsecured, bear interest at 4.68% and repayable in 5 years.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW AND BUSINESS SEGMENT OVERVIEW

Industry overview

The global economy is expected to grow 2.6% in 2014, while the gross domestic product (“GDP”) of the People’s Republic of China (the “PRC”) is projected to increase by 7.4% over last year. This lower growth rate as compared with 2013 indicates that the PRC’s economic development has entered the “new normal” phase. As an important part of the national economy, the PRC’s passenger vehicle market has shown overall steady growth in 2014. According to statistics from the China Association of Automobile Manufacturers, in 2014 both the automobile production output and sales volume in the PRC exceeded 23.0 million units in 2014, with the production output at around 23.7 million units, representing a year-on-year increase of approximately 7.3%, and the sales volume at around 23.5 million units, representing a year-on-year increase of approximately 6.9%.

Business segment overview

In 2014, Beijing Motor's proprietary brand (the "**Beijing brand**") and joint venture brands together achieved vehicle sales of 1,575.2 thousand units in total, representing a year-on-year increase of 16.8%. Specifically, the Beijing brand recorded an annual sales volume of nearly 309.6 thousand units, with a growth rate of over 50%; Beijing Benz Automotive Co., Ltd. ("**Beijing Benz**") recorded vehicle sales of 145.5 thousand units, representing a year-on-year increase of 25.4%; while Beijing Hyundai Motor Co., Ltd. ("**Beijing Hyundai**") recorded vehicle sales of 1,120.0 thousand units, representing a year-on-year increase of 8.7%. In addition, the Group also made major breakthroughs in terms of improving cost-efficiency, new product research and development, quality control, management innovation and other major production and operation aspects.

Beijing brand

2014 has brought about rapid growth in both the overall performance and market influence of the Beijing brand, with annual sales volume reaching 309,648 units, representing a year-on-year increase of approximately 53.1% from 202.3 thousand units in 2013. With the rapid expansion of the dealership network, Beijing brand has become one of the auto brands that managed to break the 300,000-unit wholesale sales within the shortest period of time in the industry of the PRC. Meanwhile, the products of Beijing brand also obtained various awards in 2014, substantially enhancing the brand's influence.

Sales of Senova-series were 123.8 thousand units in 2014, representing a year-on-year increase of approximately 76.1% as compared with 70.3 thousand units in 2013. Specifically, Senova D20 (former E series) achieved sales of 77.6 thousand units, and was the best seller in its market segment across a number of domestic cities. On the other hand, it only took Senova D50 nine months to achieve monthly sales of over 8,000 units, with its sales growth outperforming its major competitors.

In 2014, BJ 40 under BJ series recorded sales of 7.1 thousand units on the back of market recognition of its excellent passing ability and tough exterior.

Sales of Wevan series were 173.3 thousand units in 2014, representing a year-on-year increase of approximately 33.0% compared with 130.3 thousand units in 2013. Wevan's M20 model achieved sales of over 70,000 units in its second year in the market. In less than four years after being introduced to the market, Wevan already boasted more than 300,000 existing users in November 2014, becoming one of the micro-car brands to achieve this ownership number within the shortest period of time.

In respect of new energy vehicles, in 2014, the pure electric new energy vehicles including E150EV and Wevan 307EV under Beijing brand achieved sales of 5.5 thousand units, representing a year-on-year increase of approximately 225.7% as compared with 1.7 thousand units in 2013, outperforming in the domestic pure electric vehicle market.

Beijing Benz

Although the domestic passenger vehicle market and premium vehicle market have maintained double digit growth over recent years, the increase in the number of domestic cities introducing restrictive measures on car ownership, the campaign to rein in the consumption of luxury products and other factors have still exerted certain impact on the overall growth of the domestic premium vehicle market.

