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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2015**

The board (the “**Board**”) of directors (the “**Directors**”) of BAIC Motor Corporation Limited (the “**Company**” or “**We**” or “**Our**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended June 30, 2015 (the “**Reporting Period**”). The results have been prepared in accordance with the International Accounting Standard 34, “Interim Financial Reporting” issued by the International Accounting Standards Board and the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The audit committee of the Board (the “**Audit Committee**”) and PricewaterhouseCoopers, the external auditors of the Group, have reviewed the unaudited condensed consolidated interim financial information (“**Condensed Financial Information**”).

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2015

		For the six months ended June 30,	
		2015	2014
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
			(Restated)
Revenue	3	36,522,319	25,126,877
Cost of sales	12	(30,336,885)	(21,711,810)
Gross profit		6,185,434	3,415,067
Selling and distribution expenses	12	(2,983,114)	(2,071,834)
General and administrative expenses	12	(1,743,033)	(1,308,264)
Other gains, net	11	1,252,401	14,007
Operating profit		2,711,688	48,976
Finance income		145,976	159,561
Finance costs		(554,697)	(392,851)
Finance costs, net		(408,721)	(233,290)
Share of profits of joint ventures		1,941,752	2,777,840
Share of profits of associates		93,178	35,364
Profit before income tax		4,337,897	2,628,890
Income tax expense	13	(847,127)	(318,370)
Profit for the period		3,490,770	2,310,520
Other comprehensive income		—	—
Total comprehensive income for the period		3,490,770	2,310,520
Attributable to:			
Equity holders of the Company		2,170,790	1,780,655
Non-controlling interests		1,319,980	529,865
		3,490,770	2,310,520
Earnings per share for profit attributable to equity holders of the Company during the period (RMB)			
Basic and diluted	14	0.29	0.28

The notes on pages 5 to 19 are an integral part of this Condensed Financial Information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT JUNE 30, 2015

	<i>Note</i>	June 30, 2015	December 31,
		RMB'000	2014
		(Unaudited)	RMB'000
			(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		35,489,135	34,218,190
Land use rights		5,284,624	5,347,184
Intangible assets		9,248,003	8,251,308
Investments in joint ventures		9,447,402	12,675,306
Investments in associates		1,389,140	1,391,135
Available-for-sale financial assets		4,000	4,000
Deferred income tax assets	4	3,227,498	2,676,059
Prepayment for non-current assets		943,066	976,823
		65,032,868	65,540,005
Current assets			
Inventories		10,413,897	11,068,159
Accounts receivable	5	9,507,023	6,422,290
Advances to suppliers		1,540,692	1,029,695
Other receivables and prepayments	6	3,714,880	2,831,500
Restricted cash		3,800,137	1,043,710
Cash and cash equivalents		20,884,462	21,923,296
		49,861,091	44,318,650
Total assets		114,893,959	109,858,655

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

AS AT JUNE 30, 2015

	<i>Note</i>	June 30, 2015	December 31, 2014
		RMB'000	RMB'000
		(Unaudited)	(Audited)
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	7	7,595,338	7,508,018
Other reserves		17,208,271	16,677,213
Retained earnings		9,061,925	9,169,736
		<u>33,865,534</u>	<u>33,354,967</u>
Non-controlling interests		11,353,080	8,613,649
		<u>45,218,614</u>	<u>41,968,616</u>
LIABILITIES			
Non-current liabilities			
Borrowings	8	10,578,885	13,935,190
Deferred income tax liabilities	4	870,290	887,471
Provisions		1,231,690	894,901
Deferred income from government grants		730,085	672,609
		<u>13,410,950</u>	<u>16,390,171</u>
Current liabilities			
Accounts payable	9	19,916,857	14,977,797
Advances from customers		1,644,679	2,591,312
Other payables and accruals	10	17,224,860	17,115,051
Current income tax liabilities		677,781	38,787
Borrowings	8	16,183,298	15,983,058
Provisions		616,920	793,863
		<u>56,264,395</u>	<u>51,499,868</u>
Total liabilities		69,675,345	67,890,039
		<u>114,893,959</u>	<u>109,858,655</u>
Total equity and liabilities		114,893,959	109,858,655

The notes on pages 5 to 19 are an integral part of this Condensed Financial Information.

NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

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

This Condensed Financial Information is presented in thousands of Renminbi Yuan ("**RMB**"), unless otherwise stated, and is approved for issue by the Board on August 25, 2015.

This Condensed Financial Information has not been audited.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This Condensed Financial Information has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim Financial Reporting" and Appendix 16 to the Listing Rules. The Condensed Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

(a) As at June 30, 2015, the current liabilities of the Group exceeded its current asset by RMB6,403 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 RMB4,920 million and RMB25,861 million respectively as at June 30, 2015.

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, this Condensed Financial Information has been prepared on a going concern basis.

- (b) In July 2014, the Company acquired from BAIC Group its entire 100% equity interests in BAIC Guangzhou Automotive Co., Ltd. (“**Guangzhou Company**”). 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 principle of merger accounting in preparing this Condensed Financial Information of the Group.

By applying the principle of merger accounting, this Condensed Financial Information also includes the financial positions, results and cash flows of Guangzhou Company as if it had been combined with the Group throughout the six months ended June 30, 2014. Comparative figures for the six months ended June 30, 2014 have been restated as a result of such.

- (c) The accounting policies applied in this Condensed Financial Information are consistent with those of the annual financial statements for the year ended December 31, 2014, except the adoption of the following amendments which are mandatory for the accounting period beginning on January 1, 2015:

Annual Improvement Project IAS 19 (Amendment)	Annual improvements 2010-2012 cycle and 2011-2013 cycle Employee benefits
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The adoption of above amendments does not have any significant financial effect on this Condensed Financial Information.

The following are new standards and amendments to standards that have been issued but are not yet effective for the financial year beginning January 1, 2015 and have not been early adopted.

IAS 1 (Amendment)	The disclosure initiative ⁽¹⁾
IAS 16 and IAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortization ⁽¹⁾
IAS 27 (Amendment)	Separate financial statements regarding the equity method ⁽¹⁾
IAS 28 and IFRS 10 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture ⁽¹⁾
IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception ⁽¹⁾
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation ⁽¹⁾
IFRS 14	Regulatory deferral accounts ⁽¹⁾
Annual Improvement Project	Annual Improvements 2012-2014 cycle ⁽¹⁾
IFRS 15	Revenue from contracts with customers ⁽²⁾
IFRS 9	Financial instruments ⁽²⁾

⁽¹⁾ Effective for the accounting period beginning on January 1, 2016

⁽²⁾ 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.

