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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, 2016

The board (the "**Board**") of directors (the "**Directors**") of BAIC Motor Corporation Limited (the "**Company**" or "**we**" or "**our Company**") 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, 2016 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2015. 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**").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2016

	Note	For the six months ended June 30, 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	3	**49,038,815**	36,522,319
Cost of sales		**(38,284,442)**	(30,336,885)
Gross profit		**10,754,373**	6,185,434
Selling and distribution expenses		**(4,554,392)**	(2,983,114)
General and administrative expenses		**(1,923,452)**	(1,743,033)
Other (losses)/gains, net		**(246,757)**	1,252,401
Operating profit	6	**4,029,772**	2,711,688
Finance income		**202,584**	145,976
Finance costs		**(457,307)**	(554,697)
Finance costs, net		**(254,723)**	(408,721)
Share of post-tax profits of joint ventures		**1,824,008**	1,941,752
Share of post-tax profits of associates		**154,772**	93,178
Profit before income tax		**5,753,829**	4,337,897
Income tax expense	7	**(1,333,568)**	(847,127)
Profit for the period		**4,420,261**	3,490,770
Other comprehensive income		**–**	–
Total comprehensive income for the period		**4,420,261**	3,490,770
Attributable to:			
Equity holders of the Company		**2,411,293**	2,170,790
Non-controlling interests		**2,008,968**	1,319,980
		4,420,261	3,490,770
Earnings per share for profit attributable to equity holders of the Company during the period (RMB)			
Basic and diluted	8	**0.32**	0.29

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2016

	Note	**June 30, 2016 RMB'000 (Unaudited)**	December 31, 2015 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**38,614,766**	38,353,039
Land use rights		**5,374,023**	5,222,063
Intangible assets		**12,556,620**	11,473,224
Investments in joint ventures		**12,359,777**	12,902,015
Investments in associates		**2,474,213**	1,680,360
Available-for-sale financial assets		**536,480**	4,000
Deferred income tax assets		**4,566,857**	4,208,609
Other long-term assets		**861,766**	1,313,159
		77,344,502	75,156,469
Current assets			
Inventories		**12,396,396**	9,870,762
Accounts receivable	*4*	**17,073,889**	10,948,608
Advances to suppliers		**1,647,526**	2,041,593
Other receivables and prepayments		**3,923,247**	3,965,500
Restricted cash		**1,872,533**	1,463,660
Cash and cash equivalents		**26,618,240**	23,946,496
		63,531,831	52,236,619
Total assets		**140,876,333**	127,393,088

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT JUNE 30, 2016

	Note	**June 30, 2016** *RMB'000* **(Unaudited)**	December 31, 2015 *RMB'000* (Audited)
EQUITY			
Capital and reserves attributable to equity holders			
Share capital		**7,595,338**	7,595,338
Other reserves		**17,679,349**	17,680,657
Retained earnings		**11,005,980**	9,733,988
		36,280,667	35,009,983
Non-controlling interests		**14,649,533**	12,059,419
Total equity		**50,930,200**	47,069,402
LIABILITIES			
Non-current liabilities			
Borrowings		**10,604,861**	8,986,078
Deferred income tax liabilities		**820,717**	839,971
Provisions		**1,829,813**	1,610,287
Deferred income		**1,379,096**	1,260,294
		14,634,487	12,696,630
Current liabilities			
Accounts payable	*5*	**28,326,354**	21,382,334
Advances from customers		**1,467,161**	1,283,647
Other payables and accruals		**22,216,691**	21,201,970
Current income tax liabilities		**735,251**	1,943,280
Borrowings		**21,961,204**	21,279,937
Provisions		**604,985**	535,888
		75,311,646	67,627,056
Total liabilities		**89,946,133**	80,323,686
Total equity and liabilities		**140,876,333**	127,393,088

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2016

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 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 of Directors on August 24, 2016.

This Condensed Financial Information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of Preparation

This Condensed Financial Information has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "Interim Financial Reporting". The Condensed Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by International Accounting Standards Board ("**IASB**").

As at June 30, 2016, the current liabilities of the Group exceeded its current assets by RMB11,780 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 RMB8,550.0 million and RMB25,108.1 million respectively as at June 30, 2016.

Based on the above considerations, the directors of the Company are of the opinion that the Group has sufficient available financial resources to meet the needs of its working capital requirements and refinance. As a result, this Condensed Financial Information has been prepared on a going concern basis.

2.2 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2015, as described in those annual financial statements except for the adoption of amendments to IFRSs effective for the financial year ending December 31, 2016.:

(a) Changes effective for annual periods beginning on or after January 1, 2016.

Amendments to IFRSs effective for the financial year ending December 31, 2016 do not have material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group

(i) IFRS 9 "Financial instruments"

IFRS 9 "Financial Instruments" addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until January 1, 2018 but is available for early adoption. The Group is currently assessing the impart of the new standard and whether it should adopt IFRS 9 before its mandatory date.

