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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, 2015**

The board (the “**Board**”) of directors (the “**Directors**”) of BAIC Motor Corporation Limited (the “**Company**” or “**Beijing Motor**” or “**We**”) is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended December 31, 2015 (“**2015**”) in conjunction with the comparative financial data of the previous year.

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2015

		As at December 31,	
		2015	2014
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		38,353,039	34,218,190
Land use rights		5,222,063	5,347,184
Intangible assets		11,473,224	8,251,308
Investments in joint ventures		12,902,015	12,675,306
Investments in associates		1,680,360	1,391,135
Available-for-sale financial assets		4,000	4,000
Deferred income tax assets	4	4,208,609	2,676,059
Other long-term assets		1,313,159	976,823
		<u>75,156,469</u>	<u>65,540,005</u>
Current assets			
Inventories		9,870,762	11,068,159
Accounts receivable	5	10,948,608	6,422,290
Advances to suppliers	6	2,041,593	1,029,695
Other receivables and prepayments	7	3,965,500	2,831,500
Restricted cash		1,463,660	1,043,710
Cash and cash equivalents		23,946,496	21,923,296
		<u>52,236,619</u>	<u>44,318,650</u>
Total assets		<u><u>127,393,088</u></u>	<u><u>109,858,655</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT DECEMBER 31, 2015

		As at December 31,	
		2015	2014
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	8	7,595,338	7,508,018
Other reserves		17,680,657	16,677,213
Retained earnings		9,733,988	9,169,736
		<u>35,009,983</u>	<u>33,354,967</u>
Non-controlling interests		12,059,419	8,613,649
		<u>47,069,402</u>	<u>41,968,616</u>
LIABILITIES			
Non-current liabilities			
Borrowings	9	8,986,078	13,935,190
Deferred income tax liabilities	4	839,971	887,471
Provisions		1,610,287	894,901
Deferred income		1,260,294	672,609
		<u>12,696,630</u>	<u>16,390,171</u>
Current liabilities			
Accounts payable	10	21,382,334	14,977,797
Advances from customers		1,283,647	2,591,312
Other payables and accruals	11	21,201,970	17,115,051
Current income tax liabilities		1,943,280	38,787
Borrowings	9	21,279,937	15,983,058
Provisions		535,888	793,863
		<u>67,627,056</u>	<u>51,499,868</u>
Total liabilities		80,323,686	67,890,039
		<u>127,393,088</u>	<u>109,858,655</u>
Total equity and liabilities		127,393,088	109,858,655

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

		For the year ended	
		December 31,	
		2015	2014
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	84,111,526	56,370,306
Cost of sales	13	(68,834,689)	(47,386,825)
Gross profit		15,276,837	8,983,481
Selling and distribution expenses	13	(8,002,438)	(5,646,798)
General and administrative expenses	13	(4,039,122)	(3,455,016)
Other gains, net	12	1,243,610	1,540,131
Operating profit		4,478,887	1,421,798
Finance income	14	348,366	300,364
Finance costs	14	(763,941)	(833,460)
Finance costs, net		(415,575)	(533,096)
Share of profits of joint ventures		4,102,237	5,712,001
Share of profits of associates		155,108	97,136
Profit before income tax		8,320,657	6,697,839
Income tax expense	15	(1,998,648)	(856,527)
Profit for the year		6,322,009	5,841,312
Other comprehensive income		—	—
Total comprehensive income for the year		6,322,009	5,841,312
Attributable to:			
Equity holders of the Company		3,318,601	4,510,807
Non-controlling interests		3,003,408	1,330,505
		6,322,009	5,841,312
Earnings per share for profit attributable to equity holders of the Company during the year (RMB)			
Basic and diluted	16	0.44	0.70

NOTES

FOR THE YEAR ENDED DECEMBER 31, 2015

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 (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 (the "**Listing**").

These financial statements are presented in Renminbi Yuan ("**RMB**"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on March 24, 2016.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable 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.

As at December 31, 2015, the current liabilities of the Group exceeded its current assets by approximately RMB15,390 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 RMB9,015 million and RMB24,375 million respectively as at December 31, 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, 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) 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, 2015:

Annual Improvements Projects	Annual Improvements 2010-2012 cycle and 2011-2013 cycle
International Accounting Standards ("IAS 19") (Amendment)	Employee benefits

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

(ii) Standards and amendments which are not yet effective adopted

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, 2015 and have not been early adopted.

IAS 1 (Amendment)	Disclosure initiative ⁽¹⁾
IAS 16 and IAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation ⁽¹⁾
IAS 16 and IAS 41 (Amendments)	Agriculture: bearer plants ⁽¹⁾
IAS 27 (Amendment)	Equity method in separate financial statements ⁽¹⁾
IFRS 10 and IAS 28 (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 operations ⁽¹⁾
IFRS 14	Regulatory deferral accounts ⁽¹⁾
Annual Improvement Project	Annual Improvements 2012-2014 Cycle ⁽¹⁾
IAS 7 (Amendment)	Disclosure on changes in financing liability ⁽²⁾
IAS 12 (Amendment)	Deferred tax assets for unrealised losses ⁽²⁾
IFRS 15	Revenue from Contracts with Customers ⁽³⁾
IFRS 9	Financial Instruments ⁽³⁾
IFRS 16	Lease ⁽⁴⁾

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

⁽²⁾ Effective for the accounting period beginning on January 1, 2017

⁽³⁾ Effective for the accounting period beginning on January 1, 2018

⁽⁴⁾ Effective for the accounting period beginning on January 1, 2019

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.

(b) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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 brand, 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, 2015			
Total revenue	17,918,066	66,262,804	84,180,870
Inter-segment revenue	(69,344)	–	(69,344)
Revenue from external customers	<u>17,848,722</u>	<u>66,262,804</u>	<u>84,111,526</u>
Segment gross (loss)/profit	<u>(1,419,806)</u>	<u>16,696,643</u>	<u>15,276,837</u>
Other profit & loss disclosure:			
Depreciation and amortization	(1,160,978)	(2,626,010)	(3,786,988)
Provisions for impairments on receivables, inventories and property, plant and equipment	(164,835)	(33,239)	(198,074)
Finance (cost)/income net	(537,647)	122,072	(415,575)
Income tax expense	(9,350)	(1,989,298)	(1,998,648)
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)
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 (cost)/income net	(560,442)	27,346	(533,096)
Income tax credit/(expense)	18,848	(875,375)	(856,527)

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.

There is no customer accounting for 10% or more of the Group's revenue for each of the years ended December 31, 2015 and 2014.

The Group is domiciled in PRC. Substantially all of the Group's revenue was generated from external customers residing in the PRC during the years ended December 31, 2015 and 2014. The Group's long-lived assets are primarily located in Mainland China and Hong Kong.