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 and engines 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 <i>RMB'000</i> (Unaudited)	Passenger vehicles – Beijing Benz <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
For the six months ended June 30, 2015			
Total revenue	7,315,330	29,231,445	36,546,775
Inter-segment revenue	(24,456)	–	(24,456)
Revenue from external customers	<u>7,290,874</u>	<u>29,231,445</u>	<u>36,522,319</u>
Segment gross (loss)/profit	<u>(706,009)</u>	<u>6,891,443</u>	<u>6,185,434</u>
Other profit & loss disclosure:			
Depreciation and amortization	(545,812)	(1,528,638)	(2,074,450)
Provisions for impairments on receivables, inventories and property, plant and equipment	(411,701)	–	(411,701)
Finance costs, net	(333,994)	(74,727)	(408,721)
Income tax credit/(expense)	<u>22,868</u>	<u>(869,995)</u>	<u>(847,127)</u>

	Passenger vehicles – Beijing Motor RMB'000 (Unaudited)	Passenger vehicles – Beijing Benz RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
For the six months ended June 30, 2014 (restated)			
Total revenue	5,982,207	19,156,718	25,138,925
Inter-segment revenue	(12,048)	–	(12,048)
	<u>5,970,159</u>	<u>19,156,718</u>	<u>25,126,877</u>
Revenue from external customers	<u>5,970,159</u>	<u>19,156,718</u>	<u>25,126,877</u>
Segment gross (loss)/profit	<u>(195,547)</u>	<u>3,610,614</u>	<u>3,415,067</u>
Other profit & loss disclosure:			
Depreciation and amortization	(440,614)	(595,273)	(1,035,887)
Provisions for impairments on receivables, inventories and property, plant and equipment	(111,041)	–	(111,041)
Finance (costs)/income, net	(278,801)	45,511	(233,290)
Income tax credit/(expense)	5,492	(323,862)	(318,370)
	<u>5,492</u>	<u>(323,862)</u>	<u>(318,370)</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 six months ended June 30, 2015 and 2014 are as follows:

	For the six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Segment gross profit	6,185,434	3,415,067
Selling and distribution expenses, general and administrative expenses and finance costs, net	(5,134,868)	(3,613,388)
Other gains, net	1,252,401	14,007
Share of profits of joint ventures and associates, net	2,034,930	2,813,204
	<u>4,337,897</u>	<u>2,628,890</u>
Profit before income tax	4,337,897	2,628,890
Income tax expense	(847,127)	(318,370)
	<u>3,490,770</u>	<u>2,310,520</u>
Profit for the period	3,490,770	2,310,520

There is no customer accounting to 10 percent or more of the Group's revenue for each of the six months ended June 30, 2015 and 2014.

The Group is domiciled in PRC. The percentage of its revenue from external customers residing in the PRC is 99.8% for the six months ended June 30, 2015 (six months ended June 30, 2014: 100%). The Group's long-lived assets are primarily located in Mainland China and Hong Kong.

The segment assets and liabilities as at June 30, 2015 and December 31, 2014 are as follows:

	Passenger vehicles – Beijing Motor RMB'000	Passenger vehicles – Beijing Benz RMB'000	Total RMB'000
At June 30, 2015 (unaudited)			
Total assets	60,546,779	54,347,180	114,893,959
Including:			
Investment in joint ventures	9,447,402	–	9,447,402
Investment in associates	1,389,140	–	1,389,140
Total liabilities	(38,633,458)	(31,041,887)	(69,675,345)
At December 31, 2014 (audited)			
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)

The total of non-current assets other than financial instruments and deferred tax assets of Beijing Motor and Beijing Benz of June 30, 2015 is approximately RMB23,021,965,000 and RMB26,999,797,000 respectively (December 31, 2014: approximately RMB20,713,797,000 and approximately RMB27,102,885,000 respectively).

4. DEFERRED INCOME TAXES

	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000 (Audited)
Deferred income tax assets:		
– to be recovered after more than 12 months	3,029,833	2,521,527
– to be recovered within 12 months	197,665	154,532
	<u>3,227,498</u>	<u>2,676,059</u>
Deferred income tax liabilities:		
– to be settled after more than 12 months	(850,500)	(871,649)
– to be settled within 12 months	(19,790)	(15,822)
	<u>(870,290)</u>	<u>(887,471)</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 RMB'000	Accruals RMB'000	Others RMB'000	Total RMB'000
At January 1, 2015 (audited)	123,761	2,481,069	71,229	2,676,059
Credited to statement of comprehensive income	–	371,412	180,027	551,439
At June 30, 2015 (unaudited)	<u>123,761</u>	<u>2,852,481</u>	<u>251,256</u>	<u>3,227,498</u>
	(Restated)	(Restated)	(Restated)	(Restated)
At January 1, 2014 (audited)	298,229	2,369,888	39,540	2,707,657
Charged to statement of comprehensive income	–	(202,176)	(1,162)	(203,338)
At June 30, 2014 (unaudited)	<u>298,229</u>	<u>2,167,712</u>	<u>38,378</u>	<u>2,504,319</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, 2015 (audited)	–	(55,628)	(831,843)	(887,471)
(Charged)/credited to statement of comprehensive income	–	(907)	18,088	17,181
At June 30, 2015 (unaudited)	–	(56,535)	(813,755)	(870,290)
At January 1, 2014 (audited)	–	(72,165)	(874,227)	(946,392)
Credited/(charged) to statement of comprehensive income	–	(8,316)	21,191	12,875
At June 30, 2014 (unaudited)	–	(80,481)	(853,036)	(933,517)

5. ACCOUNTS RECEIVABLE

	June 30, 2015	December 31, 2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables, gross <i>(note (a))</i>	6,219,383	2,454,837
Less: provision for impairment	(3,459)	(3,496)
	6,215,924	2,451,341
Notes receivable	3,291,099	3,970,949
	9,507,023	6,422,290

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:

	June 30, 2015	December 31, 2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current to 1 year	6,193,306	2,421,937
1 to 2 years	21,472	30,223
2 to 3 years	1,928	70
Over 3 years	2,677	2,607
	6,219,383	2,454,837

- (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:

	June 30, 2015	December 31, 2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Pledged notes receivable	1,456,505	1,275,055

6. OTHER RECEIVABLES AND PREPAYMENTS

	June 30, 2015 <i>RMB'000</i> (Unaudited)	December 31, 2014 <i>RMB'000</i> (Audited)
Value-added tax, consumption tax recoverable and prepaid income tax	1,897,331	1,535,941
Government grants (<i>note</i>)	835,145	552,263
Receivable from provision of services	269,224	206,621
Disposal of property, plant and equipment	139,431	139,431
Receivable from sales of raw materials	110,500	–
Others	463,774	397,837
	<u>3,715,405</u>	<u>2,832,093</u>
Less: provision for impairment	(525)	(593)
	<u><u>3,714,880</u></u>	<u><u>2,831,500</u></u>

note: This mainly includes subsidies from national and local governments for the sales of new energy vehicles.

7. SHARE CAPITAL

	Ordinary shares of RMB1 each (<i>'000</i>)	<i>RMB'000</i>
At January 1, 2015 (audited)	7,508,018	7,508,018
Additions (<i>note</i>)	87,320	87,320
	<u>7,595,338</u>	<u>7,595,338</u>
At June 30, 2015 (unaudited)	<u>7,595,338</u>	<u>7,595,338</u>
	<u><u>6,381,818</u></u>	<u><u>6,381,818</u></u>
At January 1 (audited) and June 30, 2014 (unaudited)	<u><u>6,381,818</u></u>	<u><u>6,381,818</u></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.

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

The total gross proceeds from the exercises of over-allotment of the Global Offering was approximately HK\$777,088,000 (equivalent to approximately RMB613,433,000), of which RMB87,320,000 was credited to share capital and approximately RMB526,113,000 was credited to share premium. The related share issuance costs amounted to approximately RMB5,737,000.

