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, 2016

The board of directors (the "**Board**") of BAIC Motor Corporation Limited (the "**Company**") is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended December 31, 2016 ("**2016**") in conjunction with the comparative financial data of the previous year.

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2016

		As at December 31,	
		2016	2015
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**40,071,342**	38,353,039
Land use rights		**5,482,557**	5,222,063
Intangible assets		**13,446,115**	11,473,224
Investments in joint ventures		**15,143,746**	12,902,015
Investments in associates		**2,769,905**	1,680,360
Available-for-sale financial assets		**536,480**	4,000
Deferred income tax assets	*4*	**5,504,386**	4,208,609
Other long-term assets		**972,847**	1,313,159
		83,927,378	75,156,469
Current assets			
Inventories		**14,166,927**	9,870,762
Accounts receivable	*5*	**27,188,927**	10,948,608
Advances to suppliers	*6*	**1,163,249**	2,041,593
Other receivables	*7*	**4,802,738**	3,965,500
Restricted cash		**1,587,258**	1,463,660
Cash and cash equivalents		**36,063,909**	23,946,496
		84,973,008	52,236,619
Total assets		**168,900,386**	127,393,088

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT DECEMBER 31, 2016

		As at December 31,	
		2016	2015
	Note	***RMB'000***	*RMB'000*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*8*	**7,595,338**	7,595,338
Other reserves		**17,636,248**	17,680,657
Retained earnings		**14,928,521**	9,733,988
		40,160,107	35,009,983
Non-controlling interests		**17,873,214**	12,059,419
Total equity		**58,033,321**	47,069,402
LIABILITIES			
Non-current liabilities			
Borrowings	*9*	**7,809,091**	8,986,078
Deferred income tax liabilities	*4*	**808,608**	839,971
Provisions		**2,067,044**	1,610,287
Deferred income		**2,021,757**	1,260,294
		12,706,500	12,696,630
Current liabilities			
Accounts payable	*10*	**41,892,244**	21,382,334
Advances from customers		**463,128**	1,283,647
Other payables	*11*	**24,413,446**	21,201,970
Current income tax liabilities		**2,326,451**	1,943,280
Borrowings	*9*	**27,569,624**	21,279,937
Provisions		**1,495,672**	535,888
		98,160,565	67,627,056
Total liabilities		**110,867,065**	80,323,686
Total equity and liabilities		**168,900,386**	127,393,088

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	For the year ended December 31, 2016 RMB'000	2015 RMB'000
Revenue	3	**116,198,983**	84,111,526
Cost of sales		**(89,967,328)**	(68,834,689)
Gross profit		**26,231,655**	15,276,837
Selling and distribution expenses		**(10,603,075)**	(8,002,438)
Administrative expenses		**(4,297,442)**	(4,039,122)
Other gains, net	12	**189,115**	1,243,610
Operating profit		**11,520,253**	4,478,887
Finance income	14	**417,905**	348,366
Finance costs	14	**(885,767)**	(763,941)
Finance costs, net	14	**(467,862)**	(415,575)
Share of profits of joint ventures		**3,916,712**	4,102,237
Share of profits of associates		**299,988**	155,108
Profit before income tax		**15,269,091**	8,320,657
Income tax expense	15	**(3,732,936)**	(1,998,648)
Profit for the year		**11,536,155**	6,322,009
Profit attributable to:			
Equity holders of the Company		**6,366,930**	3,318,601
Non-controlling interests		**5,169,225**	3,003,408
		11,536,155	6,322,009
Earnings per share for profit attributable to equity holders of the company for the year (expressed in RMB per share)			
Basic and diluted	16	**0.84**	0.44

	Note	For the year ended December 31, 2016 RMB'000	2015 RMB'000
Other Comprehensive Income			
Items that may be reclassified to profit or loss			
Cash flow hedges		**(152,267)**	–
Currency translation differences		**65**	–
Other comprehensive income for the year		**(152,202)**	–
Total comprehensive income for the year		**11,383,953**	6,322,009
Attributable to:			
Equity holders of the Company		**6,289,309**	3,318,601
Non-controlling interests		**5,094,644**	3,003,408
		11,383,953	6,322,009

NOTES:

1 GENERAL INFORMATION

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

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

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

These financial statements are presented in thousand Renminbi Yuan ("**RMB'000**"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on March 23, 2017.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRS**") and disclosure requirements of the Hong Kong Companies ordinance (Cap 622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, as appropriate.

As at December 31, 2016, the current liabilities of the Group exceeded its current assets by approximately RMB13,188 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 cash generated from operating and financing activities; and
- undrawn short-term and long-term banking facilities of RMB350 million and RMB22,141 million respectively as at December 31, 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 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) ***Adoption of new standards and amendments to standards***

The Group has adopted the following new standard and amendments and interpretation which are mandatory for the financial year beginning on January 1, 2016:

IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
IFRS 14	Regulatory deferral accounts
IAS 16 and IAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation
Annual Improvement Project	Annual Improvements 2012-2014 Cycle
IAS 1 (Amendment)	Disclosure initiative
IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception

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

(b) ***Standards and amendments which are not yet adopted***

The following are standards and amendments to standards that have been issued and are effective for the financial periods beginning after January 1, 2016 and have not been early adopted by the Group.

IAS 7 (Amendment)	Disclosure on changes in financing liability(1)
IAS 12 (Amendment)	Deferred tax assets for unrealised losses(1)
IFRS 2(Amendment)	Clarification and Measurement of Share-based Payment Transactions(2)
IFRS 10 and IAS 28 (Amendment)	Sale or distribution of assets between an investor and its associate or joint venture(3)
IFRS 9	Financial Instruments(2)(i)
IFRS 15	Revenue from Contracts with Customers(2)(ii)
IFRS 16	Lease(3)(iii)

(1) Effective for the accounting period beginning on January 1, 2017
(2) Effective for the accounting period beginning on January 1, 2018
(3) Effective for the accounting period beginning on January 1, 2019

Save for the following, most of above new standards and amendments to standard are not expected to have a significant effect on the consolidated financial statements of the Group:

(i) *IFRS 9, "Financial instruments"*

The new standard 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 Group has yet to undertake a detailed assessment of the classification and measurement of financial assets. Currently, the financial assets held by the Group include:

- financial instruments classified as available-for-sale ("**AFS**") for which a fair value through other comprehensive income ("**FVOCI**") election is available; and

- financial instruments measured at fair value through profit or loss ("**FVPL**") which would likely continue to be measured on the same basis under IFRS 9.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group is yet to undertake a detailed assessment, it would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to 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 contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized 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. IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date. The Group is in the process of assessing the impact of the new standards on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

(iii) IFRS 16, "Leases"

IFRS 16, "Leases" will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB171,338,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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 and has the following reportable segments:

- Passenger vehicles of Beijing Brand: 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 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 Brand *RMB'000*	Passenger vehicles – Beijing Benz *RMB'000*	Total *RMB'000*
For the year ended December 31, 2016			
Total revenue	**30,965,269**	**85,312,009**	**116,277,278**
Inter-segment revenue	**(78,295)**	**–**	**(78,295)**
Revenue from external customers	**30,886,974**	**85,312,009**	**116,198,983**
Segment gross profit	**857,075**	**25,374,580**	**26,231,655**
Other profit & loss disclosure:			
Selling and distribution expenses			**(10,603,075)**
Administrative expenses			**(4,297,442)**
Other gains, net			**189,115**
Finance cost, net			**(467,862)**
Share of post-tax profits of joint ventures			**3,916,712**
Share of post-tax profits of associates			**299,988**
Profit before income tax			**15,269,091**
Income tax expense			**(3,732,936)**
Profit for the year			**11,536,155**
Other information:			
Significant non-cash expenses			
Depreciation and amortization	**(2,092,726)**	**(2,844,406)**	**(4,937,132)**
Provisions for impairments on assets	**(120,137)**	**(194,816)**	**(314,953)**
As at December 31, 2016			
Total assets	**85,169,504**	**83,730,882**	**168,900,386**
Including:			
Investments in joint ventures			**15,143,746**
Investments in associates			**2,769,905**
Total liabilities	**(63,681,686)**	**(47,185,379)**	**(110,867,065)**

	Passenger vehicles – Beijing Brand *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	17,848,722	66,262,804	84,111,526
Segment gross (loss)/profit	(1,419,806)	16,696,643	15,276,837
Other profit & loss disclosure:			
Selling and distribution expenses			(8,002,438)
Administrative expenses			(4,039,122)
Other gains, net			1,243,610
Finance cost, net			(415,575)
Share of post-tax profits of joint ventures			4,102,237
Share of post-tax profits of associates			155,108
Profit before income tax			8,320,657
Income tax expense			(1,998,648)
Profit for the year			6,322,009
Other information:			
Significant non-cash expenses			
Depreciation and amortization	(1,160,978)	(2,626,010)	(3,786,988)
Provisions for impairments on assets	(164,835)	(33,239)	(198,074)
As at December 31, 2015			
Total assets	63,725,718	63,667,370	127,393,088
Including:			
Investments in joint ventures			12,902,015
Investments in associates			1,680,360
Total liabilities	(41,464,850)	(38,858,836)	(80,323,686)

There is no customer accounting for 10% or more of the Group's revenue for each of the years ended December 31, 2016 and 2015.