Faced with more fierce domestic market competition, Beijing Benz still managed to obtain favorable business performance in 2014. In 2014, the Mercedes-Benz brand (including imported vehicles and domestic vehicles manufactured by Beijing Benz) achieved cumulative sales growth in the PRC, surpassing the average growth rate of approximately 24% of the domestic premium vehicle market. Specifically, sales of Beijing Benz were 145.5 thousand units, representing a year-on-year increase of approximately 25.4%, accounting for around 54.5% of the total sales units of Mercedes-Benz brand vehicles in the PRC.

In August 2014, Beijing Benz introduced Mercedes-Benz brand's first long-wheelbase version ("LWB") of a mid-sized vehicle on the PRC's premium joint venture sedan market – the new LWB C-Class sedan, which was also the first vehicle model launched by Beijing Benz based on the new Mercedes-Benz Rear-wheel-drive Architecture ("MRA") platform. This new LWB C-Class sedan has instantly become a market favorite since being released.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

The Group's main business operations are the design, research and development, manufacturing and sales of passenger vehicles and the related after-sale services. The above business has brought sustained and stable revenue to our Group. In 2014, our Group achieved total revenue of approximately RMB56,370.3 million, of which:

Beijing Motor¹ generated revenue of RMB12,433.7 million, accounting for 22.1% of the total revenue, representing an increase of approximately 81.6% as compared with the total revenue in 2013, mainly attributable to (i) increase in the sales volume of Beijing Motor; and (ii) increase in the average selling price of Beijing Motor vehicles as a result of the launch of the new Senova D50 model;

Beijing Benz generated revenue of RMB43,936.6 million, accounting for 77.9% of the total revenue, representing an increase of approximately 640.4% as compared with the total revenue in 2013, mainly attributable to (i) increase in the sales volume of Beijing Benz; and (ii) inclusion of only 44 days of revenue of Beijing Benz in the Group's 2013 consolidated results.

Cost of Sales

In 2014, the Group incurred total cost of sales of approximately RMB47,386.8 million, of which:

Beijing Motor incurred cost of sales of RMB12,502.6 million, accounting for 26.4% of the total cost of sales, representing an increase of approximately 59.8% as compared with the total cost

1 In reference to the business segment, "Beijing Motor" means the consolidated results of our Company and its subsidiaries (excluding Beijing Benz).

of sales in 2013, mainly attributable to (i) increase in the sales volume of Beijing Motor; and (ii) increase in the average cost of Beijing Motor vehicles due to the launch of the new Senova D50 model;

Beijing Benz incurred cost of sales of RMB34,884.2 million, accounting for 73.6% of the total cost of sales, representing an increase of approximately 668.2% as compared with the total cost of sales in 2013, mainly attributable to (i) increase in the sales volume of Beijing Benz; and (ii) inclusion of only 44 days of cost of sales of Beijing Benz in the Group's 2013 consolidated results.

Gross profit

Based on the aforesaid reasons, the Group's gross profit increased by 2,063.8% from approximately RMB415.2 million in 2013 to RMB8,983.5 million in 2014. Gross margins for 2014 and 2013 are 15.9% and 3.2%, respectively, of which:

Beijing Motor's gross margin improved to -0.6% from approximately -14.3% in 2013. Gross margin of main products had achieved from negative to positive, mainly because (i) the gross margin of the new Senova D50 model is higher than the average level of Beijing Motor's products in 2013; and, (ii) part of the cost has been offset by the cost-cutting measures taken by the Company.

Beijing Benz's gross margin rose from 20.3% in 2013 to 20.6%.

Selling and distribution expenses

In 2014, the Group incurred total selling and distribution expenses of approximately RMB5,646.8 million, of which:

Beijing Motor incurred selling and distribution expenses of RMB1,625.1 million, accounting for 28.8% of total selling and distribution expenses, representing an increase of approximately 0.9% compared with the total selling and distribution expenses in 2013, mainly because (i) Beijing Motor achieved growth in sales volume; and (ii) part of the selling and distribution expenses has been offset by the cost-cutting measures taken by the Company;

Beijing Benz incurred selling and distribution expenses of RMB4,021.7 million, accounting for 71.2% of total selling and distribution expenses, representing an increase of approximately 578.6% compared with total selling and distribution expenses in 2013, mainly attributable to (i) increase in the sales volume of Beijing Benz, and, (ii) inclusion of only 44 days of such expenses of Beijing Benz in the Group's 2013 consolidated results.