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

	Passenger vehicles – Beijing Motor RMB'000	Passenger vehicles – Beijing Benz RMB'000	Total RMB'000
At December 31, 2015			
Total assets	63,725,718	63,667,370	127,393,088
Including:			
Investment in joint ventures	12,902,015	–	12,902,015
Investment in associates	1,680,360	–	1,680,360
Total liabilities	(41,464,850)	(38,858,836)	(80,323,686)
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)

The total of non-current assets other than financial instruments and deferred tax assets of Beijing Motor and Beijing Benz as at December 31, 2015 is RMB27,052,099,000 and RMB29,309,386,000 respectively (December 31, 2014: RMB21,690,621,000 and RMB27,102,885,000 respectively).

4 DEFERRED INCOME TAXES

	As at December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Deferred income tax assets:		
– to be recovered after more than 12 months	4,046,455	2,521,527
– to be recovered within 12 months	<u>162,154</u>	<u>154,532</u>
	<u>4,208,609</u>	<u>2,676,059</u>
Deferred income tax liabilities:		
– to be settled after more than 12 months	(783,157)	(871,649)
– to be settled within 12 months	<u>(56,814)</u>	<u>(15,822)</u>
	<u>(839,971)</u>	<u>(887,471)</u>

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

<u>Deferred income tax assets</u>	Provisions for impairment losses <i>RMB'000</i>	Accruals <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2015	123,761	2,481,069	71,229	2,676,059
Credited to statement of comprehensive income	<u>58,148</u>	<u>1,215,711</u>	<u>258,691</u>	<u>1,532,550</u>
At December 31, 2015	<u>181,909</u>	<u>3,696,780</u>	<u>329,920</u>	<u>4,208,609</u>
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>

<u>Deferred income tax liabilities</u>	Capitalized interest RMB'000	Valuation surplus upon acquisition of a subsidiary RMB'000	Total RMB'000
At January 1, 2015	(55,628)	(831,843)	(887,471)
Credited to statement of comprehensive income	<u>11,324</u>	<u>36,176</u>	<u>47,500</u>
At December 31, 2015	<u>(44,304)</u>	<u>(795,667)</u>	<u>(839,971)</u>
At January 1, 2014	(72,165)	(874,227)	(946,392)
Credited to statement of comprehensive income	<u>16,537</u>	<u>42,384</u>	<u>58,921</u>
At December 31, 2014	<u>(55,628)</u>	<u>(831,843)</u>	<u>(887,471)</u>

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 RMB3,031,855,000 (December 31, 2014: RMB2,094,642,000) in respect of losses and deductible temporary differences amounting to RMB12,382,851,000 (December 31, 2014: RMB8,369,427,000) that can be carried forward against future taxable income as at December 31, 2015. These unrecognized tax loss carry forwards are expiring within five years.

5 ACCOUNTS RECEIVABLE

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Trade receivables, gross (note (a))	4,579,034	2,454,837
Less: provision for impairment	<u>(1,047)</u>	<u>(3,496)</u>
	4,577,987	2,451,341
Notes receivable (note (b))	<u>6,370,621</u>	<u>3,970,949</u>
	<u>10,948,608</u>	<u>6,422,290</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,	
	2015 RMB'000	2014 RMB'000
Current to 1 year	4,560,463	2,421,937
1 to 2 years	15,166	30,223
2 to 3 years	3,335	70
Over 3 years	<u>70</u>	<u>2,607</u>
	<u>4,579,034</u>	<u>2,454,837</u>

As at December 31, 2015 and 2014, 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,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
1 to 2 years	14,225	29,182
2 to 3 years	3,240	59
Over 3 years	59	202
	<u>17,524</u>	<u>29,443</u>

As at December 31, 2015 and 2014 movement on the provision for impairment of trade receivables is as follows:

	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1	3,496	10,078
Reversal of provision for impairment	<u>(2,449)</u>	<u>(6,582)</u>
As at December 31	<u>1,047</u>	<u>3,496</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,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Pledged notes receivable	<u>2,696,141</u>	<u>1,275,055</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,	
	2015	2014
	RMB'000	RMB'000
Value-added tax, consumption tax recoverable and prepaid income tax	1,936,993	1,535,941
Government grants	214,503	552,263
Receivable from sales of raw materials	719,721	226,465
Disposal of property, plant and equipment and intangible assets	139,431	139,431
Service fees and charges	675,914	206,621
Others	279,382	171,372
	3,965,944	2,832,093
Less: provision for impairment	(444)	(593)
	3,965,500	2,831,500

8 SHARE CAPITAL

	Ordinary shares of RMB1 each ('000)	RMB'000
At January 1, 2014	6,381,818	6,381,818
Additions (<i>note a</i>)	1,126,200	1,126,200
At December 31, 2014	7,508,018	7,508,018
At January 1, 2015	7,508,018	7,508,018
Additions (<i>note b</i>)	87,320	87,320
At December 31, 2015	7,595,338	7,595,338

Note:

- (a) 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.
- (b) 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.

9 BORROWINGS

	As at December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Borrowings		
– secured (<i>note (c)</i>)	–	984,900
– unsecured (<i>note (b)</i>)	2,959,570	7,357,289
	2,959,570	8,342,189
Corporate bonds, unsecured (<i>note (a)</i>)	6,026,508	5,593,001
	8,986,078	13,935,190
Current		
Borrowings		
– secured (<i>note (c)</i>)	–	600,000
– unsecured (<i>note (b)</i>)	16,124,013	9,854,500
Add: current portion of non-current borrowings:		
– secured (<i>note (c)</i>)	–	120,100
– unsecured (<i>note (b)</i>)	1,157,712	2,912,453
	17,281,725	13,487,053
Corporate bonds, unsecured (<i>note (a)</i>)	3,998,212	2,496,005
	21,279,937	15,983,058
Total borrowings	30,266,015	29,918,248

Maturity of borrowings

	As at December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	21,279,937	15,983,058
Between 1 and 2 years	4,291,872	4,210,666
Between 2 and 5 years	3,685,146	8,726,024
Over 5 years	1,009,060	998,500
	30,266,015	29,918,248

Contractual repricing dates upon interest rate changes

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Within 6 months	7,319,162	17,681,235
6 to 12 months	11,142,944	996,507
	<u>18,462,106</u>	<u>18,677,742</u>

Weighted average annual interest rates

	As at December 31,	
	2015	2014
Borrowings	4.13%	5.04%
Corporate bonds	5.08%	5.38%
	<u>5.08%</u>	<u>5.38%</u>

Currency denomination

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
RMB	28,607,667	24,917,499
US\$	97,404	1,354,640
HK\$	–	186,296
Euro	1,560,944	3,459,813
	<u>30,266,015</u>	<u>29,918,248</u>

Undrawn facilities at floating rates

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Within 1 year	9,015,079	4,640,111
Over 1 year	24,375,229	24,379,185
	<u>33,390,308</u>	<u>29,019,296</u>