The Group is domiciled in PRC. The percentage of its revenue from external customers residing in the PRC is approximately 99.5% for the year ended December 31, 2016 (the year ended December 31, 2015: 99.8%).

As at December 31, 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 98.3% (as at December 31, 2015: 97.9%).

4 DEFERRED INCOME TAXES

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Deferred income tax assets:		
– to be recovered after more than 12 months	**1,916,714**	1,594,951
– to be recovered within 12 months	**3,587,672**	2,613,658
	5,504,386	4,208,609
Deferred income tax liabilities:		
– to be settled after more than 12 months	**(764,421)**	(783,157)
– to be settled within 12 months	**(44,187)**	(56,814)
	(808,608)	(839,971)

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

Deferred income tax assets	**Provisions for impairment losses**	**Accruals**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2016	**181,909**	**3,696,780**	**329,920**	**4,208,609**
Credited to statement of comprehensive income	**31,350**	**1,048,146**	**216,281**	**1,295,777**
At December 31, 2016	**213,259**	**4,744,926**	**546,201**	**5,504,386**
At January 1, 2015	123,761	2,481,069	71,229	2,676,059
Credited to statement of comprehensive income	58,148	1,215,711	258,691	1,532,550
At December 31, 2015	181,909	3,696,780	329,920	4,208,609

Deferred income tax liabilities	Capitalized interest	Valuation surplus upon acquisition of a subsidiary	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2016	**(44,304)**	**(795,667)**	**(839,971)**
Credited to statement of comprehensive income	**116**	**31,247**	**31,363**
At December 31, 2016	**(44,188)**	**(764,420)**	**(808,608)**
At January 1, 2015	(55,628)	(831,843)	(887,471)
Credited to statement of comprehensive income	11,324	36,176	47,500
At December 31, 2015	(44,304)	(795,667)	(839,971)

Deferred income tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets in respect of losses and deductible temporary differences amounting to RMB13,539,063,000 (December 31, 2015: RMB11,007,311,000) that can be carried forward against future taxable income as at December 31, 2016. These unrecognized tax loss carry forwards amounting to RMB12,942,691,000 (December 31, 2015: RMB10,479,881,000) are expiring within five years.

5 ACCOUNTS RECEIVABLE

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables, gross *(note (a))*	**12,549,502**	4,579,034
Less: provision for impairment	**(1,037)**	(1,047)
	12,548,465	4,577,987
Notes receivable *(note (b))*	**14,640,462**	6,370,621
	27,188,927	10,948,608

Notes:

(a) The majority of the Group's sales are on credit. A credit period of up to 30 days for accounts receivable and a credit period of up to 3 to 6 months for bills receivable 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,	
	2016	2015
	RMB'000	*RMB'000*
Current to 1 year	**12,463,236**	4,560,463
1 to 2 years	**72,306**	15,166
2 to 3 years	**13,960**	3,335
Over 3 years	**–**	70
	12,549,502	4,579,034

As at December 31, 2015 and 2016, the following trade receivables were past due but not impaired. These are rising from the continuous transactions between certain related customers and the Group. The ageing analysis of these past due but not impaired receivables is as follows:

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
1 to 2 years	**72,306**	14,225
2 to 3 years	**12,923**	3,240
Over 3 years	**–**	59
	85,229	17,524

As at December 31, 2015 and 2016, the movement on the provision for impairment of trade receivables is as follows:

	2016	2015
	RMB'000	*RMB'000*
As at January 1	**1,047**	3,496
Reversal of provision for impairment	**(10)**	(2,449)
As at December 31	**1,037**	1,047

(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,	
	2016	2015
	RMB'000	*RMB'000*
Pledged notes receivable	**7,334,597**	2,696,141

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

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Value-added tax to be deducted and prepaid consumption tax	**2,168,603**	1,936,993
Receivable from sales of raw materials	**1,587,627**	719,721
Service fees and charges	**456,390**	675,914
Government grants	**150,000**	214,503
Receivable form disposal of property, plant and equipment and intangible assets	**139,431**	139,431
Derivative financial instruments *(Note (a))*	**17,253**	56,678
Others	**306,892**	222,704
	4,826,196	3,965,944
Less: Provisions for impairment	**(23,458)**	(444)
	4,802,738	3,965,500

Note:

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

8 SHARE CAPITAL

	Ordinary shares of RMB1 each *('000)*	*RMB'000*
At January 1, 2015	7,508,018	7,508,018
Issuance of new shares *(note (a))*	87,320	87,320
At December 31, 2015	7,595,338	7,595,338
At January 1, 2016	**7,595,338**	**7,595,338**
Additions	**–**	**–**
At December 31, 2016	**7,595,338**	**7,595,338**

Note:

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

The total gross proceeds from the exercises of over-allotment of the global offering was approximately HK$777,088,000 (equivalent to approximately RMB613,433,000), of which RMB87,320,000 was credited to share capital and approximately RMB526,113,000 was credited to share premium. The cost of relevant share issue was approximately RMB5,737,000.

9 BORROWINGS

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Non-current		
Unsecured borrowings		
– bank borrowings	**818,219**	2,959,570
– corporate bonds *(note (a))*	**6,990,872**	6,026,508
Total non-current borrowings	**7,809,091**	8,986,078
Current		
Unsecured borrowings		
– bank borrowings	**18,708,977**	16,124,013
Add: current portion of non-current bank borrowings:	**831,220**	1,157,712
corporate bonds *(note (a))*	**8,029,427**	3,998,212
Total current borrowings	**27,569,624**	21,279,937
Total borrowings	**35,378,715**	30,266,015

Maturity of borrowings

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**27,569,624**	21,279,937
Between 1 and 2 years	**688,480**	4,291,872
Between 2 and 5 years	**4,622,774**	3,685,146
Over 5 years	**2,497,837**	1,009,060
	35,378,715	30,266,015
Fully repaid:		
– Within 5 years	**32,880,878**	30,266,015
– Over 5 years	**2,497,837**	–
	35,378,715	30,266,015

Contractual repricing dates upon interest rate changes

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Within 6 months	**18,348,786**	7,319,162
6 to 12 months	**403,600**	11,142,944
	18,752,386	18,462,106

Weighted average annual interest rates

	As at December 31,	
	2016	2015
Borrowings	**3.95%**	4.13%
Corporate bonds	**3.66%**	5.08%

Currency denomination

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
RMB	**33,598,358**	28,607,667
US$	**–**	97,404
Euro	**1,780,357**	1,560,944
	35,378,715	30,266,015

Undrawn facilities at floating rates

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**350,000**	9,015,079
Over 1 year	**22,140,971**	24,375,229
	22,490,971	33,390,308

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, 2016						
BAIC Investment Co., Ltd. ("**BAIC Investment**")	January 29, 2010	5.18%	1,435,500	1,432,476	1,435,500	7 years
BAIC Investment	December 10, 2015	3.60%	1,500,000	1,497,590	1,500,000	5 years
BAIC Investment	March 17, 2016	3.15%	1,500,000	1,497,446	1,500,000	5 years
The Company	August 12, 2014	5.40%	1,000,000	999,386	1,000,000	3 years
The Company	September 10, 2014	5.74%	400,000	399,400	400,000	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	300,000	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	300,000	7 years
The Company	February 12, 2015	4.68%	500,000	499,500	500,000	5 years
The Company	April 22, 2016	3.45%	2,500,000	2,497,837	2,500,000	7 years
The Company	August 12, 2016	2.65%	2,500,000	2,499,015	2,500,000	270 days
The Company	October 12, 2016	2.72%	2,500,000	2,498,549	2,500,000	270 days
Beijing Benz	December 11, 2014	5.20%	600,000	600,000	600,000	3 years
				15,020,299	15,035,500	
At December 31, 2015						
BAIC Investment	January 29, 2010	5.18%	1,435,500	1,432,478	1,435,500	7 years
BAIC Investment	December 10, 2015	3.60%	1,500,000	1,497,030	1,500,000	5 years
The Company	April 12, 2013	4.96%	1,500,000	1,499,961	1,500,000	3 years
The Company	August 12, 2014	5.40%	1,000,000	999,000	1,000,000	3 years
The Company	September 10, 2014	5.74%	400,000	399,400	400,000	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	300,000	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	300,000	7 years
The Company	February 12, 2015	4.68%	500,000	499,500	500,000	5 years
The Company	November 20, 2015	3.15%	2,500,000	2,498,251	2,500,000	270 days
Beijing Benz	December 11, 2014	5.20%	600,000	600,000	600,000	3 years
				10,024,720	10,035,500	

(b) Balances at December 31, 2016 include the borrowings of RMB3,187 million (December 31, 2015: RMB3,213 million) obtained from BAIC Group Finance Co., Ltd., an associate of the Group. The remaining balance of borrowings were obtained from banks.