8. BORROWINGS

	June 30, 2015 <i>RMB'000</i> (Unaudited)	December 31, 2014 <i>RMB'000</i> (Audited)
Non-current		
Bank borrowings (<i>note (b)</i>)	6,048,722	8,342,189
Corporate bonds, unsecured (<i>note (a)</i>)	4,530,163	5,593,001
	<hr/>	<hr/>
Total non-current borrowings	10,578,885	13,935,190
Current		
Bank borrowings (<i>note (b)</i>)	12,155,467	10,454,500
Add: current portion of non-current bank borrowings (<i>note (b)</i>)	1,029,742	3,032,553
	<hr/>	<hr/>
	13,185,209	13,487,053
Current portion of non-current corporate bonds, unsecured (<i>note (a)</i>)	2,998,089	2,496,005
	<hr/>	<hr/>
Total current borrowings	16,183,298	15,983,058
	<hr/>	<hr/>
Total borrowings	26,762,183	29,918,248

Maturity of borrowings

	June 30, 2015 <i>RMB'000</i> (Unaudited)	December 31, 2014 <i>RMB'000</i> (Audited)
Within 1 year	16,183,298	15,983,058
Between 1 and 2 years	3,525,731	4,210,666
Between 2 and 5 years	6,054,654	8,726,024
Over 5 years	998,500	998,500
	<hr/>	<hr/>
	26,762,183	29,918,248
	<hr/>	<hr/>
Wholly repayable:		
– within 5 years	25,763,683	28,919,748
– over 5 years	998,500	998,500
	<hr/>	<hr/>
	26,762,183	29,918,248
	<hr/>	<hr/>

Contractual repricing dates upon interest rate changes

	June 30, 2015 <i>RMB'000</i> (Unaudited)	December 31, 2014 <i>RMB'000</i> (Audited)
Within 6 months	17,611,600	17,681,235
6 to 12 months	794,000	996,507
	18,405,600	18,677,742

Weighted average annual interest rates

	June 30, 2015 <i>RMB'000</i> (Unaudited)	December 31, 2014 <i>RMB'000</i> (Audited)
Bank borrowings	4.64%	5.04%
Corporate bonds	5.37%	5.38%

Currency denomination

	June 30, 2015 <i>RMB'000</i> (Unaudited)	December 31, 2014 <i>RMB'000</i> (Audited)
RMB	23,859,955	24,917,499
Euro	2,810,327	3,459,813
US\$	91,901	1,354,640
HK\$	–	186,296
	26,762,183	29,918,248

Undrawn facilities at floating rates

	June 30, 2015 <i>RMB'000</i> (Unaudited)	December 31, 2014 <i>RMB'000</i> (Audited)
Within 1 year	4,919,673	4,640,111
Over 1 year	25,861,123	24,379,185
	30,780,796	29,019,296

notes:

(a) Corporate bonds are analyzed as follows:

Issuer	Issue date	Interest rate per annum	Par value RMB'000	Carrying value RMB'000	Fair value RMB'000	Maturity
At June 30, 2015 (unaudited)						
BAIC Investment Co., Ltd. ("BAIC Investment"; 97.95% owned subsidiary of the Company)						
	January 29, 2010	5.18%	1,435,500	1,433,163	1,473,858	7 years
Company	August 14, 2012	5.00%	1,500,000	1,499,266	1,516,247	3 years
Company	April 10, 2013	4.96%	1,500,000	1,498,823	1,482,746	3 years
Company	September 22, 2014	5.54%	300,000	299,550	327,155	7 years
Company	September 22, 2014	5.54%	300,000	299,550	327,155	7 years
Company	September 10, 2014	5.74%	400,000	399,400	441,722	7 years
Company	August 12, 2014	5.40%	1,000,000	999,000	1,111,473	3 years
Beijing Benz Company	December 11, 2014	5.20%	600,000	600,000	586,773	3 years
	February 12, 2015	4.68%	500,000	499,500	516,002	5 years
				<u>7,528,252</u>		
At December 31, 2014 (audited)						
BAIC Investment Company						
	January 29, 2010	5.18%	1,500,000	1,496,977	1,564,411	7 years
	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	5.54%	300,000	299,550	314,706	7 years
Company	September 22, 2014	5.54%	300,000	299,550	314,706	7 years
Company	September 10, 2014	5.74%	400,000	399,400	424,982	7 years
Company	August 12, 2014	5.40%	1,000,000	999,000	1,037,361	3 years
Beijing Benz Company	December 11, 2014	5.20%	600,000	600,000	595,914	3 years
				<u>8,089,006</u>		

The above fair values are based on cash flows discounted using the market borrowing rates of 3.43% to 4.82% at June 30, 2015 (December 31, 2014: 4.68% to 5.45%). They are within level 2 of the fair value hierarchy.

(b) As at June 30, 2015, bank borrowings of approximately RMB4,396,846,000 are guaranteed by entities within the Group.

9. ACCOUNTS PAYABLE

	June 30, 2015 <i>RMB'000</i> (Unaudited)	December 31, 2014 <i>RMB'000</i> (Audited)
Trade payables	15,037,534	13,748,685
Notes payable	4,879,323	1,229,112
	<u>19,916,857</u>	<u>14,977,797</u>

Aging analysis of trade payables is as follows:

	June 30, 2015 <i>RMB'000</i> (Unaudited)	December 31, 2014 <i>RMB'000</i> (Audited)
Current to 1 year	14,797,041	13,737,253
1 year to 2 years	234,592	9,576
2 years to 3 years	4,471	827
over 3 years	1,430	1,029
	<u>15,037,534</u>	<u>13,748,685</u>

10. OTHER PAYABLES AND ACCRUALS

	June 30, 2015 <i>RMB'000</i> (Unaudited)	December 31, 2014 <i>RMB'000</i> (Audited)
Sales discounts and rebates	4,423,725	3,666,133
Payables for property, plant and equipment and intangible assets	3,712,273	5,909,446
Dividends payable	2,278,601	436,245
Technology usage fee	1,606,321	815,594
Advertising and promotion	1,231,468	1,486,014
Wages, salaries and other employee benefits	1,226,952	1,139,821
Payables for services and materials	1,133,051	1,305,662
Transportation and warehouse expenses	554,809	347,201
Other taxes	345,780	234,241
Interests payable	268,935	284,327
Deposits	236,707	137,123
Pre-delivery inspection expenses	133,993	126,646
Payables to certain shareholders	-	790,968
Payables for investments	-	419,138
Others	72,245	16,492
	<u>17,224,860</u>	<u>17,115,051</u>

11. OTHER GAINS, NET

	For the six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Gains from sales of scrap materials	23,804	29,733
Net foreign exchange gains/(losses)	590,835	(52,714)
Government grants (<i>note</i>)	652,384	49,215
Loss on disposal of property, plant and equipment	(22)	(764)
Others	(14,600)	(11,463)
	<u>1,252,401</u>	<u>14,007</u>

note:

The government grants received in the six months ended June 30, 2015 and 2014 mainly include subsidies from national and local government for the sales of new energy vehicles.

12. EXPENSES BY NATURE

	For the six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Raw materials used	25,767,688	21,051,690
Changes in inventories of finished goods and work-in-progress	(106,715)	(2,252,697)
Advertising and promotion	972,551	580,616
Employee benefit costs	2,085,172	1,454,146
Transportation and warehouse expenses	486,809	463,006
Depreciation on property, plant and equipment	1,778,247	785,511
Amortization on		
– land use rights	62,560	62,555
– intangible assets	233,643	187,821
Provision for/(reversal of) impairment		
– inventories	411,806	116,897
– receivables	(105)	(5,856)
Warranty expenses	329,935	168,640
Research costs	8,134	14,439
Utilities	273,784	172,622
Operating lease expenses	38,320	70,667
Office and travel expenses	28,688	35,245
Tax and levies	1,255,685	907,252
Conference fees	4,347	5,130
Consulting fees	15,174	8,979
Entertainment	2,376	5,118
Service fees and charges	1,119,339	687,823
Listing expenses	5,266	8,702
Others	290,328	563,602
	<u>35,063,032</u>	<u>25,091,908</u>
Total cost of sales, selling and distribution expenses, and general and administrative expenses		

13. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Current income tax	1,415,747	127,907
Deferred income tax (Note 4)	(568,620)	190,463
	<u>847,127</u>	<u>318,370</u>

Except for certain Group companies being recognized as new and high-technology enterprises with preferential income tax rate of 15% 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% on the assessable income of respective Group entities in accordance with relevant PRC enterprise income tax rules and regulations.