Note

(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, 2015						
BAIC Investment Co., Ltd. ("BAIC Investment")	January 29, 2010	5.18%	1,435,500	1,432,478	1,531,786	7 years
BAIC Investment The Company	December 10, 2015	3.60%	1,500,000	1,497,030	1,522,536	5 years
The Company	April 12, 2013	4.96%	1,500,000	1,499,961	1,562,405	3 years
The Company	August 12, 2014	5.40%	1,000,000	999,000	1,058,557	3 years
The Company	September 10, 2014	5.74%	400,000	399,400	451,982	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	335,376	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	335,376	7 years
The Company	February 12, 2015	4.68%	500,000	499,500	535,854	5 years
The Company	November 20, 2015	3.15%	2,500,000	2,498,251	2,513,303	270 days
Beijing Benz	December 11, 2014	5.20%	600,000	600,000	620,503	3 years
				<u>10,024,720</u>		
At December 31, 2014						
BAIC Investment	January 29, 2010	5.18%	1,500,000	1,496,977	1,564,411	7 years
The Company	February 9, 2012	5.70%	1,000,000	999,573	1,051,712	3 years
The Company	August 14, 2012	5.00%	1,500,000	1,496,432	1,462,150	3 years
The Company	April 12, 2013	4.96%	1,500,000	1,498,524	1,558,536	3 years
The Company	September 22, 2014	5.54%	300,000	299,550	314,706	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	314,706	7 years
The Company	September 10, 2014	5.74%	400,000	399,400	424,982	7 years
The Company	August 12, 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>		

The above fair values are based on cash flows discounted using the market borrowing rates of 2.87% to 5.29% at December 31, 2015 (December 31, 2014: 4.68% to 5.45%). They are within level 2 of the fair value hierarchy.

(b) Balances at December 31, 2015 include the borrowings of RMB3,213 million (December 31, 2014: RMB1,797 million) obtained from BAIC Group Finance Co., Ltd., an associate of the Group. The remaining balance of borrowings were obtained from banks.

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

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
The Group's notes receivable (Note 5(e))	–	600,000
Guarantees provided by BAIC Group	–	1,105,000
	<u>–</u>	<u>1,705,000</u>

10 ACCOUNTS PAYABLE

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Trade payables	19,277,708	13,748,685
Notes payable	2,104,626	1,229,112
	<u>21,382,334</u>	<u>14,977,797</u>

Aging analysis of trade payables is as follows:

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Current to 1 year	19,236,144	13,737,253
1 year to 2 years	38,357	9,576
2 years to 3 years	2,770	827
over 3 years	437	1,029
	<u>19,277,708</u>	<u>13,748,685</u>

11 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Sales discounts and rebates	5,777,975	3,666,133
Payables for property, plant and equipment and intangible assets	4,679,073	5,909,446
Advertising and promotion	1,842,403	1,486,014
Payables for services and materials	1,821,974	1,305,662
Technology usage fee	1,787,093	815,594
Dividends payable	1,470,000	436,245
Other taxes	923,561	234,241
Wages, salaries and other employee benefits	896,294	670,032
Transportation and warehouse expenses	662,256	347,201
Outsourcing labor cost	516,213	469,789
Deposits	219,147	137,123
Interests payable	227,330	284,327
Pre-delivery inspection expenses	141,896	126,646
Payables for investments	–	419,138
Transfer of domestic shares	–	790,968
Others	236,755	16,492
	<u>21,201,970</u>	<u>17,115,051</u>

12 OTHER GAINS, NET

	For the year ended December 31,	
	2015	2014
	RMB'000	RMB'000
Gain from sales of scrap materials	113,616	88,989
Net foreign exchange gain	90,170	732,677
Government grants	1,121,755	613,996
(Loss)/gain on disposal of property, plant and equipment and intangible assets	(49,760)	122,564
Others	(32,171)	(18,095)
	<u>1,243,610</u>	<u>1,540,131</u>

13 EXPENSES BY NATURE

	For the year ended December 31,	
	2015	2014
	RMB'000	RMB'000
Raw materials used	58,984,147	42,721,742
Changes in inventories of finished goods and work-in-progress	629,384	(1,895,990)
Employee benefit costs	4,557,648	3,490,543
Depreciation and amortization	3,786,988	2,363,830
Advertising and promotion	2,387,070	1,748,171
Tax and levies	2,777,971	2,137,179
Service fees and charges	3,198,658	1,994,724
Transportation and warehouse expenses	1,440,073	735,571
Warranty expenses	969,658	765,554
Utilities	565,338	423,303
Outsourcing labor cost	442,355	299,463
Office and travel expenses	319,793	280,296
Provision for impairment of assets	198,074	363,866
Operating lease expenses	144,801	121,906
Auditor's remuneration		
– audit service	11,427	25,451
– non-audit service	–	–
Others	462,864	913,030
	<u>80,876,249</u>	<u>56,488,639</u>

14 FINANCE COSTS, NET

	For the year ended December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Finance income		
Interest on bank deposits	<u>348,366</u>	<u>300,364</u>
Finance costs		
Interest expense on borrowings	862,154	930,908
Interest expense on corporate bonds	375,769	333,372
Amortization of discount on non-current provisions	<u>99,481</u>	<u>75,614</u>
	1,337,404	1,339,894
Less: amount capitalized in qualifying assets	<u>(573,463)</u>	<u>(506,434)</u>
	763,941	833,460
Finance costs, net	<u>(415,575)</u>	<u>(533,096)</u>

15 INCOME TAX EXPENSE

	For the year ended December 31,	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	3,578,698	883,850
Deferred income tax (<i>Note 4</i>)	<u>(1,580,050)</u>	<u>(27,323)</u>
	1,998,648	856,527

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	2015 to 2017
– Beijing Beinei Engine Parts and Components Co., Ltd.	2015 to 2017
– 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, 2015 and 2014 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,	
	2015	2014
	RMB'000	RMB'000
Profit before income tax	8,320,657	6,697,839
Tax calculated at the statutory tax rate of 25%	2,080,164	1,674,460
Preferential tax rates on income of certain Group entities	79,473	(2,164)
Impact on share of results of joint ventures and associates	(1,064,124)	(1,452,284)
Income not subject to tax	(37,899)	(42,383)
Expenses not deductible for tax purposes	6,299	50,307
Utilization of previously unrecognized tax losses	(4,016)	(3,428)
Tax losses/deductible temporary differences for which no deferred tax was recognized	941,229	642,693
Additional deduction on research and development expenses	(6,681)	(10,674)
Withholding tax	4,098	–
Others	105	–
Tax charge	1,998,648	856,527

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,	
	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	3,318,601	4,510,807
Weighted average number of ordinary shares in issue (thousands)	7,592,228	6,418,844

During the years ended December 31, 2015 and 2014, 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,	
	2015	2014
	RMB'000	RMB'000
Proposed dividend of RMB0.15 per share (<i>note (a)</i>)	1,139,301	–
Final dividend of RMB0.30 per share (<i>note (b)</i>)	–	2,278,601

Notes:

- (a) The 2015 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 dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending December 31, 2016.
- (b) 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 a meeting held on June 29, 2015 and paid in August 2015.