10 ACCOUNTS PAYABLE

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Trade payables	**31,975,338**	19,277,708
Notes payable	**9,916,906**	2,104,626
	41,892,244	21,382,334

Aging analysis of trade payables is as follows:

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Current to 1 year	**31,939,550**	19,236,145
1 year to 2 years	**25,678**	38,357
2 years to 3 years	**8,033**	2,770
over 3 years	**2,077**	436
	31,975,338	19,277,708

11 OTHER PAYABLES

	As at December 31,	
	2016	2015
	RMB'000	*RMB'000*
Sales discount and rebates	**7,713,850**	5,777,975
Payables for property, plant and equipment and intangible assets	**3,618,402**	4,679,073
Payables for materials	**2,454,066**	1,821,974
Technology usage fee	**2,111,727**	1,787,093
Advertising and promotion	**2,090,552**	1,842,403
Other payable taxes	**1,373,248**	923,561
Wages, salaries and other employee benefits	**939,156**	896,294
Dividends payable	**902,670**	1,470,000
Transport and warehouse expenses	**644,113**	662,256
Outsourcing labour fees	**637,010**	516,213
Investments	**485,582**	–
Deposits	**483,739**	219,147
Interests payable	**296,937**	227,330
Pre-delivery inspection expenses	**173,067**	141,896
Others	**489,327**	236,755
	24,413,446	21,201,970

12 OTHER GAINS, NET

	For the year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Gain from sales of scrap materials	**41,770**	113,616
Net foreign exchange (loss)/gain and fair value changes of foreign exchange forward contracts	**(85,628)**	90,170
Government grant	**302,178**	1,121,755
Loss from disposals of property, plant and equipment and intangible assets	**(3,886)**	(49,760)
Gains on measuring existing interests upon business combination of a subsidiary	**8,864**	–
Others	**(74,183)**	(32,171)
	189,115	1,243,610

13 EXPENSES BY NATURE

	For the year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Raw materials used	**81,439,363**	58,984,147
Depreciation and amortization	**4,937,132**	3,786,988
Employee benefit costs	**4,825,777**	4,557,648
Service fees and charges	**3,950,713**	3,198,658
Tax and levies	**3,256,123**	2,777,971
Advertising and promotion	**2,681,166**	2,387,070
Warranty expenses	**2,099,758**	969,658
Transportation and warehouse expenses	**1,970,788**	1,440,073
Utilities	**644,483**	565,338
Outsourcing labor cost	**571,341**	442,355
Office and travel expenses	**394,603**	319,793
Provision for impairment of assets	**314,953**	198,074
Software license fees	**237,327**	70,263
Operating lease expenses	**175,736**	144,801
Auditor's remuneration		
– audit service	**9,365**	11,427
– non-audit service	**–**	–
Changes in inventories of finished goods and work-in-progress	**(3,468,801)**	629,384
Others	**828,018**	392,601
Total cost of sales, selling and distribution expenses, and administrative expenses	**104,867,845**	80,876,249

14 FINANCE COSTS, NET

	For the year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Finance income		
Interest on bank deposits	**417,905**	348,366
Finance costs		
Interest expense on borrowings	**719,330**	862,154
Interest expense on corporate bonds	**509,226**	375,769
Amortization of discount on non-current provisions	**48,092**	99,481
	1,276,648	1,337,404
Less: capitalized interest	**(390,881)**	(573,463)
	885,767	763,941
Finance costs, net	**467,862**	415,575

15 INCOME TAX EXPENSE

	For the year ended December 31,	
	2016	2015
	RMB'000	*RMB'000*
Current income tax	**5,060,076**	3,578,698
Deferred income tax *(Note 4)*	**(1,327,140)**	(1,580,050)
	3,732,936	1,998,648

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
– The Company	2015 to 2017
– Beijing Beinei Engine Parts and Components Co., Ltd.	2015 to 2017
– BAIC Motor Powertrain Co., Ltd.	2016 to 2018

Except for the aforementioned companies and a subsidiary which is subject to Hong Kong profits tax at a rate of 16.5% and a subsidiary in Germany which is subject to enterprise income tax of 32.8%, provision for PRC enterprise income tax is calculated based on the statutory income tax rate of 25% for 2016 and 2015 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,	
	2016	2015
	RMB'000	*RMB'000*
Profit before income tax	**15,269,091**	8,320,657
Tax calculated at the statutory tax rate of 25%	**3,817,273**	2,080,164
Preferential tax rates on profit or loss of certain subsidiaries	**177,050**	79,473
Impact on share of results of joint ventures and associates	**(1,053,272)**	(1,064,124)
Income not subject to tax	**(33,927)**	(37,899)
Expenses not deductible for tax purposes	**83,387**	6,299
Utilization of previously unrecognized tax losses	**(1,454)**	(4,016)
Tax losses/deductible temporary differences for which no deferred tax was recognized	**724,596**	941,229
Additional deduction on research and development expenses	**(102,770)**	(6,681)
Payment of income tax on non-deductible tax	**122,053**	4,203
Tax charge	**3,732,936**	1,998,648

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 within related period.

	For the year ended December 31,	
	2016	2015
Profit attributable to equity holders of the Company (RMB'000)	**6,366,930**	3,318,601
Weighted average number of ordinary shares in issue (thousands)	**7,595,338**	7,592,228
Earnings per share for profit attributable to equity holders of the Company (RMB)	**0.84**	0.44

During the years ended December 31, 2016 and 2015, 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,	
	2016	2015
	RMB'000	*RMB'000*
Proposed dividend of RMB0.29 per share (2015: RMB0.15 per share) *(note(a))*	**2,202,648**	1,139,301

Note:

(a) The 2016 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, 2017.

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 Annual General Meeting held on May 20, 2016 and paid in July 2016.

18 EVENTS AFTER THE REPORTING PERIOD

On January 20, 2017, BAIC Investment completed the issuance of the first tranche of 2017 corporate bonds, the issuance size was RMB0.8 billion with a term of 7 years and an annual interest rate of 4.29%.

MANAGEMENT DISCUSSION AND ANALYSIS

During 2016, China's economy moved to a new normal, with an estimated GDP growth rate of 6.7%. The stable economic operation advances, which marks a good start of the 13th Five-year Plan period. In the beginning year of supply-side structural reforms, the policy of "address overcapacity, reduce inventory, deleverage, lower costs, and bolster areas of weakness" received initial success, with increasing economic growth factors. According to the statistics of Chinese Association of Automobile Manufactures ("**CAAM**"), during 2016, production and sales volume of passenger vehicles in China amounted to 24.421 million units and 24.377 million units, representing an increase of 15.5% and 14.9% as compared with that of the corresponding period last year. The development of passenger vehicle industry had a significant boost to GDP growth. Meanwhile, the passenger vehicle industry showed the following characteristics in the year:

In terms of segmented market, SUV products continued to maintain rapid growth, with a growth rate of 44.6%, and its market share increased by approximately 8 percentage points to 37.1%. Growth rate of MPV products amounted to 18.4%, while sedan products achieved a turnaround and recorded a positive growth of 3.4%.

In terms of series market, the sales volume of Chinese-branded passenger vehicles amounted to 10.529 million units with a year-on-year increase of 20.5%, and the market share of those vehicles increased to 43.2%, representing a year-on-year growth of 2 percentage points. Among them, the sales volume of Chinese-branded SUV amounted to 5.268 million units with a year-on-year growth of 57.6%, and accounted for 58.2% of total sales of SUV, increased by 4.8 percentage points year-on-year. Following steady improvement in product quality, as well as gradual establishment of research and development processes, standards and systems, Chinese-branded vehicles have growing international influence.