(ii) IFRS 15 Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after January 1, 2018, and will allow early adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements.

(c) Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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 (which is the chief operating decision maker), 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[1]: manufacturing and sales of passenger vehicles of Beijing Brand, 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. 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. Information about reportable segments and reconciliations of reportable segment results are as follows:

	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, 2016			
Total revenue	**11,699,908**	**37,368,530**	**49,068,438**
Inter-segment revenue	**(29,623)**	**–**	**(29,623)**
Revenue from external customers	**11,670,285**	**37,368,530**	**49,038,815**
Segment gross profit	**272,257**	**10,482,116**	**10,754,373**
Selling and distribution expenses			**(4,554,392)**
General and administrative expenses			**(1,923,452)**
Other losses, net			**(246,757)**
Finance costs, net			**(254,723)**
Share of post-tax profits of joint ventures			**1,824,008**
Share of post-tax profits of associates			**154,772**

1 When referring to business segment, "Beijing Motor" refers to the consolidated result of the Company and its subsidies (excluding Beijing Benz).

	Passenger vehicles – Beijing Motor *RMB'000* (Unaudited)	Passenger vehicles – Beijing Benz *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Profit before income tax			**5,753,829**
Income tax expense			**(1,333,568)**
Profit for the period			**4,420,261**
Other Information:			
Significant non-cash expenses			
Depreciation and amortization	**(943,631)**	**(1,556,350)**	**(2,499,981)**
Reversal/(provisions) for impairments on inventories	**67,481**	**(63,992)**	**3,489**
As at June 30, 2016			
Total assets	**71,902,850**	**68,973,483**	**140,876,333**
Including:			
Investments in joint ventures	**12,359,777**	**–**	**12,359,777**
Investments in associates	**2,474,213**	**–**	**2,474,213**
Total liabilities	**(50,181,549)**	**(39,764,584)**	**(89,946,133)**

	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, 2015			
Total revenue	7,315,330	29,231,445	36,546,775
Inter-segment revenue	(24,456)	–	(24,456)
Revenue from external customers	7,290,874	29,231,445	36,522,319
Segment gross (loss)/profit	(706,009)	6,891,443	6,185,434
Selling and distribution expenses			(2,983,114)
General and administrative expenses			(1,743,033)
Other gains, net			1,252,401
Finance costs, net			(408,721)
Share of post-tax profits of joint ventures			1,941,752
Share of post-tax profits of associates			93,178
Profit before income tax			4,337,897
Income tax expense			(847,127)
Profit for the period			3,490,770
Other Information:			
Significant non-cash expenses			
Depreciation and amortization	(545,812)	(1,528,638)	(2,074,450)
Provisions for impairments on receivables and inventories	(411,701)	–	(411,701)
As at December 31, 2015			
Total assets	63,725,718	63,667,370	127,393,088
Including:			
Investments in joint ventures	12,902,015	–	12,902,015
Investments in associates	1,680,360	–	1,680,360
Total liabilities	(41,464,850)	(38,858,836)	(80,323,686)

There is no customer accounting to 10 percent or more of the Group's revenue for each of the six months ended June 30, 2016 and 2015.

The Group is domiciled in PRC. The percentage of its revenue from external customers residing in the PRC is approximately 99.3% for the six months ended June 30, 2016 (six months ended June 30, 2015: 99.8%).

As at June 30, 2016, the percentage of the Group's non-current assets, other than financial instruments and deferred income tax assets, located in the mainland of the PRC is approximately 98.0% (as at December 31, 2015: 97.9%).

4 ACCOUNTS RECEIVABLE

	June 30, 2016 *RMB'000* **(Unaudited)**	December 31, 2015 *RMB'000* (Audited)
Trade receivables, gross *(note (a))*	**7,963,257**	4,579,034
Less: provision for impairment	**(1,047)**	(1,047)
	7,962,210	4,577,987
Notes receivable	**9,111,679**	6,370,621
	17,073,889	10,948,608

(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, 2016 *RMB'000* **(Unaudited)**	December 31, 2015 *RMB'000* (Audited)
Current to 1 year	**7,925,003**	4,560,463
1 to 2 years	**28,696**	15,166
Over 2 years	**9,558**	3,405
	7,963,257	4,579,034

(b) All notes receivable are 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 as at respective balance sheet dates are as follows:

	June 30, 2016 *RMB'000* **(Unaudited)**	December 31, 2015 *RMB'000* (Audited)
Pledged notes receivable	**4,886,085**	2,696,141

5 ACCOUNTS PAYABLE

	June 30, 2016	December 31, 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**24,075,180**	19,277,708
Notes payable	**4,251,174**	2,104,626
	28,326,354	21,382,334

Ageing analysis of trade payables is as follows:

	June 30, 2016	December 31, 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current to 1 year	**24,056,285**	19,236,144
1 year to 2 years	**13,109**	38,357
Over 2 years	**5,786**	3,207
	24,075,180	19,277,708

6 OPERATING PROFIT

	For the six months ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation and amortization	**2,494,189**	2,074,450
(Reversal)/Provisions for impairments on receivables and inventories	**(3,489)**	411,701
Employee benefit costs	**2,260,982**	2,085,172
Gains from sales of scrap materials	**(16,528)**	(23,804)
Net foreign exchange losses/(gains), including forward foreign exchange contracts with fair value through profit or loss	**468,899**	(590,835)
Government grants	**(228,848)**	(652,384)
Losses on disposal of property, plant and equipment	**960**	22

7 INCOME TAX EXPENSE

	For the six months ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax	**1,711,070**	1,415,747
Deferred income tax credit	**(377,502)**	(568,620)
	1,333,568	847,127

Except for certain enterprises being recognized as new and high-technology with preferential income tax rate of 15% and a subsidiary that is subject to Hong Kong profits tax at a rate of 16.5%, provision for PRC enterprise income tax is calculated at the 25% statutory tax rate in accordance with relevant PRC enterprise income tax rules and regulations.

8 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 during the period.

	For the six months ended June 30,	
	2016	2015
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (RMB'000)	**2,411,293**	2,170,790
Weighted average number of ordinary shares in issue (thousands)	**7,595,338**	7,589,032
Earnings per share for profit attributable to equity holders of the Company	**0.32**	0.29

During the six months ended June 30, 2016 and 2015, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.

9 DIVIDENDS

The Board of Directors of the Company did not recommend the payment of any interim dividend for the six months ended June 30, 2016 (six months ended June 30, 2015: Nil). The dividend of approximately RMB1,139,301,000 (RMB0.15 per share) relating to the year ended December 31, 2015 was approved by the shareholders at the annual general meeting held in May 2016 and paid in July 2016.

10 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On August 10, 2016, the Company completed the issuance of the second tranche of 2016 ultra short-term debentures, the issuance size was RMB2.5 billion with a term of 270 days and an interest rate of 2.65% per annum.

BUSINESS OVERVIEW

Principal Businesses

Established in September 2010, our Company is the platform for consolidating and developing all the passenger vehicles resources of BAIC Group. As an enterprise enjoying full support from the Beijing municipal government, we engage mainly in the research and development, manufacture and distribution of vehicles and relevant parts and components such as engines, gearboxes and powertrains. Our key products are: (i) the proprietary "Beijing Brand", (ii) the premium "Mercedes-Benz" passenger vehicles and (iii) the mid-to-high end "Hyundai" vehicles. Our multiple passenger vehicle brands complement each other and cover the various niche markets in passenger vehicles from the premium to the mid-to-high range joint venture brands as well as the mid-to-high tier to the economical domestic brand. Our portfolio of passenger vehicles includes mid-to-large size sedans, mid-size sedans, compact sedans, small-size sedans, SUV, MPV and CUV products to cater to different consumer demands.

Beijing Brand

The Beijing Brand passenger vehicle business is currently operated through three product series: Senova, BJ and Wevan. They are manufactured at our Beijing base (i.e. the Beijing branch of our Company), Zhuzhou base (the Zhuzhou branch of our Company) and Guangzhou base (our subsidiary BAIC Guangzhou Automotive Co., Ltd.), which have a combined designed capacity of 450,000 vehicles a year.

- ***Senova***

We began selling Senova passenger vehicles in 2013. Senova passenger vehicles are developed and designed by us though based on the Saab technologies that we acquired earlier. Senova is a mid- to high-end proprietary passenger vehicle product series. It inherits the European tradition of excellent craftsmanship and targets consumers who focus on performance and cost efficiency. Currently, our Senova passenger vehicles include five sedans and four SUVs. In the first half of 2016, as part of our strategic adjustment in product structure, we launched two SUVs, the X55 and the X35.

- ***BJ***

In December 2013, the (BJ) 40 jeep was launched after rebranding BJ as a pioneer of die-hard off-road vehicles that inherited half a century of BAIC military genes. It aims to provide consumers with quality products that deliver excellent performance in pure-blooded cross-country spirit. In the first half of 2016, the BJ series added two new models, the (BJ)40L and the (BJ)80, while a face-lifted (BJ)40 was also introduced. In the second half of 2016, the BJ series will launch its first tough urban cross-country vehicle, the (BJ)20, which will be marketed as a light urban jeep to offer consumers a new experience.