14. 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 relevant period.

	For the six months ended June 30,	
	2015	2014
	(Unaudited)	(Unaudited) (Restated)
Profit attributable to equity holders of the Company (RMB'000)	2,170,790	1,780,655
Weighted average number of ordinary shares in issue (in thousands)	<u>7,589,032</u>	<u>6,381,818</u>

During the six months ended June 30, 2015 and 2014, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.

15. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2015 (six months ended June 30, 2014: Nil). The final dividend of approximately RMB2,278,601,000 (RMB0.30 per share) relating to the year ended December 31, 2014 was approved by the shareholders at the annual general meeting held on June 29, 2015 and paid in August 2015.

BUSINESS OVERVIEW

• OVERVIEW

We are a leading manufacturer of passenger vehicles in China, and are also one of the large passenger vehicle manufacturers listed on the Stock Exchange. Our business covers (i) the Beijing Motor's proprietary brand (the "**Beijing Brand**"), which has a leading technology platform and has experienced fast sales growth, (ii) the premium passenger vehicle brand of Mercedes-Benz¹ which has a long history, and (iii) Beijing Hyundai's mid-to high-end brand² with stable sales growth. We offer a variety of passenger vehicle models to cover different market segments such as the joint venture brands of premium and mid to high tier markets and proprietary brands for the mid-to-high end and the economical market segments. We offer mid-to-large size sedans, mid-size sedans, compact sedans, small-size sedans, SUV, MPV and CUV products to satisfy demands of customers for different types of vehicles.

• BEIJING BRAND

The Beijing Brand passenger vehicle business is currently operated through three product series, including Senova, BJ and Wevan. The manufacturing bases for Beijing Brand are Beijing base (Beijing branch), Zhuzhou base (Zhuzhou branch) and Guangzhou base (Guangzhou branch). We totally sold 142,296 units of traditional Beijing Brand passenger vehicles and 6,216 units of new energy vehicles in the first half of 2015.

Senova (紳寶)

We commenced the sales of Senova passenger vehicles in 2013. Senova is a mid- to high-end passenger vehicle product series and targets customers who value both vehicle performance and cost efficiency. At present, we manufacture and sell the models of D80, D70, D50, D20 and CC and SUV Model of X65 under the Senova product series. We launched the models of D80, Senova CC sedans and SUV Model of X65 in the first half of 2015. We plan to launch the SUV models of X55 and X25(internal code C33) under the Senova product series in the second half.

BJ (北京)

We commenced the sales of BJ E-series sedan in 2012 and BJ40 off-road vehicles in December 2013. As part of an initiative to rebrand our vehicles of proprietary brands, we discontinued the BJ E-series products and rebranded the BJ E-series facelift as Senova D20 in November 2014.

¹ "Mercedes-Benz" is the brand of Daimler AG ("**Daimler AG**"), and our subsidiary, Beijing Benz, is endorsed to use the brand.

² "Hyundai" is the brand of Hyundai Motor Company ("**Hyundai Motor**") and our joint venture, Beijing Hyundai Automotive Co., Ltd ("**Beijing Hyundai**"), is endorsed to use the brand.

Wevan (威旺)

We commenced the sales of Wevan passenger vehicles in 2011. Our Wevan product focuses on CUV and MPV products, and targets small and micro businesses and individuals in China. Major products include the MPV model of Wevan M20, CUV models of Wevan 306, Wevan 307, Wevan 205 and Wevan 206. The 2015 MPV model of Wevan M20 will be launched in the second half of 2015.

- **BEIJING BENZ**

Beijing Benz is our subsidiary. The Company holds 51% equity interest of Beijing Benz, while Daimler AG and its wholly-owned subsidiary, Daimler Greater China Ltd. (“**DGRC**”), together hold 49% equity interest of Beijing Benz. Beijing Benz is the third-largest producer of Chinese joint venture premium passenger vehicles market by sales in 2014.

Beijing Benz commenced the sales of passenger vehicles of Mercedes-Benz brand in 2006. It currently manufactures and sells the E-Class sedan, the C-Class sedan and the GLK- and GLA-Class SUVs. Beijing Benz launched a long-wheelbase version (“**LWB**”) of the new C-Class in August 2014 and launched a standard-wheelbase version (“**SWB**”) of the new C-Class sedan and GLA-Class SUV in the first half of 2015, while a brand new generation product GLC-Class SUV is scheduled to be put on the market to replace GLK-Class SUV in the second half. In the first half of 2015, Beijing Benz totally sold 103,034 units of passenger vehicles, representing a year-on-year increase of 59.8%.

- **BEIJING HYUNDAI**

Beijing Hyundai is the joint venture between the Company and Hyundai Motor. Each of Beijing Automobile Investment, our subsidiary, and Hyundai Motor, holds 50.0% equity interest of Beijing Hyundai respectively. Beijing Hyundai is the second-largest joint venture brand passenger vehicle in China in 2014 in terms of sales volume of a single brand. In the first half of 2015, Beijing Hyundai sold 510,276 units of passenger vehicles. In the second half of 2015, it will launch a premium sport SUV New Tucson, three 2.0T facelift models of New Santa Fe with high price-performance ratio and hybrids of Mistra 1.6T, ix25 1.6T and Sonata 9th Generation (hybrid power) to satisfy needs of various consumers.

On April 3, 2015, the groundbreaking ceremony of Beijing Hyundai Cangzhou Factory, which is invested and constructed by Beijing Hyundai in Cangzhou Economic Development Area, Hebei Province, was held. It is expected to be completed in December 2016. For Phase I, an economy sedan model and a SUV facelift model will commence production. Cangzhou Factory has an annual complete vehicle production capacity of 300,000 units and an annual production capacity of 200,000 engines.

On June 23, 2015, the groundbreaking ceremony of Beijing Hyundai Chongqing branch was held in Yufu Industrial Park, Liangjiang New Area, Chongqing. It is expected to be completed and commence production in early 2017. For the first phase, a brand new A0-class model and a brand new A-class model will commence production. Chongqing Factory has an annual complete vehicle production capacity of 300,000 units and an annual engine production capacity of 300,000 units.

It is expected that, by 2017, the five factories of Beijing Hyundai will have a total production capacity of 1.65 million units, generating synergies and achieving nationwide coverage with its presence in the southern and northern areas. With its core drivers including production capacity, product and market, a solid foundation is laid for its sustainable and sound development of the automobile market in the PRC.

- **ENGINES AND AUTOMOBILE PARTS AND COMPONENTS**

The engines and other key automobile parts and components manufactured by the Group are used for manufacturing of our own passenger vehicles, as well as for sales to other automobile manufacturers.

As to Beijing Brand, we develop and manufacture engines mainly based on Saab technology and all such engines are used in Senova series passenger vehicles. At the same time, we produce core parts and components including connecting rods and camshafts for private use of BAIC Motor.

The engine factory of Beijing Benz commenced to manufacture engines in 2013. The annual production capacity of the manufacturing base of Beijing Benz was designed to reach 300,000 units. It is the only engine manufacturing base of Mercedes-Benz-branded passenger vehicles outside Germany, thus empowering Beijing Benz with the ability to manufacture critical parts and components of engines. Since the middle of 2014, Beijing Benz began to export to Germany critical parts and components of engines (including cylinder head, cylinder block and boss rod) produced by its engine manufacturing base, for Daimler AG's global manufacturing plants to produce engines.