Meanwhile, new energy passenger vehicles maintained explosive growth, of which production and sales volume of pure electric passenger vehicles amounted to 263 thousand units and 257 thousand units respectively, increased by 73.1% and 75.1% as compared with that of the corresponding period last year; production and sales volume of plug-in hybrid passenger vehicles amounted to 81 thousand units and 79 thousand units respectively, increased by 29.9% and 30.9% as compared with that of the corresponding period last year.

In addition, driven by changes in consumption subjects and concepts of China automobile market, as well as favorable policies of the car financing industry, the proportion of consumers using credit for car purchase has continued to climb. During 2016, the volume of retail loan contracts of car financing companies increased by approximately 50% as compared with that of 2015. As an emerging sector in traditional automotive industry, car financing business captures further attention and favor from the market.

Overview of the Group

We are a leading enterprise of passenger vehicles in China, and are one of those manufacturers with the most optimized brand layout and business system. Our brands cover business segments of joint venture premium passenger vehicles, joint venture premium commercial vehicles, joint venture mid- to high-end passenger vehicles and proprietary brand passenger vehicles, which can maximally satisfy various customers' demands, and we are also the leader of pure electric passenger vehicle market in China.

The Company completed its H shares initial public offering and was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on December 19, 2014. (H share stock abbreviation: BAIC Motor; H share stock code: 1958).

Major business operations

The Group's major business operations include research, development, manufacturing and sales of passenger vehicles and after-sale services, production of core parts and components of passenger vehicles, car financing and other related businesses. We keep developing industry chains and strengthening our brands.

Passenger vehicles

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

1. Beijing Brand

Beijing Brand is our proprietary brand, and the Group holds the entire interest of Beijing Brand's business. Currently, business of Beijing Brand is operated under four series, i.e. Senova, BJ, Wevan and New Energy Vehicle, which are now selling over ten models on the market, covering a full range of sedans, SUV, CUV, MPV models and new energy vehicles.

Senova

"Senova" is a mid- to high-end passenger vehicle product series under our proprietary brands and targets customers who value both vehicle performance and cost efficiency. "Dedication to Performance" is the brand philosophy of Senova.

BJ

"BJ" series is a pioneer brand of pure BAIC which is inherited from the half century long military vehicle with a strong DNA of die-hard off-road vehicle. "Pure Cross-Country, Absolutely Boundless" is the brand philosophy of BJ.

Wevan

The "Wevan" series focuses on CUV, MPV and SUV models, and targets small and micro businesses and individuals. "Leading to blissful future" is the brand philosophy of Wevan.

New Energy Vehicle

Along with manufacturing of traditional oil-powered passenger vehicles, Beijing Brand business has also actively promoting production of new energy vehicles that adapted from conventional car models, and it completed the transformation for new energy production technologies in all manufacturing bases in 2015. Beijing Brand business has advocating the research, development and production of pure electric new energy passenger vehicles, and becomes a leader in pure electric new energy vehicle business.

2. Beijing Benz

Beijing Benz Automotive Co., Ltd. ("**Beijing Benz**") is our subsidiary. The Company holds 51.0% equity interest of Beijing Benz, while Daimler AG ("**Daimler**") and its wholly-owned subsidiary, Daimler Greater China Ltd. ("**Daimler Greater China**"), together hold 49.0% equity interest of Beijing Benz. Beijing Benz commenced the manufacturing and sales of passenger vehicles of Mercedes-Benz brand in 2006.

Beijing Benz currently manufactures and sells four types of Mercedes-Benz vehicles, namely the E-Class sedan, the C-Class sedan, GLC-Class SUV and GLA-Class SUV. In terms of wholesale sales volume in 2016, Beijing Benz is the second-largest producer of Chinese premium passenger vehicles according to CAAM, and its sales growth rate is higher than those of its competitors, indicating robust growth momentum.

3. Beijing Hyundai

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

Beijing Hyundai currently manufactures and sells over ten types of vehicles, covering a full range of major car models including middle class, compact and A0 class models, as well as SUV models. In terms of sales volume in 2016, Beijing Hyundai is the fourth-largest enterprise of joint venture brand passenger vehicle in China according to CAAM.

4. Fujian Benz

Fujian Benz Automotive Co., Ltd. ("**Fujian Benz**") is our joint venture. The Company holds 35.0% equity interest in Fujian Benz, and establishes an act-in-concert agreement with Fujian Motor Industry Group Co. ("**FJMOTOR**"), which holds 15.0% equity interest in Fujian Benz. The consensus will be reached while making decisions regarding the operation, management and other matters of Fujian Benz, as well as exercising the power by the directors appointed by FJMOTOR. Daimler Vans Limited (Hong Kong) holds the remaining 50.0% equity interest of Fujian Benz. Fujian Benz commenced the manufacturing and sales of MPV and light bus of Mercedes-Benz brand in 2010.

Fujian Benz currently manufactures and sells three major types of Mercedes-Benz vehicles, including the V-class model, New Vito and Sprinter, among which V-class model is the update version of Viano and New Vito is the update version of Vito. During 2016, Fujian Benz recorded sales of 13 thousand units of vehicles in total, representing a year-on-year growth of 87.5%.

Core parts and components for passenger vehicles

Besides manufacturing of whole vehicles, we also produce engines, powertrain, and other core parts and components for passenger vehicles through the production bases of Beijing Brand, Beijing Benz and Beijing Hyundai.

In respect of Beijing Brand, we manufacture engines and other core automobile parts and components through entities including Powertrain Co., Ltd. (the “**Powertrain**”), mainly for use in our whole vehicles as well as for sale to other automobile manufacturers. By digesting and assimilating Saab technology and through the combination of co-operative and independent development, we have completed the product development of engines and gear boxes one after another. Mass production of these products has commenced and they are widely used on passenger vehicle series such as Senova, Wevan and BJ, among others. At the same time, we produce core parts and components including camshafts and connecting rods for supply to Benz, Hyundai, Fiat and a dozen other automobile manufacturers.

Beijing Benz commenced to manufacture engines in 2013, and has two engine factories. It is the only engine manufacturing base of Mercedes-Benz brand outside Germany. By the end of 2016, the annual production capacity of the engine factories was 500 thousand units. Its specific product offerings include M270, M274 and M276 engines.

Beijing Hyundai commenced to manufacture engines in 2004, and has three engine factories. By the end of 2016, the annual production capacity of the engine factories was one million units. Its specific product offerings cover six major series including Gamma1.6 MPI/GDI and Gamma1.6 Turbo-GDI. These engines are industry-leading in terms of technology and power, mainly for use in Hyundai-branded passenger vehicles manufactured by Beijing Hyundai.

Car financing

We conduct car financing and automobile aftermarket-related businesses of Beijing Brand, Mercedes-Benz brand and Hyundai brand through associates including BAIC Group Finance Co., Ltd. (the “**BAIC Finance**”), Beijing Hyundai Auto Finance Company Limited (the “**BHAF**”) and Mercedes-Benz Leasing Co. Ltd (the “**MBLC**”).

In respect of Beijing Brand’s car financing business, we have conducted group strategic cooperation with various commercial banks, automobile financial companies and lease finance companies, offering clients great variety of financial products covering all car models now selling on the market, lengthy interest-free period and favorable discount loans. The penetration rate of Beijing Brand’s car financing business increased by approximately 7 percentage points in 2016 as compared to 2015, boosting a rapid growth of sales of Beijing Brand.

MBLC is our associate. The Company and Daimler Greater China each holds 35.0% and 65.0% equity interest of MBLC. During 2016, MBLC’s sale-leaseback volume increased by more than 200%, while the finance lease penetration rate of Mercedes-Benz-branded passenger vehicle business increased by 3 percentage points as compared with that of 2015, which clearly further stimulated the sales of Beijing Benz’s new models.

BHAF is our associate. The Company holds 33.0% and 14.0% equity interest of BHAF through its subsidiary BAIC Investment and joint venture Beijing Hyundai, while Hyundai Capital Services and Hyundai Motor hold the remaining equity interest. During 2016, BHAF secured the third position in light of the new retail loan contract volume, while Beijing Hyundai’s penetration rate of retail loans increased by 7 percentage points as compared with that of 2015. Meanwhile, treasury financing business is formally launched, and business diversification advances in a progressive manner.