- ***Wevan***

We commenced the sales of Wevan passenger vehicles in 2011. Our Wevan product series mainly include CUVs, Mini-MPVs and economical SUVs targeting small and micro businesses as well as individuals. We aim to produce "high quality, trustworthy" economical passenger vehicles. The main products in our Wevan series include the M20 Mini-MPV and its upgraded product M30, as well as the Wevan 306 and Wevan 307 CUVs. In the first half of 2016, we successfully launched the S50 economical SUV, which was soon produced in large quantity and expanded our SUV line. To cater to the consumption upgrade of our traditional Mini-MPV users, we also plan to launch at the end of 2016 a front-wheel-drive mini-MPV for household use.

- ***New energy vehicles***

In the area of new energy vehicles, we have launched a comprehensive conversion of traditional vehicles into new energy ones by promoting swiftly the "same factory, shared platform" transformation strategy for traditional and new energy vehicles. We are actively preparing all our production bases for the manufacture of new energy vehicles in order to realize the synergy, enhance capacity utilization ratios and create production flexibility, thus driving our businesses with the twin engines of SUV and new energy products. At present, the new energy product EV series that we are marketing include the E150EV, EV160 and EV200 models, while new launches include EU260 and ES210 which are based on our popular traditional sedans. In 2016, Beijing Motor continues to implement its "new energy + SUV" ("**E+S**") strategy, and plans to launch a brand new flagship model EH400 new energy sedan, thus enriching our new energy product range and maintain our lead in the new energy vehicles market.

Beijing Benz

Beijing Benz is our subsidiary in which we hold 51% equity interest while Daimler AG and its wholly owned subsidiary Daimler Greater China Ltd. together hold 49%.

Beijing Benz began the manufacture and distribution of Mercedes-Benz passenger vehicles in 2005 in accordance with Daimler's global manufacturing and quality standards. It has built up a complete system for manufacturing luxury cars, and is the only Daimler joint venture to operate front-wheel-drive, rear-wheel-drive and power system platforms outside of Germany. It is also the largest Daimler manufacturing base outside Germany in terms of production capacity, with a designed capacity that meets future production plans and market demand. At present, Beijing Benz manufactures and sells the E-class sedan, the C-class sedan and the GLC- and GLA-class SUVs. On June 16, 2016, the brand new long-wheelbase E-class sedan rolled off the production line and is being marketed from the third quarter onward. This represents the final step in the complete update of all Beijing Benz models. The new product lineup injects a powerful competitiveness into Beijing Benz, further cementing its position in the premium passenger vehicle market.

Beijing Hyundai

Beijing Hyundai Motor Co., Ltd. ("**Beijing Hyundai**") is the joint venture between the Company and Hyundai Motor Company. Each of BAIC Investment Co., Ltd., our subsidiary, and Hyundai Motor Company, holds 50% equity interest in Beijing Hyundai. Established in 2002 as the first joint venture automobile enterprise following China's entry into the World Trade Organization, Beijing Hyundai was able to realize the sale of Hyundai passenger vehicles within one year. At present, Beijing Hyundai is offering more than 10 models including the popular Sonata, Mistra and Elantra. In the first half of 2016, Beijing Hyundai successfully launched such new models as a brand new Elantra, the ninth-generation hybrid-powered Sonata and the Mistra 1.6T to cater to different consumer demands. Of them, the launch of the ninth-generation hybrid Sonata signaled the commencement of Beijing Hyundai's "NEW[2]" new energy strategy. In the second half, it will launch a brand new Verna A0 and a face-lifted New Santa-Fe, which will further strengthen its leadership in its niche markets.

Operating Performance

In the first half of 2016, under the "new normals" in the macro-economic situation and the automobiles market, the Group adhered to its operating objectives of "structural adjustment, transformation, introspective and efficient" and strived to expand the domestic market. We achieved sales of approximately 869,000 vehicles, an increase of 14.1% compared with the last corresponding period, and about five percentage points faster than the 9.2% growth rate of the Chinese passenger vehicle market.

The Group's sales volume for the six months ended June 30, 2016 is as follows:

Number of vehicles	**Sales volume**	**Same period last year**	**Year-on-year change**
Beijing Brand	203,001	148,512	36.7%
of which:			
SUV	98,005	10,911	798.2%
Sedans	6,659	42,281	-84.3%
MPV	67,261	56,770	18.5%
CUV	15,927	32,334	-50.7%
New energy vehicles	15,149	6,216	143.7%
Beijing Benz	143,398	103,034	39.2%
Beijing Hyundai	522,769	510,276	2.5%
Total	**869,168**	**761,822**	**14.1%**

[2] "N" represents the nine heavy-weight new energy products to be launched by Beijing Hyundai before 2020 to augment the positioning of its new energy products in various niche markets; "E" represents new energy technology, and heralds the full implementation of the HEV\PHEV\EV and FCV technologies in Beijing Hyundai's new energy products; while "W" represents the healthy lifestyle and travel mode being promoted by Beijing Hyundai.

