北京汽车
BAIC MOTOR

北 京 汽 車 股 份 有 限 公 司
BAIC MOTOR CORPORATION LIMITED*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1958)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2018

The board (the "**Board**") of directors (the "**Directors**") of BAIC Motor Corporation Limited (the "**Company**" or "**Beijing Motor**" or "**we**" or "**our Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended June 30, 2018 (the "**Reporting Period**" or the "**first half of 2018**") together with the comparative figures for the corresponding period in 2017. The results have been prepared in accordance with the International Accounting Standard 34, "Interim Financial Reporting" issued by the International Accounting Standards Board and the disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The audit committee of the Board (the "**Audit Committee**") and PricewaterhouseCoopers, the external auditor of the Group, have reviewed the unaudited condensed consolidated interim financial information (the "**Condensed Financial Information**").

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2018

	Note	**For the six months ended June 30, 2018 (Unaudited)** ***RMB'000***	2017 (Unaudited) *RMB'000*
Revenue	*3*	**76,902,166**	66,737,077
Cost of sales		**(56,465,344)**	(49,246,393)
Gross profit		**20,436,822**	17,490,684
Selling and distribution expenses		**(6,334,166)**	(6,218,675)
General and administrative expenses		**(2,766,438)**	(2,123,300)
Other gains/(losses), net		**50,817**	(808,910)
Operating profit	*6*	**11,387,035**	8,339,799
Finance income		**330,533**	211,903
Finance costs		**(567,867)**	(537,745)
Finance costs, net		**(237,334)**	(325,842)
Share of profit/(loss) of investments accounted for using equity method		**582,266**	(132,300)
Profit before income tax		**11,731,967**	7,881,657
Income tax expense	*7*	**(3,686,376)**	(2,833,712)
Profit for the period		**8,045,591**	5,047,945
Profit attributable to:			
Equity holders of the Company		**2,820,268**	985,701
Non-controlling interests		**5,225,323**	4,062,244
		8,045,591	5,047,945
Earnings per share for profit attributable to ordinary shareholders of the Company during the period (expressed in RMB per share)			
Basic and diluted	*8*	**0.36**	0.13

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE SIX MONTHS ENDED JUNE 30, 2018

	For the six months ended June 30,	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Profit for the period	**8,045,591**	5,047,945
Other Comprehensive Income		
Items that may be reclassified to profit or loss		
Changes in fair value of financial assets at fair value through other comprehensive income	**–**	569,920
Gains on cash flow hedges, net of tax	**14,818**	533,138
Currency translation differences	**238**	(832)
Items that will not be reclassified to profit or loss		
Income tax relating to changes in fair value of financial assets at fair value through other comprehensive income	**(63,368)**	–
Other comprehensive (loss)/income for the period	**(48,312)**	1,102,226
Total comprehensive income for the period	**7,997,279**	6,150,171
Attributable to:		
Equity holders of the Company	**2,765,091**	1,826,849
Non-controlling interests	**5,232,188**	4,323,322
	7,997,279	6,150,171

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2018

	Note	**June 30, 2018 (Unaudited)** ***RMB'000***	December 31, 2017 (Audited) *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**42,676,312**	42,370,945
Land use rights		**7,434,394**	7,462,383
Intangible assets		**13,765,240**	13,738,986
Investments accounted for using equity method		**15,597,617**	14,706,908
Financial assets at fair value through other comprehensive income		**2,355,239**	2,355,239
Deferred income tax assets		**7,362,767**	7,035,788
Other long-term assets		**760,762**	938,824
		89,952,331	88,609,073
Current assets			
Inventories		**15,049,292**	16,875,871
Accounts receivable	*4*	**18,463,443**	19,882,114
Advances to suppliers		**408,498**	563,410
Other receivables and prepayments		**4,680,987**	4,102,529
Restricted cash		**1,820,300**	545,073
Cash and cash equivalents		**44,553,040**	36,824,906
		84,975,560	78,793,903
Total assets		**174,927,891**	167,402,976