Other related businesses

During 2016, we conducted research and development of high-end passenger vehicles and light materials and used car businesses through relevant associates.

Production and sales of various brands in 2016

In 2016, the Group adhered to its established development strategy. Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz recorded sales of 1.929 million units of vehicles in total with a year-on-year increase of 16.4%, continuing to outperform the overall level of the passenger vehicle industry.

1. Beijing Brand

During 2016, Beijing Brand's passenger vehicles recorded sales of 457 thousand units with a year-on-year increase of 35.6%. The growth rate is much higher than the general industry level and the overall growth rate of the brands in China, which clearly indicates the momentum for accelerated growth. Among them, Senova Series recorded sales of 201 thousand units, increased by 65.1% year-on-year; BJ Series recorded sales of 28 thousand units, increased by 619.7% year-on-year; Wevan Series recorded sales of 180 thousand units, decreased by 5.8% year-on-year; new energy passenger vehicles recorded sales of 48 thousand units, representing a year-on-year increase of 138.7%.

For new energy products, Beijing Brand continued to maintain its leadership in pure electric new energy vehicle industry. The annual sales of new energy vehicles amounted to 48 thousand units with an increase of 138.7% year-on-year, while the monthly peak sales broke the level of 7 thousand units. According to the overall sales of pure electric passenger vehicles released by CAAM, Beijing Brand's pure electric new energy passenger vehicles secured a leading market share in 2016.

In terms of production lines, Beijing Brand fully completed the strategic layout and investment of products for one automobile generation in 2016, so as to establish a product system with better competitiveness in new energy, SUV and MPV markets.

2. Beijing Benz

During 2016, Beijing Benz continued its explosive growth, and it recorded sales of 317 thousand units. With a sales growth of 26.7% year-on-year, which was much higher than that of other joint venture premium branded passenger vehicle manufacturers, Beijing Benz continued to lead the rapid growth of premium vehicle market in China.

Along with the growth, the optimization of Beijing Benz's product structure also continues. New models are recognized by the market, achieving rapid growth in sales. In August 2016, Beijing Benz launched the new generation, Mercedes-Benz E-class long-wheelbase sedan. Since then, all series under Beijing Benz have completed their renewal and replacement, as such its competitiveness is further reinforced. In September 2016, the new model shortly recorded monthly sales of 8 thousand units, and its monthly sales exceeded 10 thousand units in four months after its launch.

Along with rapid growth in production and sales volume, Beijing Benz also promotes further capacity construction. During 2016, phase two construction of Beijing Benz's engine plant was completed, and the plant has commenced production. Meanwhile, Beijing Benz continued to facilitate the expansion construction of vehicle factory, so as to provide security for further expansion of production and sales.

During 2016, Beijing Benz won the title of "2016 Global Best Operating Factory- Best Manufacturer in Large Scale", becoming the first vehicle manufacturing enterprise in China granted this award. This Award was jointly organized by A.T. Kearney and "Produktion", a being financial journal in Germany, with an aim to identify and recognize enterprise models in global manufacturing industry.

3. *Beijing Hyundai*

During 2016, Beijing Hyundai's passenger vehicles recorded sales of 1.142 million units with a year-on-year increase of 7.5%. Its sales secured the fourth position in joint venture brands.

During 2016, product structure of Beijing Hyundai was further optimized. Sales of SUV products increased by 30.1% year-on-year, and the proportion of D+S (D class sedans + SUV models) further increased to 50.3%. Meanwhile, according to the automobile product satisfaction survey conducted by J.D.Power, Beijing Hyundai ranked top three in SSI, CSI and IQS during 2016, highlighting its excellent product quality.

During 2016, in order to cater to the industry development and consumption upgrade, Beijing Hyundai was committed to the implementation of new energy strategy, and launched more appealing T-power models. In respect of new energy strategy, Beijing Hyundai announced "NEW" Plan, under which Beijing Hyundai plans to launch nine notable new energy models by 2020, and it completed the announcement of the ninth-generation hybrid-powered Sonata – in 2016; in regard to T-power strategies, through the launch of Mistra, additional 1.6T model of IX25, the ninth-generation Sonata and the brand new, flagship face-lifted T-power models of Santa Fe and Ward's 10 Best 1.4T Engine, Beijing Hyundai substantially increased the proportion of T-powered models, so as to enhance its brand image.

In October 2016, Beijing Hyundai's Cangzhou factory officially put into operation so as to effectively alleviate the pressure on production capacity of Beijing Hyundai, and provide capacity reserves for seizing market share in future.

4. *Fujian Benz*

In March 2016, Fujian Benz released the Mercedes-Benz V-Class multi-purpose passenger vehicles; in September 2016, Fujian Benz released the Mercedes-Benz New Vito multi-purpose passenger vehicles. Driven by these two new products, Fujian Benz recorded sales of 13 thousand units in 2016 with a year-on-year increase of 87.5%, achieving positive momentum of development.

Production facilities

We have specialized production facilities to manufacture and assemble products. All of our manufacturing bases are located in China, and are equipped with advanced production facilities. All of our production facilities are equipped with flexible production lines, which allows each production line to produce different model of passenger vehicles. We believe that this not only allows us to flexibly change production plans and respond quickly to changes in market demand, but also reduces our capital expenditures and operating costs.

Sales network

The Group always attaches great importance to the interests of customers, and strives to optimize its product-service system, in order to guarantee that product distributors and customers are able to receive timely, efficient, accurate and high quality services. During 2016, the Group strengthened its efforts in widening penetration of automobile sales network. Especially for Beijing Brand and Beijing Hyundai, the Group vigorously promoted the construction of satellite stores, so that the automobile sales network is no longer confined to the traditional 4S shop model, enhancing its sales efforts.

Research and development

The Group believes that our research and development capability is critical to the future development. During 2016, our various brands vigorously boosted construction of research and development system and capacity.

During 2016, Beijing Brand made greater breakthroughs in research and development in areas including design, power, electric vehicles, VoC (Voice of Customers, referring to Customers' research on product demand), performance and light weighing. Particularly in the field of electric vehicles, Beijing Brand completed the development of first pure electric SUV in the industry, as well as high-end pure electric vehicle models with mile range of 400km. Meanwhile, at the CES held in January 2017 in Las Vegas, the Company announced the intelligent strategy named "NOVA-PLS".

Currently, Beijing Benz has the largest research and development center among all joint venture enterprises with Daimler, within which there are seven state-of-the-art laboratories testing climate corrosion, vehicle emissions, engines and vibration noise, as well as trial production workshops and test runway, which provides major technical support for research and development and manufacturing of Mercedes-Benz's domestic models.

During 2016, Beijing Hyundai commenced the development project of pure electric vehicle Elantra, completed the development and validation of thirteen imported and facelifted models including Lingdong, the ninth-generation hybrid-powered Sonata and Verna, finished the fuel consumption improvement for models such as new Santa Fe and ix35, as well as accomplished revalidation of the fuel consumption of models including New Tucson, and therefore the corporate average fuel consumption meets the policy requirements.

Joint venture cooperation and industrial chain extension

During 2016, the Group made great accomplishments in capital operation, and took the following major initiatives to broaden the scope of cooperation, extend the industrial chain and expand the business market, so as to further enhance its competitiveness.

1. ***Acquiring interests of Beijing Electric Vehicle***

   On 24 March 2016, the Company entered into a capital increase agreement with Beijing Electric Vehicle Co., Ltd. ("**Beijing Electric Vehicle**" or "**BJEV**"), a subsidiary of BAIC Group for the subscription of additional shares issued by Beijing Electric Vehicle. Upon subscription, the Company holds 6.5% equity interest of Beijing Electric Vehicle. The transaction has now been completed. The capital increase allows the Company to further deepen the business operation and synergies in the area of new energy vehicles, further expand its strategic industrial deployment, share the result of Beijing Electric Vehicle's development and maximise the interests of shareholders.

2. ***Acquiring interests of Fujian Benz***

   On 18 September 2016, the Company completed the change in industrial and administrative registration in respect of the acquisition of 35.0% equity interest in Fujian Benz, and as FJMOTOR acts in concert with the Company, Fujian Benz has officially become the Company's joint venture. The materialization of the equity transaction further extends and deepens the cooperation between the Company and Daimler (among other partners), achieving an overall strategic cooperation among the partners in respect of the Mercedes-Benz brand. Meanwhile, the equity transaction also enriches the Group's product lines, and achieves joint market exploration by capitalizing on all partners' technologies, talents and strategies, which is in the interests of the Company and its shareholders as a whole.