- **DEALERSHIP NETWORK**

The Group has built an extensive dealership network in China. Sales and marketing activities are carried out by Beijing Brand, Beijing Benz and Beijing Hyundai respectively.

- **RESEARCH AND DEVELOPMENT STATUS**

The Group believes that research and development ability is crucial to future development of an enterprise. The research and development of the Group is conducted independently and through forming alliances with cooperative partners.

In 2009, BAIC Group acquired Saab technology, including structural design of three Saab models, two turbo engines, two gear boxes and production tools and moulds. Through adopting and upgrading Saab's design and technical standards, Beijing Brand has built its own passenger vehicle platform, system and parts and components to meet the needs of passenger vehicle design and development. Beijing Brand has made significant progress in research and development of new products in recent years, having 270 patents licensed in invention and utility model in the first half of 2015 alone. As at the date of this announcement, it owned over 2,000 patented designs.

On February 6, 2015, the Company entered into a joint venture agreement with MBtech Group GmbH & Co. KGaA (“**MBtech**”) for the establishment of a joint venture. It is expected that the project will optimize the research and development capabilities of the Company, effectively support the development of its proprietary brand, facilitate the further improvement of its overall strength as an automobile manufacturing enterprise and enhance its core competitiveness in line with the national policy to encourage improvement of self-innovation.

Beijing Benz started using the new research and development center in Beijing in July 2014. The new center covers an area of approximately 150,000 square meters with a total construction area of approximately 236,000 square meters, and is equipped with international advanced research and development facilities for localized adaptive design, testing of automobiles and components, production of prototype and localized components. It is also the largest research and development center in joint venture outside Germany for Daimler AG.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW AND BUSINESS SEGMENT OVERVIEW

Industry overview

In 2015, the global economy has seen a moderate recovery. It is expected that the growth for the year will return to approximately 3.5%³. The growth rate of gross domestic product (“**GDP**”) of China was approximately 7.0% in the first half of 2015, decreased as compared to the corresponding period in 2014. The growth rate for the year is expected to maintain at the same level. Affected by numerous external economic factors such as slow economic growth and fluctuation in the stock market, the overall growth pace of the PRC's passenger vehicle market significantly slowed down in the first half of 2015. The sales volume of passenger vehicles declined since April 2015, and its growth rate was slower as compared to the corresponding period of the prior year and on a year-on-year basis. The monthly sale waxed and waned. The passenger vehicle market showed a temporary slowdown. According to the statistics from the China Association of Automobile Manufacturers, the passenger vehicle production output in the PRC was 10.3 million units in the first half of 2015, representing a year-on-year increase of 6.4%, and was lower than the growth rate of 12.1% in the corresponding period in 2014. The sales volume was 10.1 million units, representing a year-on-year increase of 4.8%, and was lower than the growth rate of 11.2% in the corresponding period in 2014.

³ Estimated data from the World Bank published in the first half of 2015

Business segment overview

In respect of our three brands, namely Beijing Brand, Beijing Benz and Beijing Hyundai, the total sale volume amounted to 761.8 thousand units during the Reporting Period. In particular, the total sale volume of Beijing Brand and Beijing Benz under the consolidated financial statements of the Group amounted to 251.5 thousand units, representing a year-on-year increase of 15.3%, and was 10.5 percentage points higher than the growth rate of the PRC's passenger vehicle industry of 4.8%.

During the Reporting Period, the sales volume of Beijing Brand was 148.5 thousand units, representing a year-on-year decrease of 3.4%, due to decline in sedan and CUV market. However, benefited from the prompt adjustment on our sale strategy, the sales volume of SUV and MPV vehicles amounted to 67.7 thousand units, representing a year-on-year increase of 59.2%. Beijing Benz recorded excellent performance, with sales volume of 103.0 thousand units in the first half, representing a year-on-year increase of 59.8%. Affected by the sluggish sedan market, Beijing Hyundai recorded sales volume of 510.3 thousand units, representing a year-on-year decrease of 7.7%. The proportion of D+S vehicle model increased by 2.1 percentage points year-on-year to 43.2%, showing that our product portfolio had further optimized.

In addition, the Group also recorded better results in terms of cost efficiency, new product research and development, quality control and management innovation, hence providing a solid foundation for the sustainable, rapid and healthy development of the Group.

Beijing Brand

The growth in passenger vehicle market in the first half of 2015 was slower as compared to the prior years. However, SUV and MPV sectors were able to maintain rapid growth. Beijing Brand had good performance in these two sectors. In respect of MPV market, Beijing Brand strategically focused on Wevan's M20 in advance. With the rapid growth in the MPV market, in the first half of 2015, the sales volume of Wevan's M20 was 56.8 thousand units, representing a year-on-year increase of 51.0%. In respect of the SUV market, the first SUV under the Senova brand, namely Senova X65, was launched on March 21, 2015. Senova X65 recorded good results with 8.8 thousand units sold in less than 4 months.

The sales volume of sedan products of Beijing Brand slightly declined in the first half of 2015 due to slowdown in overall growth in sedan market. However, the class A sedan Senova D50 recorded good results in terms of sales volume with 26.6 thousand units sold during the Reporting Period.

In addition, under the backdrop of continuous implementation of restrictions on vehicle purchase and driving in first-tier cities, the Company was exploring new markets and tapping into the consumer demand of various levels based on the market trend. In the first half of 2015, the growth of Beijing Brand in second and third-tier cities was higher than the overall market growth, and ranked top among its competitors.

In respect of new energy vehicles, responding to the "energy saving and emission reduction" campaign of the PRC government, the Group has become a fashionable pioneer in adopting low-carbon and environmentally friendly policies within the industry. In the first half of 2015, new energy vehicles under Beijing Brand achieved sales of 6.2 thousand units, representing a year-on-year increase of 1,493.9%, outperforming other competitors in the domestic pure electric vehicle market.

Beijing Benz

The growth pace of premium vehicle market slowed down during the first half of 2015 due to the sluggish passenger vehicle market in PRC as a whole. Facing adverse market condition, Beijing Benz made an excellent result under sluggish market and achieved sales of 103.0 thousand units during the Reporting Period, representing a year-on-year increase of 59.8%.

The rapid growth of Beijing Benz was primarily attributable to the excellent performance of LWB C-Class sedan. The LWB C-Class sedan was well-received in the market since its launch in 2014. The accumulated sales were 33.1 thousand units in the first half of 2015.

Moreover, Beijing Benz launched the SWB C-Class sedan in the first half of 2015, which fully fulfilled the demand for vehicles of different customers, thereby securing the good momentum of the growth of C-Class sedan.

In addition, Beijing Benz launched the new GLA-Class SUV in the first half of 2015. The GLA, which was positioned as high-end compact SUV, filled the gap of Beijing Benz's product lines. It became a market favorite since its launch. The accumulated sales of GLA-Class SUV reached 6.2 thousand units since its launch.

In the first half of 2015, the sales of GLK-Class SUV under Beijing Benz had reached 34.0 thousand units, representing a year-on-year increase of 25.5%. Being a type of vehicle to be replaced in the second half of 2015, such satisfactory sales of GLK-Class SUV indicated the market and consumers' favorite and recognition on Beijing Benz Brand and its SUV products. Hence, the Group is confident about the outlook of GLC-Class SUV to be launched in the second half of 2015.

Beijing Hyundai

As affected by the sluggish market condition, the sales performance of Beijing Hyundai fluctuated during the first half of 2015, with year-on-year decrease of 7.7% in sales volume. It was not easy for Beijing Hyundai to achieve such result during the Reporting Period under the current market condition by capturing the trend of market favorite and consumer spending appetite, optimizing product line structure and effective cost control during the recent years. Although a year-on-year decrease was recorded in terms of sales, Beijing Hyundai remained competitive in different sectors.