Business Outlook

For the automobiles market, the 50% reduction in purchase tax for low-emission vehicles is likely to expire towards the end of 2016 and may well trigger a modest last-minute surge in its sale in the second half of 2016. The infrastructure for new energy vehicles market continues to improve and the public's approval gradually increases. As the government takes initiatives in the use and after-sales service of new energy vehicles, we expect considerable room for growth in new energy vehicle sales in the second half of 2016, despite a decline in new energy vehicles subsidies.

For the Group, a range of "quality improvement and efficiency enhancement" measures adopted during the first half of 2016 has achieved the goals that we set at the beginning of the year, leading to a steady increase in our operating performance. In the second half of 2016, we will continue to grasp the market dynamics and achieve our full year objectives in the spirit of "Tenacity, Perseverance, Focus and Perfection".

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The Group's main business operations are the design, research and development, manufacturing and sale of passenger vehicles and related after-sale services. The above business has brought sustained and stable revenue to our Group. Revenue of the Group increased to RMB49,038.8 million in the first half of 2016 from RMB36,522.3 million in the corresponding period in 2015, mainly attributable to the increase in revenue from Beijing Benz and Beijing Motor.

Revenue generated from Beijing Benz increased by 27.8% to RMB37,368.5 million in the first half of 2016 from RMB29,231.4 million in the same period in 2015. The main contributing factors were (i) a 39.2% year-on-year increase in sales volume of Beijing Benz; (ii) the revenue was partially offset by a decline in average revenue caused by the larger sales volume of the lower-priced GLA-class SUVs; and (iii) a decrease in the proportion of sales volume of the higher priced E-class sedans prompted by the Group's decision to reduce production and clear out inventories in the first half of 2016. The all-new E-class sedans will go on sale in the third quarter of 2016. The Group is fully confident of its market prospects and expects this product to be a new source of profit growth for Beijing Benz.

Revenue generated from Beijing Motor increased by 60.1% to RMB11,670.3 million in the first half of 2016 from RMB7,290.9 million in the corresponding period in 2015, mainly attributable to (i) a 36.7% year-on-year growth in sales volume of Beijing Motor; (ii) an increase in average revenue of products driven by increased proportion of sales volume of the higher priced SUV products; and (iii) the revenue was partially offset by sales discounts offered by Beijing Motor in order to strengthen and expand its market share.

Beijing Motor vigorously promoted the "E+S" strategy in the first half of 2016 with some initial success. "E+S" sales accounted for 55.7% of the total in the first half of 2016 against 11.5% in the first half of 2015. The new Senova X25, Senova X55 and Senova X35 SUVs that we developed on our own were launched at the end of 2015 and early 2016. During the first half of 2016, we sold about 77,000 Senovas, about 9,000 of which were the X35 launched on May 20, 2016. Our operating strategy of "Tenacity, Perseverance, Focus and Perfection" has yielded some success, and we expect the proportion of "E+S" sales will further increase in the second half of the year.

Cost of Sales

The Group's cost of sales increased to RMB38,284.4 million in the first half of 2016 from RMB30,336.9 million in the same period in 2015, mainly attributable to the increase in the sales volume and related costs of Beijing Benz and Beijing Motor.

Cost of sales incurred by Beijing Benz increased by 20.4% to RMB26,886.4 million in the first half of 2016 from RMB22,340.0 million in the same period last year, mainly attributable to (i) the 39.2% year-on-year increase in sales volume of Beijing Benz; and (ii) the partial cost offset at Beijing Benz upon its cost-reduction measures such as increasing the proportion of domestic sourcing of parts and components.

Cost of sales incurred by Beijing Motor increased by 42.5% to RMB11,398.0 million in the first half of 2016 from RMB7,996.9 million in the corresponding period in 2015, mainly attributable to (i) the 36.7% year-on-year increase in the sales volume of Beijing Motor; (ii) changing sales mix due to growth in sales volume of SUV products; and (iii) partial cost offset on the back of our Company's cost-reduction measures.

Gross Profit

Based on the aforesaid reasons, the Group recorded gross profit of RMB10,754.4 million in the first half of 2016, an increase of 73.9% over the RMB6,185.4 million gross profit in the same period last year, mainly because of the year-on-year increase in gross profit of Beijing Benz and Beijing Motor.

Beijing Benz's gross profit increased by 52.1% to RMB10,482.1 million in the first half of 2016 from RMB6,891.4 million in the corresponding period in 2015. Its gross margin increased to 28.1% in the first half of 2016 from 23.6% in the corresponding period in 2015, mainly attributable to (i) the 39.2% year-on-year increase in sales volume of Beijing Benz; and (ii) the partial cost was offset at Beijing Benz upon its cost-reduction measures such as increasing the proportion of domestic sourcing of parts and components.