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT JUNE 30, 2018

	Note	**June 30, 2018 (Unaudited)** *RMB'000*	December 31, 2017 (Audited) *RMB'000*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**8,015,338**	7,595,338
Perpetual bond		**1,998,081**	–
Other reserves		**21,146,290**	18,982,383
Retained earnings		**16,164,089**	14,258,311
		47,323,798	40,836,032
Non-controlling interests		**16,197,078**	18,804,890
Total equity		**63,520,876**	59,640,922
LIABILITIES			
Non-current liabilities			
Borrowings		**15,246,528**	13,166,960
Deferred income tax liabilities		**929,359**	877,807
Provisions		**2,853,443**	2,498,714
Deferred income		**4,217,075**	4,157,716
		23,246,405	20,701,197
Current liabilities			
Accounts payable	*5*	**34,800,892**	35,559,081
Advances from customers		**549,865**	405,371
Other payables and accruals		**32,338,893**	27,061,979
Current income tax liabilities		**1,962,641**	3,715,161
Borrowings		**16,815,204**	18,478,051
Provisions		**1,693,115**	1,841,214
		88,160,610	87,060,857
Total liabilities		**111,407,015**	107,762,054
Total equity and liabilities		**174,927,891**	167,402,976

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 A5-061, Unit 101, 5th Floor, Building No.1, Courtyard No.99, Shuanghe Street, 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 Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since December 19, 2014.

This Interim Condensed Consolidated Financial Information ("**Condensed Financial Information**") is presented in thousands of Renminbi Yuan ("**RMB**"), unless otherwise stated, and is approved for issue by the Board of Directors on August 28, 2018.

This Condensed Financial Information has not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

This Condensed Financial Information has been prepared in accordance with International Accounting Standard ("**IAS**") 34, "**Interim Financial Reporting**". The Condensed Financial Information should be read in conjunction with the annual financial statements for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

As at June 30, 2018, the current liabilities of the Group exceeded its current assets by approximately RMB3,185 million. Given the debt obligations and working capital requirements, management has thoroughly considered the Group's available sources of the funds as follows:

- the Group's continuous net cash generated from operating and financing activities; and
- undrawn short-term and long-term banking facilities of approximately RMB1,300 million and RMB23,392 million respectively as at June 30, 2018.

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

2.2 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2017, as described in those annual financial statements except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended standards adopted by the Group.

(a) New standards adopted by the Group

- IFRS 9 "Financial instruments" – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has adopted IFRS 9 as it becomes mandatory on January 1, 2018.

(i) Classification and measurement

On January 1, 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

The Group elected to present in other comprehensive income (OCI) changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of approximately RMB2,355,239,000 on December 31, 2017 were reclassified from available-for-sale financial assets to financial assets at fair value through other comprehensive income (FVOCI) and fair value gains of approximately RMB538,627,000 were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on January 1, 2018.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest;

– FVOCI(recycling), if the contractual cash flows of the investments comprise solely payments of principal and interests and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in OCI, except for the recognition in profit or loss of expected credit losses.

The carrying amounts of these financial assets as at January 1, 2018 have not been impacted by the initial application of IFRS 9.

There is no significant 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 de-recognition rules have been transferred from IAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

(ii) Derivatives and hedging activities

The new hedge accounting rules aligns 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. However, at this stage the Group does not expect to identify any new hedge relationships. The Group's current hedge relationships are qualified as continuing hedges upon the adoption of IFRS 9. Accordingly, there is no significant impact on the accounting for its hedging relationships.

(iii) Impairment for financial assets

Trade receivables

The Group mainly has trade receivables that are subject to IFRS 9's new expected credit loss model. The contract assets balance is immaterial for each of the periods presented.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

On that basis, an associate of the Group has restated its opening retained earnings at December 31, 2017 previously calculated under IAS 39 upon adoption of IFRS 9. As a result the Group has accounted for this corresponding impact by restating the opening balances of investments accounted for using equity method and retained earnings at January 1, 2018 by an amount of approximately RMB82,272,000. Other than this, the impact of the change in impairment methodology is not significant to the Group.