3. ***Capital increase to MBLC***

   On 21 October 2016, the Company and Daimler Greater China entered into a capital increase agreement, pursuant to which both parties contributed an aggregate amount of RMB500.0 million to MBLC in proportion to their respective shareholding in MBLC. Of which, the Company contributed RMB175.0 million, and it holds 35.0% equity interest in MBLC after capital increase. Driven by, amongst others, successful development of automobiles under the brand of Mercedes Benz in the PRC, MBLC's sales volume has been rapidly increasing in the recent years. It is expected that MBLC's sales volume will further expand in the next few years following the rapid development of the PRC's automobile leasing and automobile financial market. It is expected that the contribution will help indirectly expand the sales volume of new vehicles sold by Beijing Benz, which will bring higher return on investment for the Company and the shareholders.

4. ***Establishment of BAIC South Africa***

   On 7 November 2016, BAIC Hong Kong Investment Corp. Limited ("**BAIC Hong Kong**"), the Company's wholly-owned subsidiary, entered into a subscription agreement and a shareholders' agreement with The Industrial Development Corporation of South Africa Limited ("**IDC**"), Investment Universe Co., Limited ("**Investment Universe**") and BAIC Automobile SA Proprietary Limited ("**BAIC South Africa**") in respect of the establishment of BAIC South Africa. BAIC South Africa will serve as the importer and manufacturer of "BAIC"-branded vehicles, components and parts in South Africa. Upon the establishment of BAIC South Africa, BAIC Hong Kong will hold 20% equity interest in BAIC South Africa. Setting up an automotive production plant in South Africa serves as the first step and milestone of the Group in its internationalization strategy, opening up a wider market for the Group in terms of customer base, human resources and technological resources.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

The Group's main business operations are the research and development, manufacturing, sales and after-sale services of passenger vehicles. The above business has brought sustained and stable revenue to the Group. In 2016, the total revenue of the Group increased to RMB116,199.0 million from RMB84,111.5 million in 2015, mainly attributable to the increase in revenue from both Beijing Benz and Beijing Brand[1].

Revenue generated from Beijing Benz increased to RMB85,312.0 million in 2016 from RMB66,262.8 million in 2015, representing a year-on-year increase of 28.7%, mainly attributable to (i) a year-on-year increase of 26.7% in sales volume of Beijing Benz; and (ii) the increase in average revenue due to the increase in sales volume of models with relatively higher selling price.

Revenue generated from Beijing Brand increased to RMB30,887.0 million in 2016 from RMB17,848.7 million in 2015, representing a year-on-year increase of 73.0%, mainly attributable to (i) a year-on-year increase of 35.6% in sales volume of Beijing Brand; and (ii) an increase in average revenue of products driven by increased proportion of sales volume of the higher priced SUV products.

Cost of sale

The Group's cost of sales increased to RMB89,967.3 million in 2016 from RMB68,834.7 million in 2015, mainly attributable to the increase in the volume of vehicles sold and related increase in costs of Beijing Benz and Beijing Brand.

Cost of sales incurred by Beijing Benz increased to RMB59,937.4 million in 2016 from RMB49,566.2 million in 2015, representing a year-on-year increase of 20.9%, mainly attributable to (i) a year-on-year increase in sales volume and revenue of Beijing Benz; and (ii) the partial offset of the impact of increase in costs by cost reduction measures implemented by Beijing Benz such as increasing the proportion of domestic procurement of components and parts.

Cost of sales incurred by Beijing Brand increased to RMB30,029.9 million in 2016 from RMB19,268.5 million in 2015, representing a year-on-year increase of 55.8%, mainly attributable to (i) a year-on-year increase in sales volume and revenue of Beijing Brand; (ii) an increase in average cost of products driven by increased proportion of sales volume of SUV products; and (iii) the partial offset of the impact of increase in costs by cost saving measures implemented by Beijing Brand.

[1] When referring to the business segment, "Beijing Brand" means the consolidated business of the Company and its subsidiaries (excluding Beijing Benz)

Gross profit

Based on the aforesaid reasons, the Group's gross profit increased to RMB26,231.7 million in 2016 from RMB15,276.8 million in 2015, mainly attributable to the year-on-year increase in gross profit of Beijing Benz and Beijing Brand.

Gross profit of Beijing Benz increased to RMB25,374.6 million in 2016 from RMB16,696.6 million in 2015, representing a year-on-year increase of 52.0%. Gross margin increased to 29.7% in 2016 from 25.2% in 2015, mainly attributable to (i) a year-on-year increase of 26.7% in sales volume of Beijing Benz; (ii) the increase in average gross profit due to the increase in sales volume of models with relatively higher gross profit; and (iii) the reduction in production cost due to the measures implemented by Beijing Benz, such as an increase in the proportion of domestic procurement of components and parts.

Gross profit of Beijing Brand increased to RMB857.1 million in 2016 from RMB-1,419.8 million in 2015. Gross profit margin increased to 2.8% in 2016 from -8.0% in 2015, mainly attributable to (i) a year-on-year increase of 35.6% in sales volume of Beijing Brand; (ii) higher sales proportion of the higher-margin SUV products; and (iii) the reduction in production cost due to the cost saving measures implemented by Beijing Brand.

Selling and distribution expenses

Selling and distribution expenses of the Group increased to RMB10,603.1 million in 2016 from RMB8,002.4 million in 2015, mainly attributable to the increase in selling and distribution expenses of Beijing Benz and Beijing Brand.

Selling and distribution expenses of Beijing Benz increased to RMB8,529.2 million in 2016 from RMB6,186.0 million in 2015, representing a year-on-year increase of 37.9%. The proportion of Beijing Benz's selling and distribution expenses to its revenue increased to 10.0% in 2016 from 9.3% in 2015. This was mainly attributable to (i) a year-on-year increase of 26.7% in sales volume of Beijing Benz, leading to an increase in expenses such as after-sales warranty, transportation and others along with changes in sales; and (ii) increase in targeted advertising and promotion expenses due to the launch of new vehicles by Beijing Benz in 2016.

Selling and distribution expenses of Beijing Brand increased to RMB2,073.9 million in 2016 from RMB1,816.4 million in 2015, representing a year-on-year increase of 14.2%. The proportion of Beijing Brand's selling and distribution expenses to its revenue decreased to 6.7% in 2016 from 10.2% in 2015. This was mainly attributable to (i) a year-on-year increase of 35.6% in sales volume of Beijing Brand, leading to an increase in expenses such as after-sales warranty, transportation and others along with changes in sales; and (ii) Beijing Brand's stricter budget control system on selling and distribution expenses which resulted in a decrease in the proportion of selling and distribution expenses to revenue.

Administrative expenses

Administrative expenses of the Group increased to RMB4,297.4 million in 2016 from RMB4,039.1 million in 2015, mainly attributable to the increase in administrative expenses of Beijing Benz and Beijing Brand.

Administrative expenses of Beijing Benz increased to RMB2,979.3 million in 2016 from RMB2,973.4 million in 2015, representing a year-on-year increase of 0.2%. The proportion of administrative expenses of Beijing Benz to its revenue decreased to 3.5% in 2016 from 4.5% in 2015, which was mainly attributable to (i) the increase in expenses in relation to urban construction tax, additional education expenses and other expenses due to increase in production and sales volume; and (ii) Beijing Benz's stricter budget control system has made its administrative expenses stable and the proportion of administrative expenses steadily decrease along with the increase in revenue.

Administrative expenses of Beijing Brand increased to RMB1,318.1 million in 2016 from RMB1,065.7 million in 2015, representing a year-on-year increase of 23.7%. The proportion of administrative expenses of Beijing Brand to its revenue decreased to 4.3% in 2016 from 6.0% in 2015, which was mainly attributable to (i) the increase in expenses in relation to employees cost, urban construction tax, additional education expenses and other expenses due to increase in production and sales volume; and (ii) Beijing Brand's stricter budget control system on administrative expenses which resulted in a decrease in the proportion of administrative expenses to revenue year by year.

Foreign exchange losses[2]

In 2016, the Group recorded a foreign exchange loss of RMB85.6 million against a foreign exchange gain of RMB90.2 million in 2015. The increase in foreign exchange loss was mainly attributable to exchange losses incurred by euro-denominated payments as a result of the decline in the exchange rate of Renminbi against Euro.