In respect of the small-sized sedan market, Verna ranked top with sales of 111.2 thousand units. In respect of the compact sedan market, the sales volume of Elantra Langdong was over 132.7 thousand units, representing a year-on-year increase of 16.3%, with good sales performance. In respect of the mid to large-sized sedan market, Mistra recorded a year-on-year increase of 16.5% in terms of sales volume, which boosted the sales volume of mid to large-sized sedan portfolio of Beijing Hyundai by 7% year-on-year, as compared with the growth rate of -3.5% in this sector as published by China Association of Automobile Manufacturers. In respect of SUV, ix25 recorded sales volume of 47.9 thousand units in the Reporting Period, and was well-received in the market since its launch.

Optimizing industry chain

With the stable development of various businesses, upon careful study on industry allocation and development strategy, the Group participated in various cooperative projects in the first half of 2015. This further expanded and enhanced the participation and supervision of the Group on industry chain. It is expected that these cooperative projects will have positive effect on the core competitiveness and profitability of the Group. The cooperative projects included:

On February 6, 2015, the Company entered into an agreement with MBtech in order to establish a joint venture. Cooperation on research and development and sales of parts and components for passenger vehicles, as well as research and application of automotive technology will be conducted. The Company will hold 51.0% equity interests in the joint venture.

On March 22, 2015, the Company entered into a capital increase agreement with DGRC and Mercedes-Benz Leasing Co., Ltd. (梅賽德斯-奔馳租賃有限公司) (“MBLC”). The Company will subscribe the increased capital of MBLC. Upon completion of capital increase, the Company will hold 35% equity interests in MBLC. Through this corporation, the Group can further expand to car leasing and financing under the industry chain of automobile, which provide new sources of revenue and profit margin for the Group. In addition, it is also the first step of the Company’s comprehensive cooperation with DGRC in terms of the after-market of automobiles, and renders a solid foundation for future cooperation between both parties in the field of car financing.

On April 30, 2015, the Company entered into a joint venture agreement with Baosteel Metal Co., Ltd. (寶鋼金屬有限公司) and Beijing Hua Shen Rong Magnesium Technology Co., Ltd (北京華盛榮鎂業科技有限公司) with respect to the establishment of a joint venture in China (Shanghai) Pilot Free Trade Zone. The Company will hold 30.0% equity interests in the joint venture. And then, on June 25, 2015, the Company entered into a strategic cooperation framework agreement with the two companies in order to conduct in-depth cooperation on various aspects such as magnesium alloy business and research and development on light materials.

For details on the above cooperation, please refer to the relevant announcements previously issued by the Company.

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. Revenue of the Group increased to RMB36,522.3 million in the first half of 2015 from RMB25,126.9 million in the corresponding period in 2014, mainly attributable to the increase in revenue from Beijing Motor⁴ and Beijing Benz.

⁴ When referring to business segment, “Beijing Motor” refers to the consolidated result of the Company and its subsidiaries (excluding Beijing Benz).

Revenue generated from Beijing Motor increased by 22.1% to RMB7,290.9 million in the first half of 2015 from RMB5,970.2 million in the corresponding period in 2014, mainly attributable to (i) the launch of Senova X65 with higher selling price and increase in sales proportion of Senova D50; and (ii) revenue was partially offset by the extra discount provided by Beijing Brand in order to maintain its market share.

Revenue generated from Beijing Benz increased by 52.6% to RMB29,231.4 million in the first half of 2015 from RMB19,156.7 million in the corresponding period in 2014, mainly attributable to the year-on-year increase of 59.8% in sales volume of Beijing Benz.

Apart from revenue generated from sale of vehicles (including traditional vehicles and new energy vehicles), the Group also received government subsidy due to sale of new energy vehicles. Government subsidy in relation to new energy vehicles increased by 1,421.4% to RMB532.5 million in the first half of 2015 from RMB35.0 million in the corresponding period in 2014, mainly attributable to (i) the increase of 1,493.9% in sales of new energy vehicles in the first half of 2015; and (ii) government subsidy was partially offset by lower national and local standard for provision of new energy subsidy in 2015.

Cost of Sales

The Group's cost of sales increased to RMB30,336.9 million in the first half of 2015 from RMB21,711.8 million in the corresponding period in 2014, mainly attributable to the increase in cost of Beijing Motor and Beijing Benz.

Cost of sales incurred by Beijing Motor increased by 29.7% to RMB7,996.9 million in the first half of 2015 from RMB6,165.7 million in the corresponding period in 2014, mainly attributable to (i) the launch of Senova X65 with higher cost and increase in sales proportion of Senova D50; and (ii) the costs were partially offset by cost saving measures implemented by the Company.

Cost of sales incurred by Beijing Benz increased by 43.7% to RMB22,340.0 million in the first half of 2015 from RMB15,546.1 million in the corresponding period in 2014, mainly attributable to (i) the year-on-year increase of 59.8% in sales of Beijing Benz; and (ii) the costs were partially offset by the decrease in the costs of imported raw materials due to the decline in exchange rate of Euro.

Gross profit

Based on the aforesaid reasons, the Group recorded gross profit of RMB6,185.4 million in the Reporting Period, representing a year-on-year increase of 81.1%, mainly attributable to (i) the year-on-year increase in gross profit of Beijing Benz; and (ii) gross profit was partially offset by the increase in gross loss of Beijing Brand.

Gross loss of Beijing Motor increased by 261.1% to RMB706.0 million in the first half of 2015 from RMB195.5 million in the corresponding period in 2014. Gross margin decreased to -9.7% in the first half of 2015 from -3.3% in the corresponding period in 2014, mainly attributable to greater discount provided in the first half of 2015 as to maintain market share.

Gross profit of Beijing Benz increased by 90.9% to RMB6,891.4 million in the first half of 2015 from RMB3,610.6 million in the corresponding period in 2014. Gross margin increased to 23.6% in the first half of 2015 from 18.9% in the corresponding period in 2014, mainly attributable to (i) the year-on-year increase of 59.8% in sales volume of Beijing Benz; and (ii) lower cost of imported raw materials due to the decline in exchange rate of Euro.

Selling and distribution expenses

Selling and distribution expenses of the Group increased to RMB2,983.1 million in the first half of 2015 from RMB2,071.8 million in the corresponding period in 2014, mainly attributable to the increase in selling and distribution expenses of Beijing Benz.

Selling and distribution expenses of Beijing Motor decreased by 19.4% to RMB503.6 million in the first half of 2015 from RMB624.5 million in the corresponding period in 2014, mainly attributable to (i) the effective implementation of the Company's budget control measures as expected; and (ii) the year-on-year decrease of 3.4% in sales volume of Beijing Brand.

Due to the year-on-year increase in revenue of Beijing Motor and stricter budget control over Beijing Motor's promotional expenses and market development expenses implemented by the Company, the proportion of selling and distribution expenses of Beijing Motor to its revenue decreased to 6.9% in the first half of 2015 from 10.5% in the corresponding period in 2014.

Selling and distribution expenses of Beijing Benz increased by 71.3% to RMB2,479.6 million in the first half of 2015 from RMB1,447.4 million in the corresponding period in 2014, mainly attributable to the year-on-year increase of 59.8% in sales of Beijing Benz.

The proportion of selling and distribution expenses of Beijing Benz to its revenue increased to 8.5% in the first half of 2015 from 7.6% in the corresponding period in 2014.