General and administrative expenses

In 2014, the Group incurred general and administrative expenses of approximately RMB3,455.0 million in total, of which:

Beijing Motor incurred general and administrative expenses of RMB947.8 million, accounting for 27.4% of total general and administrative expenses, representing an increase of approximately 18.9% compared with the total general and administrative expenses in 2013, mainly due to business development and increase in wages as a result of the headcount growth;

Beijing Benz incurred general and administrative expenses of RMB2,507.2 million, accounting for 72.6% of the total general and administrative expenses, representing an increase of approximately 451.7% compared with the total general and administrative expenses in 2013, mainly attributable to (i) increase in wages and depreciation, as well as the increase in technical support costs as a result of new car models and new production capacity including engines; and (ii) inclusion of only 44 days of such expenses of Beijing Benz in the Group's 2013 consolidated results.

Share of profits of joint ventures and associates

The Group recorded a total investment income of RMB5,809.1 million in 2014, representing a decrease of 3.5% over last year, of which RMB5,688.6 million came from Beijing Hyundai, representing a year-on-year increase of 5.35%. In 2014, the Group was no longer entitled to the share of profits from Beijing Benz as a joint venture. The Group was entitled to RMB571.2 million in share of profits from Beijing Benz during the period from January 4, 2013 to November 17, 2013.

Financial expenses

In 2014, the Group incurred total net financial expenses of approximately RMB533.1 million, of which:

Beijing Motor incurred financial expense of RMB560.4 million, accounting for 105.1% of the total financial expenses, an increase of approximately 16.7% as compared to the total financial expenses incurred in 2013, mainly due to the increase in borrowings;

Beijing Benz generated financial income of RMB27.3 million, accounting for 5.1% of total financial expenses, representing an increase of approximately 525.0% as compared with the total financial expenses in 2013, mainly attributable to (i) foreign exchange gains as a result of the appreciating RMB exchange rate against Euro; and (ii) inclusion of only 44 days of such expenses of Beijing Benz in the Group's 2013 consolidated results.

Income tax

The amount of enterprise income tax payable by the Group in 2014 as calculated pursuant to the Enterprise Income Tax Law of the People's Republic of China was RMB856.5 million, of which:

Beijing Motor recognized deferred tax assets of RMB18.8 million, attributable to temporary differences arising between tax bases of assets and liabilities and their carrying amounts.

The amount of income tax payable by Beijing Benz was RMB875.4 million, accounting for 102.2% of the total income tax payable. This figure represents an increase of approximately 909.2% compared with the total income tax payable in 2013, mainly attributable to (i) increase in the profit of Beijing Benz before income tax; and (ii) inclusion of only 44 days of profit of Beijing Benz in the Group's 2013 consolidated results.

Profit attributable to equity holders of the Company

Based on the aforesaid reasons, the Group recorded a profit attributable to equity holders of the Company of approximately RMB4,510.8 million in 2014, representing an increase of 66.2% from 2013; and earnings per share of approximately RMB0.70, representing an increase of 45.8% from 2013.

Financial assets

As of December 31, 2014, the Group had cash and cash equivalents of RMB21,923.3 million, notes receivable of RMB3,970.9 million, notes payable of RMB1,229.1 million, outstanding short-term loans of RMB15,983.1 million, outstanding long-term loans of RMB13,935.2 million, and unused bank credit line of RMB29,019.3 million. The Group had commitments for capital expenditure of approximately RMB15,052.8 million at the same point in time.

As of December 31, 2013, the Group had cash and cash equivalents of RMB16,789.9 million, short-term deposits with initial term of over three months of RMB4.5 million, notes receivable of RMB2,606.2 million, notes payable of RMB707.5 million, outstanding short-term loans of RMB7,833.4 million, outstanding long-term loans of RMB15,122.5 million, and unused bank credit line of RMB33,183.2 million.