18 EVENTS AFTER THE REPORTING PERIOD

- (a) On February 2, 2016, the Company completed the issuance of the first tranche of 2016 ultra short-term debentures, the issuance size was RMB2 billion with a term of 270 days and an interest rate of 2.85%.
- (b) On March 14, 2016, the Company and Fujian Motor Industry Group Co. (“**FJMOTOR**”) entered into a series of agreements in relation to, among others, the proposed acquisition of 35% equity interest in Fujian Benz Automotive Co., Ltd. (“**Fujian Benz**”) by the Company from FJMOTOR. Upon completion of the equity transaction, the Company and FJMOTOR will hold 35% and 15% equity interest in Fujian Benz respectively, and Daimler Vans Hong Kong Limited will hold the remaining 50% equity interest in Fujian Benz.
- (c) On March 17, 2016, BAIC Investment completed the issuance of the first tranche of 2016 corporate bonds, the issuance size was RMB1.5 billion with a term of 5 years and an interest rate 3.15%.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW AND BUSINESS SEGMENT OVERVIEW

Industry Overview

Global economy has weakened considerably on the whole in 2015. The differences are more pronounced among various countries and regions. IMF (International Monetary Fund) has forecasted an increase in economic growth of 3.1% for the whole year, which is down by 0.3% from that of 2014. During the second half of 2015, as a result of the various policies for “stabilizing growth”, China’s macroeconomy gradually became steady in the fourth quarter with an increase in the Gross Domestic Growth (“**GDP**”) of 6.9%, which decreased by 0.4 percentage points as compared with that of 2014.

According to the statistics of China Association of Automobile Manufacturers, the sales volume of passenger vehicles in 2015 reached a new record high of 21.1 million units, representing a year-on-year increase of 7.3% and a decrease by 2.6 percentage points in growth rate as compared to the corresponding period in 2014. The PRC’s passenger vehicle market in 2015 was a year of ups and downs, with the first half of the year affected by the slowing down of the overall growth in the economy which, coupled with the impact of stock market volatility and other external economic factors, has resulted in the downward trend of the industry. The passenger vehicle market made gradual recovery in the third quarter due to favorable policies, and presented a strong rebound.

Business Segment Overview

In 2015, the annual sales of the Group bucked the trend, with Beijing Brand, Beijing Benz and Beijing Hyundai recording a total annual sales volume of 1,650,100 units of traditional vehicles and new energy vehicles, representing a year-on-year increase of 4.8%, of which Beijing Brand and Beijing Benz together achieved an annual sales volume of 587,300 units, representing a year-on-year increase of 29.0%. This is 21.7 percentage points higher than the growth rate of 7.3% of China’s passenger vehicle industry.

Capitalizing on the strong growth opportunities in the MPV, SUV and new energy vehicles markets, Beijing Brand has launched a variety of new models, with an annual sales volume of 337,100 units of traditional vehicles and new energy vehicles, representing a year-on-year increase of 8.9%. Beijing Benz’s stellar sales performance boosted annual sales volume to 250,200 units, representing a year-on-year increase of 72.0%. Beijing Hyundai, due to the negative growth rate in the automobile market and compounded by multiple factors such as increasing competition and structural adjustment throughout the year, recorded an annual sales volume of 1,062,800 units, representing a year-on-year decrease of 5.1%.

Furthermore, improved cost efficiency, new product development, quality control and innovative management practices in production operation enabled the Group to achieve certain breakthroughs, laying a solid foundation for further adjustments on business management and realization of the goals in the 2020 “π Plan”.

Beijing Brand

2015 saw continued slow growth in the passenger vehicle market due to various factors including the impact from economic downturn, and the stock market volatility. In the face of tough market conditions, Beijing Brand provided additional sales promotions to consumers in order to strengthen and expand its market share. Moreover, majority of products under the Beijing Brand were able to enjoy the policy of 50% reduction on purchase tax that was put in place by the Chinese government for passenger vehicles with displacement of 1.6L and below, thus making a positive impact on the sales growth. In view of the foregoing, Beijing Brand recorded an annual sales volume of 337,100 units, representing a year-on-year increase of 8.9%, of which, the SUV and MPV segments continued to maintain rapid growth.

In the SUV market, Beijing Brand launched two brand new SUV products, with relatively good sales performance. Senova inaugural SUV X65, launched in the first quarter of 2015, recorded a sales volume of 22,400 units in less than nine-month time. Senova small-sized SUV, Senova X25, was launched at the end of 2015. Its sales volume amounted to 5,800 units in the same month of its launch.

In the MPV market, annual sales volume of Wevan series of MPV under the Beijing Brand was 147,000 units, representing a year-on-year increase of 89.7%, of which Wevan M30, an annual facelift of the star model Wevan M20, was launched in August 2015. It performed well and achieved an accumulative sales volume of 26,600 units by the end of 2015.

Due to the slow growth of the sedan market, sales volume of Beijing Brand sedan products fell slightly in 2015. However, the sales performance of A-Class sedan Senova D50 performed better, with an annual sales volume of 58,200 units, representing a year-on-year increase of around 40.0%.

In addition, with the continued advancement of urbanization, tier 5 and 6 markets¹ saw considerable growth in passenger vehicle market. The Company actively implemented channel penetration strategy through the rapid development of secondary network and satellite stores, and continued expansion of network coverage deep down to low tier markets, and realized rapid growth in tier 5 and 6 markets.

In respect of the new energy vehicles, the Group has actively responded to the PRC government’s call for “energy saving, emission reduction” and to pioneer the pursuit of low carbon, environmentally friendly industry. In 2015, Beijing Brand new energy vehicles achieved notable sales performance with a sales volume of 20,100 units, representing a year-on-year increase of 268.6%.

Beijing Benz

In 2015, the sales volume of Beijing Benz was 250,200 units, representing a year-on-year increase of 72.0% which far exceeded the growth rates for the PRC’s passenger vehicle market, the China premium vehicle market segment and the major competitors in the corresponding period, bringing significant positive impact to the Group as attested by satisfactory sales performance to its full range of products.

1 Tier 5 and 6 markets are defined by the Company’s market segmentation as those markets that meet the criteria of “2014 GDP contribution rate of less than 0.3%, per capita GDP of less than RMB30,000, car ownership of less than 400,000 units”. They are normally the cities in the middle and west of mainland China.

2015 was the first full year launch for the Beijing Benz's brand new generation C-Class sedan, and both the long-wheelbase and standard-wheelbase versions were well recognised in the market with high demand by the consumers. It achieved an annual sales volume of 85,100 units, representing a year-on-year increase of 139.9%.