General and administrative expenses

General and administrative expenses of the Group increased to RMB1,743.0 million in the first half of 2015 from RMB1,308.3 million in the corresponding period in 2014, mainly attributable to the increase in general and administrative expenses of Beijing Motor and Beijing Benz.

General and administrative expenses of Beijing Motor increased by 13.9% to RMB484.7 million in the first half of 2015 from RMB425.4 million in the corresponding period in 2014, mainly attributable to (i) the increase in the number of employees due to business expansion of Beijing Motor; and (ii) the increase in miscellaneous expenses and taxes incurred from increase in business volume.

The proportion of general and administrative expenses of Beijing Motor to its revenue decreased to 6.7% in the first half of 2015 from 7.1% in the corresponding period in 2014 due to the increase in revenue of Beijing Motor and stricter budget control over Beijing Motor's general and administrative expenses.

General and administrative expenses of Beijing Benz increased by 42.5% to RMB1,258.4 million in the first half of 2015 from RMB882.8 million in the corresponding period in 2014, mainly attributable to the increase in expenses in relation to employees due to increase in production and sales volume.

The proportion of general and administrative expenses of Beijing Benz to its revenue decreased to 4.3% in the first half of 2015 from 4.6% in the corresponding period in 2014.

Operating profit

Based on the aforesaid reasons, the Group recorded operating profit of RMB2,711.7 million in the first half of 2015, representing a year-on-year increase of 5,434.1%, mainly attributable to (i) the year-on-year increase in operating profit of Beijing Benz; and (ii) the year-on-year decrease in operating loss of Beijing Motor.

Operating loss of Beijing Motor decreased by 29.4% to RMB843.0 million in the first half of 2015 from RMB1,193.9 in the corresponding period in 2014. Operating profit margin increased to -11.6% in the first half of 2015 from -20.0% in the corresponding period in 2014, mainly attributable to (i) the year-on-year increase in government subsidy as a result of growth in sales volume of new energy vehicles; and (ii) the year-on-year decrease in selling expenses as a result of stricter cost control measures implemented by the Company.

Operating profit of Beijing Benz increased by 186.0% to RMB3,554.7 million in the first half of 2015 from RMB1,242.9 million in the corresponding period in 2014. Operating profit margin increased to 12.2% in the first half of 2015 from 6.5% in the corresponding period in 2014, mainly attributable to (i) the year-on-year increase by 59.8% in sales volume of Beijing Benz; (ii) the increase in exchange gains as a result of the decline in exchange rate of Euro; and (iii) operating profit was partially offset by the increase in selling and distribution expenses as well as general and administrative expenses.

Share of investment income of joint ventures and associates

The Group recorded a total investment income of RMB2,034.9 million in the first half of 2015, representing a year-on-year decrease of 27.7%, mainly attributable to the year-on-year decrease in net profit of Beijing Hyundai.

Financial expenses

In the first half of 2015, the Group incurred total net financial expenses of RMB408.7 million. Of which: Beijing Motor incurred net financial expenses of RMB334.0 million, representing a year-on-year increase of 19.8%, mainly attributable to the increase in borrowings; Beijing Benz incurred net financial expenses of RMB74.7 million. The net financial expenses were RMB45.5 million in the first half of 2014. The increase in financial expenses was mainly attributable to the year-on-year decrease in capitalized interests in the first half of 2015.

Foreign exchange gains

Foreign exchange gains incurred by the Group were mainly arising from payables for imported raw materials of Beijing Benz dominated in Euro. In addition, as to lower the capital costs, Beijing Benz acquired overseas short-term borrowings dominated in Euro with lower interest rate than domestic borrowings for payment of payables for imported raw materials. Foreign exchange gains or losses will be arising from such Euro short-term borrowings due to interest rate fluctuation. In the first half of 2015, Beijing Benz recorded total foreign exchange gains of RMB399.4 million, of which foreign exchange gains of RMB608.1 million was recorded in the first quarter, while foreign exchange losses of RMB208.7 million was recorded in the second quarter. The foreign exchange losses recorded in the second quarter were mainly attributable to the limited rise in exchange rate of Euro in the second quarter.

Income tax

Income tax expenses of the Group increased to RMB847.1 million in the first half of 2015 from RMB318.4 million in the corresponding period in 2014, mainly attributable to the increase in taxable income. Effective tax rate of the Group increased to 19.5% in the first half 2015 from 12.1% in the first half of 2014.

Net profit

Based on the aforesaid reasons, the Group recorded net profit of RMB3,490.8 million in the first half of 2015, representing a year-on-year increase of 51.1%. Beijing Motor recorded net profit of RMB880.8 million, with a net profit margin of 12.1%. Beijing Benz recorded net profit of RMB2,610.0 million, with a net profit margin of 8.9%.

Profit attributable to equity shareholders of the Company

The Group recorded profit attributable to equity shareholders of the Company of RMB2,170.8 million in the first half of 2015, representing a year-on-year increase of 21.9%. Earnings per share amounted to RMB0.29, representing a year-on-year increase of 3.6%.

Financial resources and capital structure

As at June 30, 2015, the Group had cash and cash equivalents of RMB20,884.5 million, notes receivable of RMB3,291.1 million, notes payable of RMB4,879.3 million, outstanding borrowings of RMB26,762.2 million, and unused bank credit line of RMB30,780.8 million. At the same time, the Group had commitments for capital expenditure of RMB9,073.0 million.

As at 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 borrowings of RMB29,918.2 million, and unused bank credit line of RMB29,019.3 million.

The Group usually satisfied its daily working capital requirements through self-owned cash and short-term borrowings. As at June 30, 2015, the outstanding borrowings of the Group included short-term borrowings and long-term borrowings of RMB16,183.3 million and RMB10,578.9 million, respectively. The Group will timely repay the above borrowings once they are due.

Total assets

As at June 30, 2015, the total assets of the Group were RMB114,894.0 million, representing an increase of RMB5,035.3 million as compared with that on December 31, 2014, mainly attributable to (i) the increase in fixed assets, intangible assets and work in progress; and (ii) the increase in accounts receivable as a result of increase in sales volume of Beijing Benz.

Total liabilities

As at June 30, 2015, the total liabilities of the Group were RMB69,675.3 million, representing an increase of RMB1,785.3 million as compared with that on December 31, 2014, mainly attributable to the increase in other payable as a result of dividend declared by the Company in the first half of 2015, among which fixed-rate liabilities amounted to RMB8,356.6 million.

Total equity

As at June 30, 2015, the total equity of the Group was RMB45,218.6 million, representing an increase of RMB3,250.0 million as compared with that on December 31, 2014, mainly attributable to (i) the year-on-year increase in net profits generated by the Company in the first half of 2015; (ii) the capital injection to Beijing Benz by its non-controlling shareholder, Daimler AG; and (iii) total equity was partially offset by 2014 final dividend declared by the Company in 2015.

Net gearing ratio

As at June 30, 2015, the Group's net gearing ratio ((total borrowings less cash and cash equivalents)/total equity) was 13.0%, representing a decrease of 6.0 percentage points from 19.0% as at December 31, 2014, mainly attributable to the decrease in borrowings.

Significant investment

In the first half of 2015, the Group incurred total capital expenditures of RMB3,094.8 million, of which Beijing Motor and Beijing Benz incurred capital expenditures of RMB1,672.7 million and RMB1,422.1 million, respectively.

In the first half of 2015, the Group incurred total research and development expenses of RMB1,230.3 million, the majority of which were incurred by Beijing Motor for its product research and development projects.

Material acquisitions and disposals

The Group did not have any material acquisition and disposal in the first half of 2015.

Pledge of asset

As at June 30, 2015, the Group had pledged notes receivable of RMB1,456.5 million and pledged inventory of RMB1,462.0 million, respectively.