Foreign exchange risks

As certain procurement transactions of the Group are settled in Euro, the Group is of the opinion that exchange rate fluctuations begins to exert certain impact on the Group's overall financial performance, but such impact is still controllable. The Group has taken measures to hedge foreign exchange risks by purchasing forward contracts.

Total assets

As of December 31, 2014, total assets of the Group were approximately RMB109,858.7 million, representing an increase of approximately RMB24,462.9 million compared with those in 2013, mainly attributable to (i) increase in fixed assets, intangible assets and construction-in-progress; and (ii) crediting of the funds raised from the Global Offering into the relevant accounts.

Total liabilities

As of December 31, 2014, total liabilities of the Group were approximately RMB67,890.0 million, representing an increase of approximately RMB13,547.8 million as compared with those in 2013, mainly due to the increase in borrowings. Among these, the amount of fixed-rate liabilities was approximately RMB11,240.5 million.

Total equity

As of December 31, 2014, total equity of the Group was approximately RMB41,968.6 million, representing an increase of approximately RMB10,915.1 million as compared with that in 2013, mainly due to the completion of the Global Offering within 2014.

Net gearing ratio

As of December 31, 2014, the Group's net gearing ratio (net liabilities/(total borrowings and financial leasing commitments less cash and cash equivalents)) was 136.5%, representing a decrease of 0.2 percentage points from 136.7% as compared with that in 2013.

Significant investment

The Group incurred research and development expenses and capital expenditures of RMB14,576.9 million in total in 2014, mainly attributable to (i) fixed asset investment projects for Beijing Benz, (ii) fixed asset investment projects for Beijing Motor; and (iii) research and development projects for Beijing Motor, etc.

Material acquisitions and disposals

The Company completed the purchase of its entire equity interests in Guangzhou Company from BAIC Group on July 24, 2014 with cash consideration of RMB2,369.8 million.

Pledge of asset

As of December 31, 2014, the Group had pledged notes receivable of RMB1,275.1 million and pledged inventory of RMB1,896.0 million, respectively.

Contingent liabilities

The Group had no material contingent liability within 2014.

Employee and remuneration policies

As of December 31, 2014, the Group had 22,015 employees, while the figure was 20,371 as of December 31, 2013. In 2014, the Group incurred total staff costs of RMB3,490.5 million, representing an increase of approximately 196.1% as compared with those in 2013, mainly attributable to (i) increase in headcount; and, (ii) inclusion of only 44 days of costs and expenses of Beijing Benz in the Group's 2013 consolidated results.

The Group sets employee remuneration standards based on industry average levels, and gives rewards based on the Group's operating performance and the performance of individual employees.

As of December 31, 2014, the Group has no share incentive arrangement.

RISK FACTORS

Risks relating to macroeconomic downward

The Group's operating performance is affected to a large extent by the growth rate of the PRC's economy. The 2014 GDP growth as announced by the government of the PRC is lower than those in previous years. Such situation, if persists, may lead to an overall decline in the demand for passenger vehicles, thus adversely affecting the performance of the Group. The Group will pay continuous attention to the PRC's macroeconomic situations, and introduce responsive measures in due course.

Policy risks

As at the end of 2014, a total of seven cities in the PRC have introduced passenger vehicle registration policies by lottery, auction and a combination of both. At the same time, cities including Beijing, Tianjin and Shenzhen have imposed travel restrictions on vehicles. Such policies may adversely affect the performance of auto manufacturers including the Group. If more cities in the PRC adopt the policies that restrict vehicle registration and vehicle travel, the Group's operating performance may be affected.

Risks relating to the costs of raw materials, components and automobile parts

The costs of raw materials, components and automobile parts constitute the majority of the Group's cost of sales. Therefore, fluctuations in their supply or prices may have certain impact on the Group's operating performance. In 2014, the Group incurred raw material costs of approximately RMB43,961.5 million, accounting for approximately 77.6% of the total cost of sales.