Beijing Benz launched GLA-Class SUV in the first half of 2015 with great success, and its annual sales volume was 42,700 units. Apart from the highly competitive advantage of its product quality and the Mercedes-Benz brand appeal, the Chinese government's 50% purchase tax reduction policy for passenger vehicles with displacement of 1.6L and below has played a role in its enhanced sales.

GLK-Class SUV under Beijing Benz remained vibrant in its last year of life cycle. Its annual sales volume was 56,800 units, which remained flat as compared with that of 2014. Beijing Benz launched the brand new generation GLC-Class SUV at the end of 2015 and production and sales are, at present, on the upclimb. The Group remains optimistic about its continued sales performance.

Beijing Hyundai

In 2015, the growth rates of both European and American brands slowed down or declined, whilst Japanese brands have picked up. Domestic brands relied on price advantage to compete for market share in the joint venture brand market. In this circumstance, joint venture brands of automobile manufacturers had to cut prices one after another in order to maintain market share and boost sales. In response to the market conditions, Beijing Hyundai launched aggressive promotion programs in order to improve sales. With the combined effect of the additional sales promotions and the Chinese government's 50% purchase tax reduction policy for passenger vehicles with displacement of 1.6L and below, Beijing Hyundai's year-on-year sales volume for the fourth quarter recovered. Nonetheless, the annual sales volume fell by 5.1% as compared with 2014 as sales performance of the mature brands was below expectation.

Gradual Optimization of Production Chain

With the stable development of various businesses, and upon careful study of industry composition and development strategy, the Company participated in various cooperative projects during 2015. This has further enhanced the participation and control by the Group on production 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 Group GmbH & Co. KGaA to establish a joint venture company. Cooperation will be conducted on research and development and sales of whole vehicles and parts and components for passenger vehicles, as well as research and application of automotive technology. The Company holds 51.0% equity interests in the joint venture company.

On March 22, 2015, the Company entered into a capital increase agreement with Daimler Greater China Co. Ltd. and Mercedes-Benz Leasing Co. Ltd (the “MBLC”). The Company has subsequently subscribed the increased capital of MBLC. Upon completion of capital increase, the Company holds 35.0% equity interests in MBLC. Through this cooperation, the Group could further expand into car leasing and financing under the production chain of automobile, which would provide new growth sources of revenue and profit margin for the Group. In addition, it is also the first step of the Company’s comprehensive cooperation with Daimler Greater China Co. Ltd. in terms of after-market of automobiles, providing a solid foundation for future cooperation between both parties in the field of car financing.

On April 30, 2015 and June 25, 2015, the Company entered into a joint venture agreement with Baosteel Metal Co., Ltd. and Beijing Hua Sheng Rong Magnesium Technology Co., Ltd respectively with respect to the establishment of a joint venture company; and entered into a “Strategic Cooperation Framework Agreement” in order to conduct in-depth cooperation on various aspects such as magnesium alloy business and light materials research.

On July 23, 2015, the Company entered into a “Strategic Cooperation Framework Agreement” with Huaneng New Energy Co. Ltd. and Sichuan Xiong Fei Group Co. Ltd. to conduct in-depth cooperation on the construction of photovoltaic power generation project.

For details on the above cooperation, please refer to the relevant announcements issued by the Company on February 9, March 22, May 4, June 26 and July 23, 2015, respectively.

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 the Group. In 2015, the total revenue of the Group increased to RMB84,111.5 million from RMB56,370.3 million in 2014, mainly attributable to the increase in revenue from both Beijing Motor² and Beijing Benz.

Revenue generated from Beijing Motor increased by 43.6% to RMB17,848.7 million in 2015 from RMB12,433.7 million in 2014, mainly attributable to (i) the launch of Senova X65 with higher selling price and an increase in sales proportion of Senova D50; and (ii) the partial offset of revenue by the additional price promotion offered by Beijing Brand in order to strengthen and expand market share. The additional price promotion covered all the products of BJ, Senova and Wevan series. The Company usually makes responsive adjustments to the criteria of the additional price promotion for different products according to market conditions.

Revenue generated from Beijing Benz increased by 50.8% to RMB66,262.8 million in 2015 from RMB43,936.6 million in 2014, mainly attributable to the year-on-year increase of 72.0% in sales volume of Beijing Benz, while part of the revenue was offset by the decrease in average revenue due to higher sales volume of GLA-Class SUV at relatively lower selling price.

Apart from revenue generated from sale of vehicles (including traditional vehicles and new energy vehicles), the Group also received subsidies from the government on sale of new energy vehicles.

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

Cost of sale

The Group's cost of sales increased to RMB68,834.7 million in 2015 from RMB47,386.8 million in 2014, mainly attributable to the increase in the volume of vehicles sold and related increase in costs of Beijing Motor and Beijing Benz.

Cost of sales incurred by Beijing Motor increased by 54.1% to RMB19,268.5 million in 2015 from RMB12,502.6 million 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 partial offset of cost by cost saving measures implemented by the Company.

Cost of sales incurred by Beijing Benz increased by 42.1% to RMB49,566.2 million in 2015 from RMB34,884.2 million in 2014, mainly attributable to (i) the year-on-year increase of 72.0% in sales of Beijing Benz; and (ii) the partial offset of cost by cost reduction measures implemented by Beijing Benz, such as an increase in the proportion of domestic procurement of components and parts.

Gross profit

Based on the aforesaid reasons, the Group recorded gross profit of RMB15,276.8 million in 2015, representing a year-on-year increase of 70.1% from RMB8,983.5 million in the corresponding period in 2014 which was mainly attributable to (i) the year-on-year increase in gross profit of Beijing Benz; and (ii) the partial offset of gross profit by the increase in gross loss of Beijing Brand.

Gross loss of Beijing Motor increased to RMB1,419.8 million in 2015 from RMB68.9 million in the corresponding period in 2014. Gross margin decreased to -8.0% in 2015 from -0.6% in 2014, mainly attributable to greater discount provided in 2015 in order to maintain market share.

Gross profit of Beijing Benz increased by 84.4% to RMB16,696.6 million in 2015 from RMB9,052.4 million in 2014. Gross margin increased to 25.2% in the corresponding period in 2015 from 20.6% in 2014, mainly attributable to (i) the year-on-year increase of 72.0% in sales volume of Beijing Benz; and (ii) the partial offset of cost by cost reduction measures, such as an increase in the proportion of domestic procurement of components and parts by Beijing Benz.

Selling and distribution expenses

Selling and distribution expenses of the Group increased to RMB8,002.4 million in 2015 from RMB5,646.8 million in 2014, mainly attributable to the increase in selling and distribution expenses of Beijing Motor and Beijing Benz.