Contingent liabilities

The Group had no material contingent liability in the first half of 2015.

Employee and remuneration policies

As at June 30, 2015, the Group had 23,600 employees, while the figure was 22,000 as of December 31, 2014. In the first half of 2015, the Group incurred total staff costs of RMB2,085.2 million, representing a year-on-year increase of 43.4%, mainly attributable to (i) the year-on-year increase in number of employees of Beijing Benz; and (ii) the increase of relevant performance bonus of Beijing Benz based on the completion progress of annual operating plan.

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

RISK FACTORS

Risks relating to macroeconomic downturn

The Group's operating performance is affected to a large extent by the growth rate of the PRC's economy. The GDP growth for the first half of 2015 as announced by the government of the PRC is lower than those in prior years. Such situation had adversely affected the performance of the Group.

The Group will pay continuous attention to the PRC's macroeconomic situations, and introduce responsive measures in due course.

Market risks

In the first half of 2015, the overall sales in PRC automotive market remained sluggish. Meanwhile, the PRC government implemented stricter public service vehicle policies. This affected Beijing Brand and Beijing Hyundai under the Group to a certain extent. If the sales in PRC automotive market are unable to recover in the second half, the Group may not be able to achieve its annual sale target.

However, the effect of the sluggish market and stricter control over public service vehicle did not significantly affect the sales of Beijing Benz under the Group. In the first half, Beijing Benz achieved sales of 103,000 units, representing a year-on-year increase of 59.8% which was much higher than the growth of premium vehicles.

Competitive risks

In view of the sales condition in the market, automotive enterprises provided greater discount at different rate in order to maintain their respective market share. If the market continued to remain sluggish, automotive enterprises might have to provide more discounts, which might result in further decline in the actual trading price of the automobiles, making enterprises exposed to price risks.

Risks relating to losses of the Beijing Brand business

Adversely affected by temporary slowdown in automotive market, Beijing Brand continued to record operating losses in the first half of 2015. However, the operating losses decreased as compared to the corresponding period of last year.

The Company will continue to implement strict cost saving and budget control measures, enhance products' profitability, and minimize the operating losses incurred by Beijing Brand.

FOREIGN EXCHANGE RISKS

Beijing Benz hedges foreign exchange risk exposure through forward contracts. However, the current contract amount of forward contracts is insufficient to cover all payment denominated in Euro. Therefore, fluctuation in exchange rate of Euro still affects the results of the Group to a certain extent.

In the opinion of the Group, foreign exchange risks are still under control. It will closely monitor the trend of exchange rate, and implement necessary measures based on the changes in foreign exchange rate.

OUTLOOK OF SECOND HALF OF 2015

Industry overview

In the first half of 2015, the rigid demand for vehicles still existed although the overall growth of the PRC automotive market had slow down. With the implementation of macroeconomic control measures, it is expected that the rigid demand which has not met in the first half will be gradually released in the second half. With the publication of the new energy-saving subsidy list and the elimination of old yellow label vehicles in the final stage with rapid elimination pace, there will be increasing demand for vehicle purchase. The Group expects that the passenger vehicle market will gradually recover in the second half, which will further boost the sales of proprietary brand vehicles.

Beijing Brand

Looking forward in the second half of 2015, Beijing Brand will promote the sales of its vehicles through the newly launched Senova X65. In addition, Beijing Brand will facilitate its strategic distribution under the SUV market. The compact SUV Senova X55 and small-sized SUV X25(C33) vehicles will be launched for sale in the second half, which will further boost the sales of Beijing Motor.

Senova X55 is positioned as middle-class compact SUV. It is expected that the model will be available with 1.5L naturally aspirated engine and 1.5L turbo engine, with manual or automatic transmission.

It is expected that Senova X25(C33) will be available with 1.3L and 1.5L naturally aspirated engine, with manual or automatic transmission.

Beijing Benz

Looking forward in the second half of 2015, it is expected that Beijing Benz will adhere to the policy of maintaining the market share of existing products. It also strives to improve its result and enhance shareholders' value by launching new products, increasing rate for domestic production and enhancing management efficiency.

Beijing Benz is expected to launch a brand new generation product GLC-Class SUV for GLK-Class SUV in the fourth quarter of 2015. It is expected that the GLC will be available with 2.0L turbo engine with manual and automatic all-in-one transmission. The new GLC will be the second vehicle model manufactured by Beijing Benz based on the new MRA platform after the launch of the new C generation.

Beijing Hyundai

Looking forward in the second half of 2015, it is expected that Beijing Hyundai will grasp the market trend and maintain its market share through various aspects such as product, sales channel and marketing. In respect of introduction of new types of vehicle, it is expected that Beijing Hyundai will launch the high-end sporty All New Tucson SUV model in the second half of 2015. The length of All New Tucson vehicle will be longer than that of ix35. The All New Tucson vehicle adopts the trendy and tough linear 2.0 design, and available with the brand new 2.0L and 1.6T engine. In addition, Beijing Hyundai will also upgrade the New Santa Fe series. Three new 2.0T high-efficient vehicle models will be launched so as to ensure the competitiveness of Beijing Hyundai. Meanwhile, in order to meet the demand of different consumers, Beijing Hyundai will also launch Mistra 1.6T model, ix25 1.6T model and Sonata 9th Generation (hybrid power).

Compliance with the Corporate Governance Code

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

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by all Directors and Supervisors. In response to enquiries, all Directors and Supervisors have confirmed that they strictly complied with the code provisions of the Model Code during the Reporting Period.

The Board and Committees

There was no change in the composition of the Board, the strategy committee, the Audit Committee, the nomination committee and the remuneration committee of the Board during the Reporting Period, which is consistent with that as set forth in the 2014 annual report of the Company.

Audit Committee

The Company has established an audit committee with written terms of reference. The Audit Committee comprises three members, namely Mr. Wong Lung Tak Patrick (Chairman), Mr. Ma Chuanqi and Mr. Liu Kaixiang, among which two are independent non-executive Directors. The Audit Committee has reviewed the accounting standards and practices adopted by the Group and reviewed the Condensed Financial Information, 2015 interim results and 2015 interim report for the six months ended June 30, 2015.

Interim Dividend

The Board has not made any recommendation on the payment of an interim dividend for the six months ended June 30, 2015 (six months ended June 30, 2014: Nil).

Purchase, Sale or Redemption of Listed Securities

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

Material Litigation and Arbitration

As of June 30, 2015, the Company had no material litigation or arbitration. The Directors were also not aware of any litigation or claims which were pending or had significant adverse effect on the Company.

EVENT AFTER THE REPORTING PERIOD

Since the end of the Reporting Period, there has been no event that materially affected the Group.

PUBLICATION OF UNAUDITED INTERIM RESULTS AND 2015 INTERIM REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This interim results announcement will be published on the website of the Stock Exchange (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 2015 interim report of the Company, which will also be published on the websites of the Stock Exchange and the Company.

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

Beijing, the PRC, August 25, 2015

As at the date of this announcement, the Board comprises Mr. Xu Heyi, as Chairman of the Board and non-executive Director; Mr. Zhang Xiyong and Mr. Li Zhili, as non-executive Directors; Mr. Li Feng, as executive Director; Mr. Ma Chuanqi, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Bodo Uebber, Ms. Wang Jing and Mr. Yang Shi, as non-executive Directors; and Mr. Fu Yuwu, Mr. Wong Lung Tak Patrick, Mr. Bao Robert Xiaochen, Mr. Zhao Fuquan and Mr. Liu Kaixiang, as independent non-executive Directors.

* For identification purpose only