Beijing Motor achieved gross profit of RMB272.3 million in the first half of 2016 against a gross loss of RMB706.0 million in the corresponding period in 2015. Gross margin rose to 2.3% in the first half of 2016 from -9.7% in the same period last year. This was mainly attributable to a higher sales proportion of the higher-margin SUV products, though it was partially offset by greater discounts in sales promotions to maintain market share.

Selling and Distribution Expenses

Selling and distribution expenses of the Group increased to RMB4,554.4 million in the first half of 2016 from RMB2,983.1 million in the same period last year, mainly attributable to the increase in selling and distribution expenses of Beijing Benz and Beijing Motor.

Selling and distribution expenses of Beijing Benz increased by 43.2% to RMB3,550.8 million in the first half of 2016 from RMB2,479.6 million in the same period a year ago. The proportion of Beijing Benz's selling and distribution expenses to its revenue increased to 9.5% in the first half of 2016 from 8.5% in the same time last year. This was mainly due to increased expenses, such as after-sales warranty and transport costs arising from a 39.2% year-on-year sales increase.

Selling and distribution expenses of Beijing Motor increased by 99.3% to RMB1,003.6 million in the first half of 2016 from RMB503.6 million in the same period last year, accounting for 8.6% of its revenue in the first half of 2016 against 6.9% in the first half of 2015. The main reasons for higher selling and distribution expenses were (i) increased expenses, such as after-sales warranty and transportation costs arising from a 36.7% year-on-year sales increase at Beijing Motor; and (ii) higher targeted advertising and promotion expenses due to new product centralised launches in the first half of 2016. Targeted advertising and promotion expenses are deployed in line with the pace of new product launches and tend to occur in stages. The Company will adjust the amount of targeted advertising and promotion expenses in the second half of 2016 according to market conditions.

General and Administrative Expenses

General and administrative expenses of the Group increased to RMB1,923.5 million in the first half of 2016 from RMB1,743.0 million in the same period in the first half of 2015, mainly due to the increase in general and administrative expenses of Beijing Benz and Beijing Motor.

General and administrative expenses of Beijing Benz increased by 2.7% to RMB1,292.1 million in the first half of 2016 from RMB1,258.4 million in the same period last year. This was mainly because (i) Beijing Benz has adopted a more vigorous budget control system; and (ii) it was partially offset by higher bonuses for managerial staff on the basis of increased sales, as well as increases in urban construction tax and education surcharge. The proportion of Beijing Benz's general and administrative expenses to its revenue decreased to 3.5% in the first half of 2016 from 4.3% in the first half of 2015.

General and administrative expenses of Beijing Motor increased by 30.2% to RMB631.3 million in the first half of 2016 from RMB484.7 million in the same period in 2015, mainly attributable to higher staff compensation costs due to the increase in the number of employees as Beijing Motor expanded its businesses. With the adoption of a more vigorous budget control system, the proportion of Beijing Motor's general and administrative expenses to its revenue decreased to 5.4% in the first half of 2016 from 6.7% in the first half of 2015.

Operating Profit

Based on the aforesaid reasons, the Group recorded operating profit of RMB4,029.8 million in the first half of 2016, an increase of 48.6% from RMB2,711.7 million in the same period last year, mainly because of higher operating profit of Beijing Benz.

Beijing Benz's operating profit increased by 47.4% to RMB5,239.0 million in the first half of 2016 from RMB3,554.7 million in the fist half of 2015, lifting the operating profit margin to 14.0% from 12.2%. The main contributing factors were (i) the 39.2% year-on-year increase in sales volume of Beijing Benz; and (ii) Beijing Benz adopted cost-reduction measures such as increasing the proportion of domestic sourcing of parts and components.

Operating loss of Beijing Motor increased by 43.5% to RMB1,209.3 million in the first half of 2016 from RMB843.0 million in the same period last year, yet operating profit margin improved to -10.4% from -11.6% in the fist half of 2015. This was mainly attributable to (i) the 36.7% year-on-year sales volume growth of Beijing Motor; and (ii) though it was partially offset by greater discounts and distribution fees in sales promotions to maintain market share.

Share of Post-Tax profits of Joint Ventures and Associates

The Group recorded a total investment income of RMB1,978.8 million in the first half of 2016, representing a year-on-year decrease of 2.8%, mainly because of lower net profit of Beijing Hyundai as its product range entered a cycle of general upgrade, causing an increase in sales promotion and marketing expenses.

Finance Cost, Net

In the first half of 2016, the Group incurred total net financial expenses of RMB254.7 million. Beijing Benz recorded net financial income of RMB117.1 million against a net financial expense of RMB74.7 million in the first half of 2015. The turnaround was mainly attributable to (i) decreased financial expenses due to declines in both long- and short-term borrowings; and (ii) higher interest income due to a stronger cash flow. Beijing Motor incurred net financial expense of RMB371.8 million against RMB334.0 million in the first half of 2015, mainly because of the higher interest expenses on the back of increased borrowings.