Selling and distribution expenses of Beijing Motor increased by 11.8% to RMB1,816.5 million in 2015 from RMB1,625.1 million in 2014, mainly attributable to (i) the year-on-year increase of 8.9% in sales volume of Beijing Brand, leading to an increase in expenses such as warranty, transportation and others along with changes in sales; and (ii) the partial offset of the Company's stricter promotional and market development budget control measures. The proportion of selling and distribution expenses of Beijing Motor to revenue decreased to 10.2% in 2015 from 13.1% in 2014.

Selling and distribution expenses of Beijing Benz increased by 53.8% to RMB6,186.0 million in 2015 from RMB4,021.7 million in 2014, mainly attributable to the year-on-year increase of 72.0% in sales of Beijing Benz, leading to an increase in expenses such as warranty, transportation and others along with changes in sales. The proportion of selling and distribution expenses of Beijing Benz to revenue remained stable with a slight increase to 9.3% in 2015 from 9.2% in 2014.

General and administrative expenses

General and administrative expenses of the Group increased to RMB4,039.1 million in 2015 from RMB3,455.0 million 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 12.4% to RMB1,065.7 million in 2015 from RMB947.8 million in 2014, mainly attributable to the increase in the number of employees and employee expenses due to business expansion of Beijing Motor. As a result of the Company's stricter budget control measures on general and administrative expenses of Beijing Motor, the proportion of general and administrative expenses to revenue decreased to 6.0% in 2015 from 7.6% in 2014.

General and administrative expenses of Beijing Benz increased by 18.6% to RMB2,973.4 million in 2015 from RMB2,507.2 million in 2014, mainly attributable to the increase in expenses in relation to employees bonus, urban construction tax, additional education expenses and other expenses due to increase in production and sales volume. The proportion of general and administrative expenses of Beijing Benz to revenue decreased to 4.5% in 2015 from 5.7% in 2014.

Operating profit

Based on the aforesaid reasons, the Group recorded operating profit of RMB4,478.9 million in 2015, representing a year-on-year increase of 215.0% from RMB1,421.8 million in the corresponding period in 2014, mainly attributable to increase in operating profit of Beijing Benz.

Operating loss of Beijing Motor increased by 75.9% to RMB3,341.0 million in 2015 from RMB1,899.5 million in 2014. Operating profit margin decreased to -18.7% in 2015 from -15.3% in 2014, mainly attributable to the additional price promotion offered by Beijing Brand in order to maintain its market share.

Operating profit of Beijing Benz increased by 135.4% to RMB7,819.9 million in 2015 from RMB3,321.3 million in 2014. Operating profit margin increased to 11.8% in the corresponding period in 2015 from 7.6% in 2014, mainly attributable to (i) the year-on-year increase by 72.0% in sales volume of Beijing Benz; and (ii) the partial offset of cost by cost reduction measures implemented by Beijing Benz, such as an increase in the proportion of domestic procurement of components and parts.

Share of profits of joint ventures and associates

The Group recorded a share of profit from joint ventures and associates of RMB4,257.3 million in 2015, representing a year-on-year decrease of 26.7%, mainly attributable to the decrease in net profit of Beijing Hyundai as a result of the additional price promotion offered to consumers and the change in product and sales mix.

Financial expenses

In 2015, the Group incurred total net financial expenses of RMB415.6 million, of which Beijing Motor incurred net financial expenses of RMB537.6 million, representing a year-on-year decrease of 4.1%, mainly attributable to the decrease in cost of borrowings. Beijing Benz incurred net financial income of RMB122.1 million in 2015. The net financial expenses were RMB27.3 million in 2014. The increase in financial expenses was mainly attributable to (i) the decrease in financial expenses as a result of the decreases in both short term and long term borrowings; and (ii) the increase in deposit interest as a result of sufficient cash flow.

Foreign exchange gains

In 2015, the Group realized foreign exchange gains of RMB90.2 million; the gain was mainly derived from the process of converting Hong Kong dollar to RMB as a result of the proceeds obtained from the initial public offering of the Company.

Foreign exchange gains and losses were incurred due to offshore procurement of some of the parts and components in foreign currencies for Beijing Benz. Beijing Benz uses foreign exchange forward contracts to lock in forward foreign exchange rate so as to hedge against foreign exchange risk.

Income tax

Income tax expenses of the Group increased to RMB1,998.6 million in 2015 from RMB856.5 million in 2014, mainly attributable to the increase in taxable income. Effective tax rate of the Group increased to 24.0% in 2015 from 12.8% in 2014.

The applicable corporate tax rates for the Company and its subsidiaries were 15.0%, 16.5% and 25.0% for 2015 and 2014.

Net profit

Based on the aforesaid reasons, the Group recorded net profit of RMB6,322.0 million in 2015 with an increase of 8.2% from 2014, of which Beijing Motor recorded net profit of RMB369.3 million, with a net profit margin of 2.1%. Beijing Benz recorded net profit of RMB5,952.7 million, with a net profit margin of 9.0%. The net profit of the Group included RMB3,003.4 million which is attributable to non-controlling interest in 2015.

In 2014, Beijing Motor recorded net profit of RMB3,368.1 million, with a net profit margin of 27.1%. Beijing Benz recorded net profit of RMB2,473.3 million, with a net profit margin of 5.6%.

Profit attributable to equity shareholders of the Company

The Group recorded profit attributable to equity shareholders of the Company of RMB3,318.6 million in 2015, representing a year-on-year decrease of 26.4%. Earnings per share amounted to RMB0.44, representing a year-on-year decrease of 37.1%.

The decrease in profit attributable to equity shareholders was attributable to the decrease in net profit of Beijing Motor in 2015.

Financial resources and capital structure

As at December 31, 2015, the Group had cash and cash equivalents of RMB23,946.5 million, notes receivable of RMB6,370.6 million, notes payable of RMB2,104.6 million, outstanding borrowings of RMB30,266.0 million, and unused bank credit lines of RMB33,390.3 million. At the same time, the Group had commitments for capital expenditure of RMB7,331.4 million. The above outstanding borrowing included RMB1,560.9 million equivalents of Euro loans and RMB97.4 million equivalents of US dollar loans as at December, 31, 2015.

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 lines of RMB29,019.3 million.

The Group usually satisfied its daily working capital requirements through self-owned cash and short-term borrowings. In November 2015, the Company completed the issuance of the first tranche of ultra short-term debentures of RMB2,500.0 million at an interest rate of 3.15% with a term of 270 days; and in December 2015, BAIC Investment, a subsidiary of the Company, completed the issuance of the first tranche of corporate bonds of RMB1,500 million at an interest rate of 3.6% with a term of five years. As at December 31, 2015, the outstanding borrowings of the Group included short-term borrowings and long-term borrowings of RMB21,279.9 million and RMB8,986.1 million, respectively. The Group will promptly repay the aforesaid borrowings at maturity.