Risks relating to losses of the Beijing brand business

Due to its late start, the Group's Beijing brand business still has underutilized production capacity, and the Group continued to record operating losses and negative operating cash flow for this business segment in 2014. Nevertheless, the Group noted that, main products of the Beijing brand achieved positive gross profit as compared with negative gross profit over previous years; and the loss situation improved as compared with 2013.

OUTLOOK OF 2015

Beijing brand

The group expects that for passenger vehicle market in a narrow sense, sales of proprietary brands will continue to maintain rapid growth in 2015, and manufacturers of proprietary brand vehicles will continue to strengthen their sales of sports utility vehicle ("SUV") products. The new round of energy conservation subsidy policy will have positive impact on proprietary brands. With the reform of public service vehicles moving forward to local governments, demonstration effects of using proprietary brand vehicles as public service vehicles will continue to boost in the country.

To align with the industry development trend, Beijing brand's overall business objectives in 2015 will focus on "adjusting structure, promoting transformation, expanding internal strengths, pursuing efficiency and effectiveness". We will use new products and new models as the entry points, conduct research on consumers and competitors, and respond promptly to the demand and changes of the industry. To achieve such objectives, firstly, the Company will continue to carry out the optimization of systems, establish a timely and accurate user and competition research system, and develop a fast and efficient market response system. Secondly, the Company will continue to promote structural adjustment from the three dimensions, namely, products, markets, and distributors (adjustment of products structure refers to increasing sales of SUV products quickly; markets structure adjustment refers to promoting the rapid expansion and penetration of sale channels; distributors structure adjustment refers to the realization of balanced regional development and the improvement of profitability). Finally, the Company plans to rapidly improve sales capability, including the abilities to solicit customers and facilitate transactions, standardize dealer's basic operation capability, consolidate service assurance and strengthen customer relation management.

With the above business objectives, the Group expects to have a variety of brand new products come into the market during 2015, including Senova D80, Senova X65, Senova X55, Senova C33 and Senova CC.

We plan to launch Senova D80 in the first half of 2015. It is a high-end mid-size Sedan of our proprietary brand, available with 1.8L naturally-aspirated engine and 2.0L turbo engine and with manual or automatic transmission.

Senova X65 was launched on March 21, 2015. It is a mid- to high-end compact SUV of our proprietary brand, with 2.0L turbo engine and with manual or automatic transmission.

We plan to launch Senova X55 in the third quarter of 2015. It is a mid-end compact SUV of our proprietary brand, available with 1.5L naturally-aspirated engine and 1.5L turbo engine and with manual or automatic transmission,

We plan to launch Senova C33 in the third quarter of 2015. It is a SUV available with 1.3L and 1.5L naturally-aspirated engine options and with a manual or automatic transmission.

We plan to launch Senova CC in the first half of 2015. It will be a high-performance product among the Senova series, including sedan and SUV.

Beijing Benz

The Group estimates that in 2015, growth of luxury vehicle market will be apparently faster than passenger vehicle market. Its driving force mainly comes from upgrade and update of non-luxury vehicles, increase in the demand for compact luxury vehicles and the psychological effect on customers imposed by license plate limitation policy in various places in the PRC.

Under such an overall trend, Beijing Benz will, on the basis of the Group's annual business objectives, focus on customers, apply more "internet thinking" and further enrich the product lines.

Based on the above business objectives, Beijing Benz is expected to have three brand new products coming into market successively in 2015, including the new generation of GLK SUV, standard wheel-base type new C class sedan and GLA SUV.

The regular-wheelbase version of new C class sedan, available with 1.6L and 2.0L turbo engine options and with a 7-speed automatic transmission, is planned to be launched in the second quarter of 2015.

The GLA model, a premium SUV, available with 1.6L and 2.0L turbo engine options and with automatic transmission, is planned to be launched in the second quarter of 2015. This will be Beijing Benz's first compact model based on the new MFA platform.

The new generation of GLK model, a premium SUV, available with 1.8L and 3.0L turbo engine options, and with a manual and automatic all-in-one transmission, is planned to be launched in the fourth quarter of 2015.