Foreign Exchange Losses

In the first half of 2016, the Group recorded a net foreign exchange loss of RMB422.0 million against a net foreign exchange gain of RMB590.8 million in the first half of 2015. This was mainly attributable to exchange losses incurred by Beijing Benz in its euro-denominated payments as a result of the decline in the renminbi exchange rate against the euro.

The Group (mainly the Beijing Benz businesses) primarily used the euro to pay for part of its imported parts and components and also incurred borrowings denominated in foreign currencies to reduce financial costs. Foreign exchange fluctuations may affect the Group's operating results.

Since the second half of 2015, expectations have been strengthening for the depreciation of RMB, and the Group has accordingly reduced the size of debt denominated in foreign currencies. At the same time, our Group has a well-developed foreign exchange management strategy that regularly controls the foreign exchange rate risks. At present, we mainly used foreign exchange forward contracts as our arbitrage tool.

Income Tax Expense

Income tax expenses of the Group increased to RMB1,333.6 million in the first half of 2016 from RMB847.1 million in the same period last year, mainly attributable to the increase in taxable income. Effective tax rate increased to 23.2% in the first half of 2016 from 19.5% in the first half of 2015.

The rates of income tax for enterprises applicable to the Company and its subsidiaries in the first half of 2016 and the first half of 2015 were: 15.0% for PRC subsidiaries entitled to new and high technology enterprises, 16.5% for Hong Kong profits tax, and 25.0% for other PRC enterprises.

Net Profit

Based on the aforesaid reasons, the Group recorded net profit of RMB4,420.3 million in the first half of 2016, representing a 26.6% year-on-year increase. Beijing Benz recorded net profit of RMB4,021.9 million with a net profit margin of 10.8%. Beijing Motor recorded net profit of RMB398.4 million, with a net profit margin of 3.4%.

In the first half of 2015, Beijing Benz recorded net profit of RMB2,610.0 million with a net profit margin of 8.9%. Beijing Motor recorded net profit of RMB880.8 million, with a 12.1% net profit margin.

Profit Attributable to Equity Holders of the Company

The Group recorded profit attributable to equity shareholders of the Company of RMB2,411.3 million in the first half of 2016. Basic earnings per share amounted to RMB0.32, with an increase of 10.3% as compared to the first half of 2015.

Financial Resources and Capital Structure

As at June 30, 2016, the Group had cash and cash equivalents of RMB26,618.2 million, notes receivable of RMB9,111.7 million, notes payable of RMB4,251.2 million, outstanding borrowings of RMB32,566.1 million, and unused bank credit lines of RMB33,658.1 million. At the same time, the Group had commitments for capital expenditure of RMB6,117.4 million. Included in the outstanding borrowings were euro-denominated borrowings equivalent to RMB1,757.9 million as at June 30, 2016.

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.

The Group usually satisfies its daily working capital requirements through self-generated cash and short-term borrowings. In February 2016, the Company completed the issuance of the first tranche of its 2016 ultra-short-term debentures of RMB2,000.0 million in principal amount, a coupon rate of 2.85% per annum and maturity of 270 days. In March 2016, the Company completed the issuance of the first tranche of its 2016 corporate bonds with RMB1,500.0 million in principal amount, an interest rate of 3.15% per annum and maturity of five years. In April 2016, the Company completed the issuance of the first tranche of its 2016 green corporate bonds in principal amount of RMB2,500.0 million, an interest rate of 3.45% per annum and maturity of seven years. As at June 30, 2016, the Group's outstanding borrowings consisted of RMB21,961.2 million of short-term borrowings and RMB10,604.9 million of long-term borrowings. The Group will repay the above borrowings on a timely basis upon maturity.

As at June 30, 2016, none of the effective covenants of debt includes any agreement on the performance of controlling shareholder's obligations. The Group has also strictly followed all the terms and conditions in its debt covenants, and no default has taken place.

Total Assets

As at June 30, 2016, the total assets of the Group were RMB140,876.3 million, representing an increase of RMB13,483.2 million as compared with that on December 31, 2015. This was mainly attributable to (i) the increase in accounts receivable as a result of increased sales volume of Beijing Benz and Beijing Motor; (ii) the increase in cash and cash equivalents as a result of increased sales volume of Beijing Benz and Beijing Motor; and (iii) the increase in fixed assets, intangible assets and work in progress.

Total Liabilities

As at June 30, 2016, the total liabilities of the Group were RMB89,946.1 million, representing an increase of RMB9,622.4 million as compared with that on December 31, 2015. This was mainly attributable to (i) the increase in bills payable for the purchase of raw materials as a result of increased sales volume of Beijing Benz and Beijing Motor; and (ii) the completion of the issues of ultra-short-term debentures, corporate bonds and green corporate bonds in the first half of 2016, among which fixed-rate liabilities amounted to RMB15,455.7 million.