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

Since the second half of 2015, expectations for the depreciation of RMB have been strengthening, and the Group has accordingly used its best efforts to reduce the size of debt denominated in foreign currencies. Meanwhile, the Group has a well-developed foreign exchange management strategy that continuously and orderly controls foreign exchange rate risks of foreign exchange exposure. At present, the Group mainly uses foreign exchange forward contracts as our hedging tool.

[2] Foreign exchange (loss)/gain include fair value changes of forward foreign exchange contracts

Financial expenses

The Group's financial expenses increased to RMB467.9 million in 2016 from RMB415.6 million in 2015, mainly attributable to the increase in financial expenses of Beijing Brand.

Net financial income of Beijing Benz increased to RMB265.4 million in 2016 from RMB122.1 million in 2015, representing a year-on-year increase of 117.4%, mainly attributable to (i) the increase in deposit interest as a result of sufficient cash flow; and (ii) the decrease in financial expenses as a result of the decrease in long term borrowings.

Net financial expenses of Beijing Brand increased to RMB733.3 million in 2016 from RMB537.6 million in 2015, representing a year-on-year increase of 36.4%, mainly attributable to the increase in interest expenses as a result of the increase in borrowings.

Share of profits of joint ventures and associates

The Group recorded a total investment income of RMB4,216.7 million in 2016, representing a year-on-year decrease of 1.0%, in which, the investment income of Beijing Hyundai decreased from RMB4,074.4 million in 2015 to RMB3,907.4 million in 2016, mainly because of lower net profit of Beijing Hyundai as its product range entered a cycle of generation upgrade, causing an increase in sales promotion and marketing expenses.

Income tax expenses

Income tax expenses of the Group increased to RMB3,732.9 million in 2016 from RMB1,998.6 million in 2015, representing a year-on-year increase of 86.8%, mainly attributable to the increase in taxable income. Effective tax rate increased to 24.4% in 2016 from 24.0% in 2015.

The rates of enterprise income tax applicable to the Company and its subsidiaries in 2016 and 2015 were: 15.0% for new and high technology enterprises, 16.5% for Hong Kong profits tax, 32.8% for German enterprise income tax and the statutory 25.0% for other PRC enterprises, among which 25.0%, the statutory enterprise income tax rate for other PRC enterprises was applicable to Beijing Benz in 2016 and 2015.

Net profit

Based on the aforesaid reasons, the Group's net profit increased to RMB11,536.2 million in 2016 from RMB6,322.0 million in 2015, representing a year-on-year increase of 82.5%, mainly attributable to the increase in net profits of Beijing Benz and Beijing Brand.

Net profit of Beijing Benz increased to RMB10,373.7 million in 2016 from RMB5,952.7 million in 2015, representing a year-on-year increase of 74.3%, with net profit margin of Beijing Benz increasing to 12.2% in 2016 from 9.0% in 2015.

Net profit (including investment income) of Beijing Brand increased to RMB1,162.5 million in 2016 from RMB369.3 million in 2015, representing a year-on-year increase of 214.8%, with net profit margin increasing to 3.8% in 2016 from 2.1% in 2015. Excluding the investment income from Beijing Hyundai, net profit increased to RMB-2,744.9 million in 2016 from RMB-3,705.1 million in 2015, representing a year-on-year decrease of loss of 25.9%.

Net profit attributable to equity shareholders of the Company

The Group's net profit attributable to equity shareholders of the Company increased to RMB6,366.9 million in 2016 from RMB3,318.6 million in 2015, representing a year-on-year increase of 91.9%. Basic earnings per share increased to RMB0.84 in 2016 from RMB0.44 in 2015, representing a year-on-year increase of 90.9%.

Financial resources and capital structure

At the end of 2016, the Group had cash and cash equivalents of RMB36,063.9 million, notes receivable of RMB14,640.5 million, notes payable of RMB9,916.9 million, outstanding borrowings of RMB35,378.7 million, unused bank credit lines of RMB22,491.0 million, and commitments for capital expenditure of RMB4,571.7 million. The above outstanding borrowings included RMB1,780.4 million equivalents of Euro loans at the end of 2016.

At the end of 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 satisfied its daily working capital requirements through self-owned cash and borrowings. At the end of 2016, the outstanding borrowings of the Group included short-term borrowings and long-term borrowings of RMB27,569.6 million and RMB7,809.1 million, respectively. The Group will promptly repay the aforesaid borrowings at maturity. As at the end of 2016, none of the debt covenants in effect 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

Total assets of the Group increased to RMB168,900.4 million at the end of 2016 from RMB127,393.1 million at the end of 2015, representing a year-on-year increase of 32.6%, mainly attributable to (i) the increase in cash and cash equivalents and the other relevant current assets as a result of increase in sales volume of Beijing Benz and Beijing Brand; and (ii) the increase in non-current assets such as fixed assets, intangible assets, investments in joint ventures and associates driven by the continuous capital investment by Beijing Brand.

Total liabilities

Total liabilities of the Group increased to RMB110,867.1 million at the end of 2016 from RMB80,323.7 million at the end of 2015, representing a year-on-year increase of 38.0%. 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 Brand; and (ii) the increase in borrowings with the business expansion of Beijing Brand. Included in the total liabilities of the Group, fixed-rate borrowings amounted to RMB16,626.3 million.

Total equity

Total equity of the Group increased to RMB58,033.3 million at the end of 2016 from RMB47,069.4 million at the end of 2015, representing a year-on-year increase of 23.3%, mainly attributable to the increase in net profits of Beijing Benz and Beijing Brand.

Net gearing ratio

As at the end of 2016, 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 -1.2%, representing a decrease of 13.0 percentage points from 11.8% at the end of 2015, mainly attributable to the increase in cash and cash equivalents and the excess of balance of cash and cash equivalents over the total borrowings as at the end of 2016.

Significant investments

Total capital expenditures of the Group decreased to RMB6,075.7 million in 2016 from RMB7,418.8 million in 2015, representing a year-on-year decrease of 18.1%, of which capital expenditures of Beijing Benz decreased to RMB4,172.3 million in 2016 from RMB4,333.0 million in 2015, and capital expenditures of Beijing Brand decreased to RMB1,903.4 million in 2016 from RMB3,085.8 million in 2015.

Total research and development expenses of the Group decreased to RMB2,800.1 million in 2016 from RMB3,729.1 million in 2015, representing a year-on-year decrease of 24.9%, the majority of which were incurred by Beijing Brand 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 BJEV for the subscription of additional shares issued by BJEV. Upon the subscription, the Company has 6.5% equity interests in BJEV.

On September 18, 2016, the Company completed the change in industrial and administrative registration in respect of the acquisition of the 35.0% equity interest in Fujian Benz. As FJMOTOR acts in concert with the Company, Fujian Benz formally becomes the joint venture of the Company.

On November 7, 2016, BAIC Hong Kong, the Company's wholly-owned subsidiary, entered into the subscription agreement and the shareholders' agreement with IDC and Investment Universe in respect of the establishment of BAIC South Africa. Upon the establishment of BAIC South Africa, it will be held as to 20% by BAIC Hong Kong.

For detailed information on the above co-operation, please refer to the Company's announcements dated March 28, 2016, September 19, 2016 and November 8, 2016 respectively.

Pledge of asset

At the end of 2016, the Group had pledged notes receivable of RMB7,334.6 million.

Contingent liabilities

The Group had no material contingent liabilities at the end of 2016.

Employee and remuneration policies

At the end of 2016, the Group had 25,159 employees, while there were 25,461 employees at the end of 2015. In 2016, the Group incurred total staff costs of RMB4,825.8 million, representing an increase of 5.9% as compared with that of 2015, mainly attributable to (i) the higher labor cost as a result of the increase in production of Beijing Brand; and (ii) the increase in average labor cost of Beijing Benz.

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

In 2016, the Group did not provide any loans to any entities.

External financial assistance or guarantees

In 2016, the Group did not provide any financial assistance or guarantees to external parties.

RISK FACTORS

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 2017 with an annual growth rate of 6.5%, lower than the 6.7% growth rate in 2016. 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 the prices of bulk raw materials, 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 operating results.

3. *Risks relating to emission and environmental protection policies*

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. In the meantime, the standards for air quality in passenger vehicles are implemented successively. The Group has taken voluntary actions to fulfill its social responsibilities and support the implementation of the regulations in relation to emission and air quality in vehicles. However, the increased raw material costs and development expenditures will also affect the Group's operating results.