Trade receivables are written off when there is no reasonable expectation of recovery.

Other financial assets at amortized cost

Other financial assets at amortized cost include other receivables. The Group recognize a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition or the financial instrument is not determined to have low credit risk at the reporting date, in which cases the loss allowance is measured at an amount equal to lifetime ECLs.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

- IFRS 9 "Financial instruments" – Accounting policies applied from January 1, 2018

  (i) Investments and other financial assets

  Classification

  From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

  - Those to be measured subsequently at fair value (either through OCI, or through profit or loss), and

  - Those to be measured at amortised cost.

  The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

  For assets measured at fair value, gains and losses will either be recorded in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

  Measurement

  At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

  Debt instruments

  The Group's debt investments at amortised cost and FVOCI, mainly the notes receivable and other receivables, are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. These instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

  Equity instruments

  The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of accumulated fair value gains and losses to profit or loss following the de-recognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other gains when the Group's right to receive payments is established.

  Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From January 1, 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) Derivatives and hedging

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in OCI. The gain or loss relating to the ineffective portion is recognized immediately through profit or loss within "other gains/(losses) – net".

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of sales in the case of inventory or in depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss within "other gains/(losses) – net".

- IFRS 15 “Revenue from Contracts with Customers” – Impact of adoption

  On January 1, 2018, the Group adopted IFRS 15, applying the modified retrospective method to contracts that were not completed as of January 1, 2018. The adoption did not have a material impact on the retained earnings as of January 1, 2018. Results for reporting periods beginning on or after January 1, 2018 are presented under IFRS 15, while prior period amounts are not adjusted and continue to be reported in accordance with the Group’s historical accounting standard.

  Management has identified the following areas being affected:

  Under IFRS 15, the Group’s contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenues to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices of each distinct performance obligation based on the prices charged to customers when sold on a standalone basis. Where standalone selling price is not directly observable, the Group generally estimates selling prices based on when they are sold to customers of a similar nature and geography. Since the different performance obligations in one contract usually complete in the same short period of time, the new standard does not have a significant impact on its financial statements.

  As to the accounting for costs incurred in fulfilling a contract, the amount of costs which were previously expenses and may need to be recognized as assets under IFRS 15 is not significant to the Group.

- IFRS 15 “Revenue from Contracts with Customers” – Accounting policies applied from January 1, 2018

  The Group manufactures and sells vehicles, auto parts and technologies to its dealers and automotive/spare parts manufacturers. The revenue recognition policies applied by the Group for each of these activities are as follows:

  (i) *Products*

  Sales revenue are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

  The vehicles are often sold with sales rebates. Sales are recorded based on the prices specified in the sales contracts, net of the sales rebates which are calculated periodically.

(ii) *Services*

Revenue from providing services is recognized in the accounting period in which the services are rendered.

(iii) *Financing components*

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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

- IFRS 16 "Leases"

IFRS 16 was issued in January 2016. It will results 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 the Group's operating leases. 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 standard is mandatory for first interim period within annual reporting period beginning on or after January 1, 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 branded product perspective and has the following reportable segments:

- Passenger vehicles of Beijing Brand: manufacturing and sales of passenger vehicles of BAIC brands, and providing other businesses and related services.

- Passenger vehicles of Beijing Benz Automotive Co., Ltd ("**Beijing Benz**"): manufacturing and sales of passenger vehicles and engines of Beijing Benz, and providing other related services.

Management defines segment results based on gross profit. The revenue from external parties reported to the Group's Executive Committee is measured in a manner consistent with that in the statement of comprehensive income. Information about reportable segments and reconciliations of reportable segment results are as follows:

	Passenger vehicles – Beijing Brand (Unaudited) *RMB'000*	Passenger vehicles – Beijing Benz (Unaudited) *RMB'000*	Eliminations (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
For the six months ended June 30, 2018				
Total revenue	**6,740,765**	**70,218,660**	**(57,259)**	**76,902,166**
Inter-segment revenue	**(57,259)**	**–**	**57,259**	**–**
Revenue from external customers	**6,683,506**	**70,218,660**	**–**	**76,902,166**
Timing of revenue recognition				
At a point in time	**6,588,528**	**69,608,399**	**–**	**76,196,927**
Over time	**94,978**	**610,261**	**–**	**705,239**
	6,683,506	**70,218,660**	**–**	**76,902,166**
Segment gross (loss)/profit	**(1,551,030)**	**21,987,852**	**–**	**20,436,822**
Other profit & loss disclosure:				
Selling and distribution expenses				**(6,334,166)**
General and administrative expenses				**(2,766,438)**
Other gains, net				**50,817**
Finance costs, net				**(237,334)**
Share of profit of investments accounted for using equity method				**582,266**
Profit before income tax				**11,731,967**
Income tax expense				**(3,686,376)**
Profit for the period				**8,045,591**
Other Information:				
Significant non-cash expenses				
Depreciation and amortization	**(1,573,400)**	**(1,659,377)**	**–**	**(3,232,777)**
Provisions for impairments on Property, plant and equipment, receivables and inventories	**(196,118)**	**(102,030)**	**–**	**(298,148)**
As at June 30, 2018				
Total assets	**94,379,096**	**102,008,840**	**(21,460,045)**	**174,927,891**
Including:				
Investments accounted for using equity method	**15,597,617**	**–**	**–**	**15,597,617**
Total liabilities	**(52,569,752)**	**(68,781,169)**	**9,943,906**	**(111,407,015)**

	Passenger vehicles – Beijing Brand (Unaudited) *RMB'000*	Passenger vehicles – Beijing Benz (Unaudited) *RMB'000*	Eliminations (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
For the six months ended June 30, 2017				
Total revenue	8,469,414	58,313,255	(45,592)	66,737,077
Inter-segment revenue	(45,592)	–	45,592	–
Revenue from external customers	8,423,822	58,313,255	–	66,737,077
Timing of revenue recognition				
At a point in time	8,414,999	58,289,978	–	66,704,977
Over time	8,823	23,277	–	32,100
	8,423,822	58,313,255	–	66,737,077
Segment gross (loss)/profit	(1,258,048)	18,748,732	–	17,490,684
Other profit & loss disclosure:				
Selling and distribution expenses				(6,218,675)
General and administrative expenses				(2,123,300)
Other losses, net				(808,910)
Finance costs, net				(325,842)
Share of loss of investments accounted for using equity method				(132,300)
Profit before income tax				7,881,657
Income tax expense				(2,833,712)
Profit for the period				5,047,945
Other Information:				
Significant non-cash expenses				
Depreciation and amortization	(1,326,741)	(1,631,928)	–	(2,958,669)
Provisions for impairments on Property, plant and equipment, receivables and inventories	(250,154)	–	–	(250,154)
As at June 30, 2017				
Total assets	98,316,474	86,459,239	(17,399,357)	167,376,356
Including:				
Investments accounted for using equity method	18,034,656	–	–	18,034,656
Total liabilities	(62,033,535)	(57,102,984)	5,883,536	(113,252,983)

There is no customer accounting to 10 percent or more of the Group's revenue for each of the six months ended June 30, 2018 and 2017.

The Group is domiciled in PRC. The percentage of its revenue from external customers residing in the PRC is approximately 99.8% for the six months ended June 30, 2018 (six months ended June 30, 2017: 99.9 %).

As at June 30, 2018, 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 98.6% (as at December 31, 2017: 98.2%).

4 ACCOUNTS RECEIVABLE

	June 30, 2018 (Unaudited) *RMB'000*	December 31, 2017 (Audited) *RMB'000*
Trade receivables, gross *(note (a))*	**15,384,429**	11,670,328
Less: provision for impairment	**(56,192)**	(49,286)
	15,328,237	11,621,042
Notes receivable	**3,135,206**	8,261,072
	18,463,443	19,882,114

(a) The majority of the Group's sales are on credit. A credit period of up to 1 to 6 months for trade receivables and up to 3 to 6 months for notes 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:

	June 30, 2018 (Unaudited) *RMB'000*	December 31, 2017 (Audited) *RMB'000*
Current to 1 year	**10,585,933**	7,766,546
1 to 2 years	**4,487,069**	3,806,594
2 to 3 years	**298,231**	83,503
Over 3 years	**13,196**	13,685
	15,384,429	11,670,328

(b) All accounts receivable are denominated in RMB and their carrying amounts approximate fair values.