Total assets

As at December 31, 2015, the total assets of the Group were RMB127,393.1 million, representing an increase of RMB17,534.4 million as compared with that as at December 31, 2014, mainly attributable to (i) the increase in fixed assets, intangible assets and construction work in progress; and (ii) the increase in accounts receivable as a result of increase in sales volume of Beijing Motor and Beijing Benz.

Total liabilities

As at December 31, 2015, the total liabilities of the Group were RMB80,323.7 million, representing an increase of RMB12,433.6 million as compared with that as at December 31, 2014, mainly attributable to (i) the increase in raw material payables as a result of increase in sales volume of Beijing Motor and Beijing Benz; and (ii) the completion of the issuance of ultra short-term debentures and corporate bonds, among which the fixed-rate liabilities amounted to RMB11,803.9 million. The borrowing which has the contract of interest rate swap matured in 2015. As at December 31, 2015, the Company did not make any further interest rate hedging arrangements.

Total equity

As at December 31, 2015, the total equity of the Group was RMB47,069.4 million, representing an increase of RMB5,100.8 million as compared with that as at December 31, 2014, mainly attributable to the increase in net profits of Beijing Benz.

Net gearing ratio

As at December 31, 2015, the Group's net gearing ratio ((total borrowings less cash and cash equivalents)/total equity plus the total borrowings less cash and cash equivalents) was 11.8%, representing a decrease of 4.2 percentage points from 16.0% as at December 31, 2014, mainly attributable to the decrease in borrowings.

Significant investment

In 2015, the Group incurred total capital expenditures of RMB7,418.8 million, of which Beijing Motor and Beijing Benz incurred capital expenditures of RMB3,085.8 million and RMB4,333.0 million, respectively.

In 2015, the Group incurred total research and development expenses of RMB3,729.1 million, the majority of which were incurred by Beijing Motor for its product research and development projects. Most of the aforesaid research and development expenses are capitalized when certain conditions are met by following the accounting policy of the Group.

Material acquisitions and disposals

The Group, its associates and joint ventures did not have any material acquisitions and disposals in 2015.

Pledge of asset

As at December 31, 2015, the Group had pledged notes receivable of RMB2,696.1 million and pledged inventory of RMB528.7 million to secure the borrowings.

Contingent liabilities

The Group had no material contingent liabilities as at December 31, 2015.

Employee and remuneration policies

As at December 31, 2015, the Group had 25,461 employees, while there were 22,015 employees as at December 31, 2014. In 2015, the Group incurred total staff costs of RMB4,557.6 million, representing a year-on-year increase of 30.6%, 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 set employee remuneration standards based on employees' qualifications, positions and industry average levels, and offered rewards based on the Group's operating performance and the performance of individual employees.

RISK FACTORS

Environmental Risk

1. *Risks relating to macroeconomic volatility*

Macroeconomic performance will have significant impact on consumer demand for passenger vehicles, and therefore will affect the Group's business performance. According to the forecast of the Chinese Academy of Social Sciences (CASS), China's GDP growth is expected to stabilize in 2016 with an annual growth rate of 6.7%, lower than the 6.9% growth rate in 2015. The Group will continue to pay attention to the macroeconomic situations in China, and introduce responsive measures in due course to deal with the volatility in the economic environment.

2. *Risks relating to the fluctuation of raw material prices*

The key raw materials used by the Group in the research and development, production and sales of automobiles include steel, rubber, plastics and paint. With the continuous increase in production and sales, the key materials for production procured by the Group from its suppliers have also grown in volume with each passing year. If there is a surge in commodity prices, even though part of its impact can be offset by the Group through measures such as changing allocation and raising prices, it will still adversely affect the Group's business performance.

3. *Risks relating to fuel consumption and emission policies*

As a result of global energy shortage, countries around the world have adopted a range of measures to cut the fuel consumption of vehicles. The Chinese government will also introduce stricter standards on fuel consumption. The Group has already taken a series of steps to meet the requirements of the government, which have increased raw material costs and development expenditures, thus affecting the Group's business performance.

In the meantime, exhaust emissions of traditional vehicles are viewed as one of the primary sources of air pollution. The Chinese government is constantly raising the emission standards of traditional vehicles. The Group has taken voluntary actions to fulfill its social responsibilities and support the implementation of the relevant emission regulations. However, the increased raw material costs and development expenditures will also affect the Group's business performance.

4. *Risks relating to the fluctuation of oil price*

The target consumers of the Group's Beijing Brand and the passenger vehicle products of Beijing Hyundai are more sensitive to changes in oil prices than those of Beijing Benz. Higher oil prices will, to a certain extent, discourage the purchase desire of potential buyers of the Beijing Motor and Beijing Hyundai. The price of oil in the international market is influenced by changes in supply and demand, and, as a form of financial product, it also faces the risks of price volatility. The pricing mechanism for finished oil products in China is still in the process of reform, and oil prices are not yet fully determined by the market. If there is a substantial rise in international oil prices or a major adjustment to China's oil pricing policies, the Group's sales might be affected, which, in turn, will cast a negative light on the business performance of the Group.

5. *Foreign exchange risks*

The Group makes payment mainly for Beijing Benz for some of their imported components and automobile parts with Euro and other foreign currencies, and uses foreign currency borrowing as a means to lower fiscal expenditures. Apart from this, all the capital raised by the Company through initial public offering and any follow-up stock issuance in the Main Board of the Stock Exchange are in Hong Kong dollars. Fluctuations in exchange rates may exert a certain impact on the Group's business performance.

Since the second half of 2015, expectations have been strengthening for the depreciation of RMB. In response to this, the Group has exerted utmost efforts to reduce the size of debt denominated in foreign currencies. In the meantime, guided by an effectively developed strategy of foreign exchange management, the Group continues to take orderly steps to control the exchange rate risks. Forward contract is the primary hedging tool currently used by the Group.

Operating risks

1. *Competitive risks*

Because of the situation of market sales, automobile companies have all resorted to sales promotion as the strategy for maintaining market share. If market demand remains weak, automobile companies might be forced to step up their promotion strategies, leading to a further decline in the actual trading price of vehicles which will increase price risks to the companies.

2. *Risks relating to the losses of the Beijing Brand business*

Due to the temporary weakness in the automobile market, the business of Beijing Brand continued to record operating losses in 2015. The Company will continue to minimize the operating losses incurred by the Beijing Brand by implementing strict cost-saving and budget control measures and raising the profitability of its products.

3. *Risks relating to capacity expansion*

Despite the slowdown in growth rate, China, the world's largest passenger vehicle market, continues to offer huge opportunities for automobile companies. In order to gain a bigger share in the market, the various brands of the Group have all expanded their capacity of varying degrees in recent years. If market sales fail to meet expectations, the additional fixed costs generated by these new capacities will weigh on the Group's business performance.