Total Equity

As at June 30, 2016, the total equity of the Group was RMB50,930.2 million, representing an increase of RMB3,860.8 million as compared with that on December 31, 2015, mainly attributable to Beijing Benz's net profit.

Net Gearing Ratio

As at June 30, 2016, the Group's net gearing ratio ((total borrowings less cash and cash equivalents)/(total equity + total borrowings less cash and cash equivalent)) was 10.5%, representing a decrease of 1.3 percentage points from 11.8% as at December 31, 2015, mainly attributable to the increase in total equity.

Significant Investments

In the first half of 2016, the Group incurred total capital expenditures of RMB2,411.1 million, of which RMB2,040.0 million were incurred by Beijing Benz and RMB371.1 million by Beijing Motor. These capital expenditures are expected to provide the Group with sufficient production capacity to meet the changing demands in the market.

In the first half of 2016, the Group incurred total research and development expenses of RMB1,398.5 million, the majority of which were incurred by Beijing Motor for its product research and development projects. Based on applicable accounting standards and the Group's accounting policy, most of the aforesaid research and development expenses complied with capitalization conditions and had been capitalized accordingly.

Material Acquisitions and Disposals

On March 24, 2016, the Company entered into a capital increase agreement with Beijing Electric Vehicle Co., Ltd. ("**BJEV**") for the subscription of new shares issued by BJEV in cash. Upon completion of the capital increase on April 26, 2016, the Company has acquired 6.5% interests in BJEV.

On June 12, 2016, the Company entered into a share transfer agreement with Fujian Motor Industry Group Co. ("**Fujian Motor**") with regard to the acquisition of its 35% equity interests in Fujian Benz Automotive Co., Ltd. ("**Fujian Benz**"). Upon completion of the transaction, the Company and Fujian Motor will hold 35% and 15%, respectively, of the equity interests in Fujian Benz, with Daimler Vans Hong Kong Limited holding the remaining 50%. Fujian Motor shall act in concert with the Company in terms of the operations and management of Fujian Benz and other relevant matters, while the director(s) appointed by Fujian Motor shall exercise his rights as a director in concert with the Company. As at June 30, 2016, the equity acquisition transaction has not yet completed.

For detailed information on the above co-operation, please refer to the Company's announcements dated March 14 and June 12, 2016.

Pledge of Asset

As at June 30, 2016, the Group had pledged notes receivable of RMB4,886.1 million and pledged inventory of RMB665.7 million, respectively.

Contingent Liabilities

The Group had no material contingent liability in the first half of 2016.

Employee and Remuneration Policies

As at June 30, 2016, the Group had 24,454 employees, compared with 25,461 as at December 31, 2015. In the first half of 2016, the Group incurred total staff costs of RMB2,261.0 million, representing a year-on-year increase of 8.4%, mainly attributable to (i) the year-on-year increase in the number of employees of Beijing Benz and Beijing Motor; and (ii) the increase of relevant performance bonus of Beijing Benz based on the completion progress of annual operating plan.

Through integrating human resources strategy with job classification, the Group has established a performance and competence based remuneration system, and will link the annual business objectives with the performance of different staff through a performance evaluation system, ensuring competitiveness in recruiting, retaining and motivating talents, as well as the pursuit of the Group's human resources strategy.

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

Lending

During the first half of 2016, the Group did not provide loans to any entities.

External Financial Assistance or Guarantees

During the first half of 2016, the Group did not provide financial assistance or guarantees to external parties.

Material Litigation and Arbitration

As at June 30, 2016, 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.

Events after Balance Sheet Date

On August 10, 2016, the Company completed the issuance of the second tranche of 2016 ultra short-term debentures, the issuance size was RMB2.5 billion with a term of 270 days and an interest rate of 2.65% per annum.

INTERIM DIVIDEND

The Board has not made any recommendation on the payment of an interim dividend for the six months ended June 30, 2016 (six months ended June 30, 2015: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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. With reference to the code provisions under the Corporate Governance Code (the "**Corporate Governance Code**") in Appendix 14 to the Listing Rules, the Company has established a modern and balanced corporate governance structure which comprises a number of independently operated bodies including general meetings the board of supervisors (the "**Supervisors**"), the Board, and senior management. 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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by all our Directors and Supervisors. In response to the Company's 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 2015 annual report of the Company.

AUDIT COMMITTEE

The Company has established the 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 with the management the accounting standards and practices adopted by the Group and reviewed the unaudited interim financial statements for the six months ended June 30, 2016, the 2016 interim results and the 2016 interim report of the Group.

PUBLICATION OF UNAUDITED INTERIM RESULTS AND 2016 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 dispatch to the shareholders in due course all the information required by the Listing Rules together with the 2016 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
Chairman
Xu Heyi

Beijing, the PRC, August 24, 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*