(c) There is no trade receivable pledged as collateral.

(d) The amounts of notes receivable pledged as collateral for notes payable issued by banks and for borrowing as at respective balance sheet dates are as follow:

	June 30, 2018 (Unaudited) *RMB'000*	December 31, 2017 (Audited) *RMB'000*
Pledged notes receivable	**2,124,131**	5,286,310

5 ACCOUNTS PAYABLE

	June 30, 2018 (Unaudited) *RMB'000*	December 31, 2017 (Audited) *RMB'000*
Trade payables	**26,825,710**	26,152,675
Notes payable	**7,975,182**	9,406,406
	34,800,892	35,559,081

Ageing analysis of trade payables is as follows:

	June 30, 2018 (Unaudited) *RMB'000*	December 31, 2017 (Audited) *RMB'000*
Current to 1 year	**26,812,842**	26,073,357
1 year to 2 years	**4,149**	68,632
2 years to 3 years	**2,398**	8,885
Over 3 years	**6,321**	1,801
	26,825,710	26,152,675

6 OPERATING PROFIT

Operating profit is arrived at after charging/(crediting) the following:

	For the six months ended June 30,	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Depreciation and amortization	**3,232,777**	2,958,669
Provisions for impairments on property, plant and equipment, receivables and inventories	**298,148**	250,154
Employee benefit costs	**2,779,111**	2,504,858
Gains from sales of scrap materials	**(35,148)**	(18,206)
Net foreign exchange losses, including forward foreign exchange contracts with fair value through profit or loss	**86,361**	866,802
Government grants	**(159,457)**	(77,636)
Losses on disposal of property, plant and equipment	**19,953**	2,768

7 INCOME TAX EXPENSE

	For the six months ended June 30,	
	2018	2017
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current income tax	**4,030,110**	3,368,743
Deferred income tax credit	**(343,734)**	(535,031)
	3,686,376	2,833,712

8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares during the period.

	For the six months ended June 30,	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to ordinary shareholders of the Company (RMB'000) *(note (a))*	**2,789,583**	985,701
Weighted average number of ordinary shares issued (thousands)	**7,730,672**	7,595,338
Earnings per share for profit attributable to ordinary shareholders of the Company (RMB)	**0.36**	0.13

(a) For the six months ended June 30, 2018, the profit attributable to equity holders of the Company amounted to RMB2,820,268,000, including the profit attributable to ordinary shareholders and perpetual bond holders of approximately RMB2,789,583,000 and RMB30,685,000, respectively.

During the six months ended June 30, 2018 and 2017, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.

9 DIVIDENDS

The Board of Directors of the Company did not recommend the payment of any interim dividend for the six months ended June 30, 2018 (six months ended June 30, 2017: Nil). The dividend of approximately RMB801,534,000 (RMB0.10 per share) relating to the year ended December 31, 2017 was approved by the shareholders meeting held on June 2018. The dividends have been paid at the date of this announcement.

10 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On August 15, 2018, the Company issued the second ultra short-term debentures for 2018 with an issuance amount of RMB2,000.0 million at a nominal interest rate of 3.6% per annum with a term of 270 days.

BUSINESS OVERVIEW

I. 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 Company holds the entire interest of Beijing Brand's business. Currently, business of Beijing Brand is operated under four series, i.e. Senova, BJ, New Energy Vehicle and Wevan, 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 the proprietary brands of the Company and is targeted at customers who value both vehicle performance and high-quality life. "Dedication to Performance" is the brand philosophy of Senova. It aims to create the brand attribute of "German quality, intelligent driving, metropolitan beauty and innovative technology".