Beijing Hyundai

The Company expects that after Beijing Hyundai's new production base going into operation, the average revenue of a single vehicle and the proportion of "D+S" products will further increase, consolidating the first camp position of Beijing Hyundai in the PRC's passenger vehicle industry while seeking for new breakthroughs.

In 2015, Beijing Hyundai plans to further expand its dealership network by permeating into third and fourth tier cities, strengthening dealership network coverage over the central part of the PRC where economic development is fast, and entering into new markets in the central and southern parts of the PRC.

In respect of the launch of new products, the ninth generation sonata with 2.0L and 2.4L turbo engine options and automatic transmission, which was launched on March 20, 2015, will see a further improvement in its competitiveness in China's market as a result of the brand new body and interior and exterior designs.

PROFIT DISTRIBUTION

The Board proposes to distribute an annual dividend in 2014, of RMB0.30 per share (tax inclusive). The proposal will be submitted to the 2014 annual general meeting (the "**2014 Annual General Meeting**") of the Company for shareholders' approval. For details of the distribution of annual dividend of the Company, please refer to the circular for the 2014 Annual General Meeting to be issued by the Company.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES

The Company and the Group have made no purchase, redemption and sale of the Company's listed securities in 2014.

PURPOSE FOR PROCEEDS FROM GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on December 19, 2014. Net proceeds from the Global Offering was approximately RMB7,910.3 million.

Net proceeds from the Global Offering have not been utilized by the end of 2014. The Company plans to begin using the net proceeds from the Global Offering, and its purpose is consistent with the “Future plan and use of proceeds” as contained in the Company’s prospectus dated December 9, 2014

SUBSEQUENT EVENTS

On January 9, 2015, the Company issued additional 87,320,000 new shares with nominal value of RMB1.00 each for the exercises of over-allotment of its Global Offering at a price of HK\$8.90 per share.

On February 12, 2015, the Company issued RMB500 million of medium-term notes which are unsecured, bear interest at 4.68% and repayable in 5 years.

ANNUAL GENERAL MEETING AND CLOSURE OF SHARE REGISTER OF MEMBERS

The Company proposes to hold the 2014 Annual General Meeting in June 2015. For details of the resolutions to be considered and approved, the book closure date of H shares, the record date for payment of dividend, and the date of the 2014 Annual General Meeting, please refer to the circular for the 2014 Annual General Meeting to be issued by the Company.

COMPLIANCE WITH THE REGULATIONS OF CORPORATE GOVERNANCE

In 2014, the Company has complied with the code provisions of the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Having made all reasonable enquiries to the Director and the supervisors of the Company (the “**Supervisors**”), the Board confirms that, in 2014, the Directors and the Supervisors have strictly followed the “Model Code for Securities Transactions by Directors of Listed Issuers” in Appendix 10 to the Listing Rules. The Company has not adopted a standard lower than that provided by the model code in relation to the securities dealings of the Directors and the Supervisors.

AUDIT COMMITTEE

The Company established the audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Code. The members of the Audit Committee include Mr. Wong Lung Tak Patrick (chairman), Mr. Ma Chuanqi and Mr. Liu Kaixiang. The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended December 31, 2014.

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 in due course all the information required by the Listing Rules together with the 2014 annual report of the Company, which will also be published on the websites of the Company and the Stock Exchange.

**BY ORDER OF THE BOARD
BAIC MOTOR CORPORATION LIMITED**

Chairman

Xu Heyi

March 22, 2015, Beijing, the PRC

On the date of this announcement, the Board includes Mr. Xu Heyi, Chairman and non-executive director, Mr. Li Feng, executive director, non-executive directors Mr. Zhang Xiyong, Mr. Li Zhili, Mr. Ma Chuanqi, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Bodo Uebber, Ms. Wang Jing, Mr. Yang Shi, and independent non-executive directors Mr. Fu Yuwu, Mr. Huang Longde, Mr. Bao Xiaochen, Mr. Zhao Fuquan and Mr. Liu Kaixiang.