4. *Risks of failing to launch products welcomed by the market timely*

Whether products welcomed by the market can be launched timely will exert certain impact on the Group's business performance. The various brands of the Group have already launched several popular products, including Benz C-Class Sedan, GLA SUV, GLC SUV, Senova X65, Senova X25 and Wevan M20, Wevan M30 which are much welcomed by consumers. Nevertheless, in the face of growing consumer demand for improved user experience and ever intense market competition, the Group will continue to develop and launch new products which are responsive to the design preference, user habit and quality requirements of consumers.

OUTLOOK OF 2016

Industry Overview

The focus of China's macroeconomics in 2016 is on structural adjustment and steady growth. While there is increasing downward pressure on economy, the automobile market in the PRC will face both favorable and unfavorable factors. The downward pressure on macroeconomics continues to exist while increasingly stringent restriction policies affect the demand for vehicles. However, the reform on vehicle supply side may further stimulate market demand, which aids the regional market to release its growth potential. At the same time, the growth in market segment for SUV is expected to continue. According to the estimation from China Association of Automobile Manufacturers, China's automobile sales in the year is expected to be 26.0 million units (of which 25.4 million units are domestic, and 0.6 million units are exported), representing a year-on-year increase of 6.0%.

Beijing Brand

In 2016, Beijing Brand will further focus on the SUV and MPV market segments, and will launch various new products, including Senova X55, Senova X35 and Wevan S50, which are expected to further boost the overall sales growth of Beijing Motor.

Senova X55 targeting full-field SUV, will be available with 1.5L naturally aspirated engine and 1.5L turbo engine, with manual or automatic transmission.

Senova X35 urban-type SUV, will be available with 1.5L naturally aspirated engine with manual or automatic transmission.

Wevan S50, positioned as economical SUV, will be available with 1.5L turbo engine with manual or automatic transmission.

Most of the products above are applicable for the Chinese government's policy of 50% reduction on purchase tax for passenger vehicles with displacement of 1.6L and below. The Company remains cautiously optimistic about sales expectation.

Beijing Benz

In 2016, on the basis of the steady growth of the GLA-Class SUV and the C-Class series, operation performance of Beijing Benz will mainly rely on the outcome of the GLC SUV market and the performance of the brand new generation of E-Class passenger vehicles to be launched within the year.

At the same time, in consideration of the sales volume of Beijing Benz in 2015 and the marketing strategy that the competitors may be taking, the Group expects the growth rate of Beijing Benz in 2016 will be lower than that of 2015 but still maintains rapid increase.

Beijing Hyundai

In 2016, Beijing Hyundai will still be facing great pressure on competition. For this reason, Beijing Hyundai will set its focus on steadily increasing market share, maintaining a stable market position, and ensuring sales target to be achieved. Beijing Hyundai will flexibly adjust its sales promotion policy according to the automotive market situation, through launching two new products and safeguarding a stable supply of SUV products to achieve its annual business objectives.

The Company expects in 2016 the SUV product heat will continue to ferment, and market competition will become fierce. Beijing Hyundai will take various measures including enhancing the competitiveness of its existing products, increasing sales on high profit-margin products, and reducing procurement costs, so as to safeguard a stable profit level of SUV products.

In addition, the Beijing Hyundai plant in Cangzhou will be officially put into operation by the end of 2016. With the operation of this new plant, Beijing Hyundai will expect to launch the A0-Class economical passenger vehicle at the same time. Beijing Hyundai, while maintaining the A0-Class market share in its segment, will expect a rapid climb in sales volume, and a less impact on annual results from the operation of the new plant as much as possible.

SUBSEQUENT EVENTS

Change of Agent for Service of Process in Hong Kong

Ms. Yung Mei Yee (“**Ms. Yung**”) has tendered her resignation as the agent for services of process in Hong Kong of the Company as required under the Companies Ordinance (the “**Process Agent**”) and Ms. Mok Ming Wai has been appointed in replacement of Ms. Yung as the Process Agent, both with effect from March 24, 2016.

Please refer to note 18 to the financial statements of this announcement for other subsequently events.

USE OF PROCEEDS OBTAINED FROM THE INITIAL PUBLIC OFFERING

The Company was listed on the Main Board of the Stock Exchange on December 19, 2014. The net proceeds from the initial public offering are approximately RMB8,523.8 million.

As of the end of 2015, the net proceeds from the initial public offering have been spent on investment in fixed assets, development of Beijing Motor passenger vehicles, expansion of sales network and promotion of Beijing Motor passenger vehicles, repayment of bank loans, etc. Usage of the net proceeds is consistent with those as set forth in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated December 9, 2014.

PROFIT DISTRIBUTION

In accordance with the “Notice on the issues of profit distribution for overseas listed pilot companies implementing shareholding system” (Cai Kuai Zi [1995] No. 31) and provisions of Article 193 of the Articles of Association of the Company in comparison to the China enterprises, distributable profits will be determined based on either the Chinese accounting standards and IFRS, whichever is lower.

The Board recommends to distribute a final dividend for the year 2015 of RMB0.15 per share (tax inclusive). The proposal will be submitted to the Company’s 2015 annual general meeting (the “**2015 Annual General Meeting**”) for review and approval. The date of distribution will be no later than September 30, 2016.

For details of the distribution of a final dividend by the Company, please refer to the circular for the 2015 Annual General Meeting to be issued by the Company in due course.

MATERIAL LITIGATION AND ARBITRATION

As at December 31, 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 Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem the Company’s listed securities in 2015.

COMPLIANCE WITH CORPORATE GOVERNANCE

The Company has in 2015 fully complied with the code provisions contained in Appendix 14 of the “**Corporate Governance Code**” (the “**Corporate Governance Code**”) as stipulated in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). All the directors of the Company consider that the Company is in compliance with all the code provisions contained in the Corporate Governance Code for the year ended December 31, 2015.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

Having made all reasonable enquiries to all Directors and the Supervisors of the Company (the “**Supervisors**”), the Board confirms that, in 2015, the Directors and the Supervisors have strictly followed the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) in Appendix 10 to the Listing Rules. The Company has not adopted a standard lower than that provided for by the Model Code in relation to the securities dealings of the Directors and the Supervisors.

AUDIT COMMITTEE

The Company’s Audit Committee has reviewed the Company’s 2015 annual results and audited consolidated financial statements as at December 31, 2015 prepared in accordance with the IFRS.

ANNUAL GENERAL MEETING AND CLOSURE OF SHARE REGISTER OF MEMBERS

For details of the date of the 2015 Annual General Meeting, the resolutions to be considered and approved, the book closure date of H shares, the record date for payment of dividends, and the date of the 2015 Annual General Meeting, please refer to the circular for the 2015 Annual General Meeting to be issued by the Company in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.baicmotor.com) respectively. The Company will dispatch to the shareholders in due course all the information required by the Listing Rules together with the 2015 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
Xu Heyi
Chairman

Beijing, the PRC March 28, 2016

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*