- *BJ*

  "BJ" series is a pioneer brand of BAIC which is inherited from the half century long military vehicle with a strong DNA of hard style off-road vehicle. "Pure Cross-Country, Absolutely Boundless" is the brand philosophy of BJ. With the brand vision of "No.1 off-road vehicle brand in China", it aims to create the brand attribute of "pure inheritance, professional skill, military vehicle quality and hard style."

- *New Energy Product*

  Along with manufacturing of traditional oil powered passenger vehicles, Beijing Brand has also made efforts to promote production of new energy products and made arrangement for designing technical routes, development and production of pure electric and hybrid electric products.

In terms of pure electric new energy vehicle, Beijing Brand has produced many pure electric new energy vehicle models developed from traditional oil-powered car models. The major vehicle models continue to be industry-leading, with a mileage range in the integrated operating condition reaching 416 km.

In terms of hybrid electric product planning, Beijing Brand plans to complete the upgrade from traditional oil-powered products to hybrid electric products through a two-step process: From the end of 2019 to the beginning of 2020, it will concurrently complete upgrade of existing vehicle models, A-Class and B-Class sedans and A-Class SUV models to 48V products; from 2020, it will develop new products in comprehensive consideration of gasoline engine, 48V hybrid electric vehicle model, HEV model and plug-in hybrid electric vehicle model.

- *Wevan*

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

2. Beijing Benz

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

Beijing Benz has constructed two vehicle plants, one engine plant and one research and development center, all of which have been put into production. It is constructing another engine plant, pure electric passenger vehicle plants and power battery factory, and is promoting the development of the production base for high-end passenger vehicles transformed on the basis of Shunyi Plant under Beijing Brand of the Company. All of the aforesaid production facilities are located in Beijing. In terms of products, Beijing Benz currently manufactures and sells four types of Mercedes-Benz vehicles, namely the E-Class sedan, the C-Class sedan, GLC SUV and GLA SUV.

3. *Beijing Hyundai*

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

With five vehicle plants, corresponding engine plants in China and one technology center in Beijing, Beijing Hyundai currently manufactures and sells over ten types of vehicles, covering a full range of major sedan models including middle class, compact and A0-Class models, as well as SUV models. Since the date on which the first product was rolled off the production line, Beijing Hyundai has sold a total of over 9 million units of vehicles of Hyundai brand.

4. *Fujian Benz*

Fujian Benz Automotive Co., Ltd. ("**Fujian Benz**") is a joint venture of the Company. 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, upon exercising the power by the directors appointed by FJMOTOR. Daimler Vans Limited (Hong Kong) holds the remaining 50.0% equity interest in Fujian Benz. Fujian Benz commenced the manufacturing and sales of MPV of Mercedes-Benz brand in 2010. With the launch of the new-generation Mercedes-Benz V-Class model, Fujian Benz further strengthened its industry position and competitive strength.

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, transmissions and other core automobile parts and components through entities including BAIC Motor Powertrain Co., Ltd. and Beijing Beinei Engine Parts and Components Co., Ltd., mainly for use in our whole vehicles as well as for sale to other automobile manufacturers.

Beijing Benz commenced to manufacture engines in 2013 and owns the first and the biggest engine manufacturing base of Daimler Group outside Germany. At present, Beijing Benz has one constructed engine plant and one engine plant under construction manufacturing products including M264, M270, M274 and M276 engines, and will successively manufacture various types of engines.

In the second half of 2017, Beijing Benz commenced construction of a power battery factory. Products produced will be assembled into Mercedes-Benz electric vehicle products to be launched in 2019. During the Reporting Period, the power battery factory was under construction.

Beijing Hyundai commenced to manufacture engines in 2004. Its specific product offerings cover six major series including Gamma1.6 MPI/GDI and Gamma1.6 Turbo-GDI. The engines produced are industry-leading in terms of technology and power, etc. The products are 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., Mercedes-Benz Leasing Co., Ltd. ("**MBLC**") and Beijing Hyundai Auto Finance Co., Ltd., and continuously promote rapid development of car financing businesses by methods including capital investment and business cooperation.