4. *Risks relating to revision of purchase tax relief policy for passenger vehicles*

In December 2016, the Ministry of Finance revised the purchase tax relief policy for passenger vehicles, pursuant to which, the rate of purchase tax for passenger vehicles with displacement of 1.6L and below changes from 5% to 7.5% effective from January 2017, and recovering back to the statutory tax rate of 10%, effective from January 2018. The policy will impact the sales of passenger vehicles with low displacement. Although the Group will properly adjust its sales policy in response to this policy change, the Group's sales might be affected, which, in turn, will cast a negative light on the operating results of the Group within a certain period of time after policy adjustment.

5. *Risks relating to revisions of subsidy policy for new energy vehicles*

In December 2016, the National Development and Reform Commission, the Ministry of Finance and other ministries of the PRC jointly promulgated a new subsidy policy for new energy vehicles, which raises and dynamically adjusts the standards for inclusion into the directory of recommended models, adjusts the subsidy standards for new energy vehicles, and improves the ways of provision of subsidy. Such revisions of subsidy policy for new energy vehicles may affect the Group's sales of new energy vehicles, and thus adversely affect the operating results within a certain period of time after policy adjustment. The Group will minimize such negative impact by constantly strengthening the research and development capability of new energy vehicles and continuing to implement strict measures on procurement cost saving.

OUTLOOK OF 2017

Prospect for the development of passenger vehicle industry in 2017

In 2017, it is expected that market demand for passenger vehicles in China is subject to the influence from curtailment of vehicle purchase tax incentives, and intensive launch of new models by various automobile companies will result in intensified competition. According to the forecast of the State Information Center, it is expected the growth rate of passenger vehicle market in China will amount to approximately 6.5% in 2017. Meanwhile, the Group expects that the industry development will have the following characteristics:

1. ***Chinese brands continue to thrive***

   By virtue of the outstanding performance in the SUV market, Chinese brands are expected to maintain rapid growth in 2017. According to the forecast of the State Information Center, it is expected that passenger vehicles of Chinese brands will record sales of approximately 11.37 million units in 2017, representing a year-on-year growth of approximately 8.0%.

2. ***Increasing demand for premium vehicles***

   In 2017, market demand for premium vehicles in China is expected to remain robust. In the midst of maintaining rapid growth, new opportunities and challenges will also arise. The traditional three major German brands hold 90% market share of the segmented market over a long period of time, and the gap between their sales numbers is narrowing. The pricing system of the premium vehicle market will be subject to constant attention.

3. ***Prospect of new energy products remains positive***

   In 2017, following the tightening of automobile market policies in China, the sales of new energy vehicles in the first and second tier cities, being subject to restrictions on vehicle purchasing and driving, will further increase. Apart from that, the demand for short haul vehicles in the third and fourth tier cities, as well as loosened financial policies for new energy vehicles, also further stimulates the sales growth of small-sized pure electric vehicles.

4. ***Further tightening of regulatory policies***

   In October 2016, it was pointed out at a meeting of PRC State Council that establishment of new manufacturers of conventionally fuelled vehicles would no longer be permitted in principle. This regulatory tendency clearly suggests the fact that new automobile brands and companies with future plans of launching and manufacturing of conventionally fuelled vehicles in China market will encounter obstacles for obtaining “production permits for vehicles”. It is expected that regulatory policies concerning the passenger vehicle industry as a whole will be further tightened.

5. ***Intellectualization and internetization strategies gradually become clear***

   It is expected that in 2017 the in-depth cooperation between giants in automobile and internet industries will achieve initial success. The mainstream development directions for intelligent networked vehicles in future will include establishing logical and well-organized business cooperation models, integrating cross-platform advantages generated by user resources and technologies, and enhancing user’s perception and satisfaction levels of vehicle intellectualization.

The Group's business strategies in 2017

2017 represents a critical year for our advancement of "13th Five-year Plan". Our Group will continue to follow the operating philosophy of "customer-centric and market-oriented" and the operating principles of "aiming at focused transformation and stable efficiency growth". For the purpose of accomplishing the important missions, namely focusing on development of our proprietary brands, maintaining our leadership in new energy vehicles market, deepening internationalization and promoting in-depth reforms of the state-owned enterprises, we will continue to strengthen our abilities in open cooperation and corporate governance, and ensure that our efforts are well-targeted and precise, as well as unceasingly reinforce our core competitiveness, and accelerate the pace of our strategic development and transformation and upgrading, in order to achieve strategic targets set for "13th Five-year Plan" period.

1. *Beijing Brand*

During 2017, upholding the operating philosophy of "customer-centric and market-oriented", Beijing Brand will be committed to defining its product positioning. Meanwhile, Beijing Brand will take charge of research and development of 2.0 model, so as to ensure that the strategic car model can win success. Furthermore, Beijing Brand will use its prominent products to open up the market in order to enhance sales capabilities.

2. *Beijing Benz*

During 2017, Beijing Benz will pay close attention to production-sales linkage, conduct thorough analysis and set out mid to long term development planning, maintain the market popularity of existing products, as well as seek for quick entry of high-end new energy market.

In terms of sales efforts, Beijing Benz will build on its successful marketing management experience in 2016, keep in line with the principles of development of selected local markets and the strategy of driving growth in the wholesale by increasing retail business, and thoroughly explore every key process of sales management, in order to materialize the organic interaction between supply chain, information flow and value chain.

3. *Beijing Hyundai*

During 2017, Beijing Hyundai will strive to further improve profit margin of its products, open up breakpoints along the value chain, as well as enhance its adaptability to the changes in China market along with the completion of capacity placement, and further secure the fourth position in the industry.

In 2017, with the aim of "strengthening supply and enhancing both quantity and efficiency", Beijing Hyundai will formulate the Blue Melody Strategy with a core focus on "one social circle, two interactive chains and three support networks".

4. *Fujian Benz*

During 2017, Fujian Benz will improve its profitability with the guideline of "accelerating the pace of product launch and technical upgrades, and building up its competitiveness in high-end multi-purpose passenger vehicle market". Meanwhile, Fujian Benz will continue to pursue its goals of becoming the benchmarking company of high-end multi-purpose passenger vehicles in China, and strive to gain leadership in multi-purpose passenger vehicle market.

SUBSEQUENT EVENTS

On January 20, 2017, BAIC Investment completed the issuance of the first tranche of 2017 corporate bonds. The issuance size was RMB0.8 billion with a term of 7 years and an annual interest rate of 4.29%.

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.

In 2016, the usage of the proceeds obtained from the initial public offering is consistent with those as set forth in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company.

PROFIT DISTRIBUTION

In accordance with the provisions of Article 193 of the Articles of Association of the Company, 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 2016 of RMB0.29 per share (tax inclusive). The proposal will be submitted to the Company's 2016 annual general meeting (the "**2016 Annual General Meeting**") for review and approval. The date of distribution will be no later than September 30, 2017.

For details of the distribution of a final dividend by the Company, please refer to the circular for the 2016 Annual General Meeting to be issued by the Company in due course.

MATERIAL LITIGATION AND ARBITRATION

As at December 31, 2016, the Company had no material litigation or arbitration. The directors of the Company (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 2016.

COMPLIANCE WITH CORPORATE GOVERNANCE

The three-year term of the Company's second session of the Board and board of supervisors (the "**Board of Supervisors**") expired on September 8, 2016. As the nomination of Directors and supervisors of the Company (the "**Supervisor**") has not been finished, the terms of the second session of the Board and Board of Supervisors have been extended until the new Board and Board of Supervisors are approved at the general meeting. On March 6, 2017, the Board has nominated the Director candidates of the third session of the Board, which will become effective upon the approval by the shareholders' general meeting. For details, please refer to the announcement dated March 6, 2017. As such, the term of office of the second session of the Board is longer than the term of retirement by rotation of at least every three years specified in provision A.4.2 of the Code on Corporate Governance as set forth in Appendix 14 to the Listing Rules (the "**Code**").

All the Directors of the Company believe that for 2016, the Company had complied with all the code provisions under the Code in all respects.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

Having made all reasonable enquiries to all Directors and Supervisors, the Board confirms that, in 2016, the Directors and 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 Supervisors.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the Company's 2016 annual results and audited consolidated financial statements as at December 31, 2016 prepared in accordance with the IFRS.

DATE FOR ANNUAL GENERAL MEETING AND CLOSURE OF SHARE REGISTER OF MEMBERS

For details of the date of the 2016 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 2016 Annual General Meeting, please refer to the circular for the 2016 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 2016 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 23, 2017

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, as non-executive Director; Mr. Li Feng, as executive Director; Mr. Zhang Jianyong, Ms. Shang Yuanxian, 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*