Other related businesses

In the first half of 2018, we continued to conduct research and development of high-end passenger vehicles, auto intelligentization, light materials research and automobile aftermarket-related businesses through relevant joint ventures.

II. Business Development in the First Half of 2018

Industry Development in the First Half of 2018

According to the National Bureau of Statistics, in the first half of 2018, China's GDP reached RMB41,896.1 billion, representing a year-on-year increase of 6.8% on comparable price basis, indicating a stable performance in economy of China as a whole. Against the backdrop of changes in domestic and foreign environments which were extremely complicated and tough, in the process of further economic structural adjustment and the replacement and transformation of old drivers with new drivers, the macroeconomic policy focused on reform promotion and structural adjustment. In the first half of the year, under downward pressure, the economic development was stable with a tendency towards a slowdown, providing less support for the passenger vehicle market.

According to the statistics of China Association of Automobile Manufactures, the sales volume of passenger vehicles in China in the first half of 2018 was 11.775 million, representing a year-on-year increase of 4.6%, indicating a slowdown in the domestic market demand. In terms of sales of four types of passenger vehicles, the sales volume of sedans and SUVs increased by 5.5% and 9.7% year-on-year respectively, and the sales volumes of MPVs and CUVs decreased by 12.7% and 25.9% year-on-year respectively.

In the first half of 2018, the sales volume of Chinese-branded passenger vehicles reached 5.109 million units, representing a year-on-year increase of 3.4%, and accounting for 43.4% of the total sales volume of passenger vehicles, representing a year-on-year decrease of 0.5 percentage point. In terms of Chinese brands, sedan and SUV products outperformed in respective market segments. The sales volume of Chinese-branded sedans was 1.194 million units, representing a year-on-year increase of 12.2% and accounting for 21% of the total sales volume of sedans; the sales volume of Chinese-branded SUVs was 2.994 million units, representing a year-on-year increase of 10.9% and accounting for 60.3% of the total sales volume of SUVs.

In the first half of 2018, the sales volume of new energy vehicles was 412 thousand units, representing a year-on-year increase of 111.5%, indicating a rapid year-on-year growth. Among which, the sales volume of pure electric vehicles was 313 thousand units, representing a year-on-year increase of 96.0%; the sales volume of plug-in hybrid electric vehicles was 99 thousand units, representing a year-on-year increase of 181.6%.

In terms of industrial regulation policies, in the first half of 2018, policies were published frequently, such as confirmation of the schedule for removing the restriction on shareholding percentages in foreign invested enterprises in the automobile industry, implementation of the dual-credit scheme, more strict approval mechanism for automobile production capacity, tariff adjustment for imported vehicles and parts, adjustment of subsidy policies for new energy vehicles, and adjustment of preferential treatment on sedan purchase taxes. These regulatory opinions and policies will have a profound influence on the future development of the automobile industry in China.

Operational Performance of the Group in the First Half of 2018

1. ***Operational performance by brands***

In the first half of 2018, the Group achieved steady operation of all brand businesses and overall good performance, as it actively responded to various challenges including industrial policy adjustment, automobile tariff policy adjustment, stricter regulation policies and more intensified industrial competition.

Beijing Brand

Affected by increased industrial competition and internal factors including periodic changes of products and product structural adjustment, the sales volume of vehicles of Beijing Brand decreased in the first half of 2018. During the Reporting Period, the sales volume of vehicles of Beijing Brand was 73 thousand units, representing a year-on-year decrease of 33.6%. The Company actively responded to such pressure and made a positive breakthrough in terms of product structural adjustment, optimization and upgrade of industrial layout and etc.

In terms of product structural adjustment, Beijing Brand made efforts to promote new energy product strategies. In the first half of 2018, the sales of new energy products of Beijing Brand increased by 22.3% year-on-year. In March 2018, Beijing Brand launched the EX360 pure electric vehicle model. In the Beijing International Automotive Exhibition in April 2018, the EU5 pure electric vehicle model of Beijing Brand with e-Motion Drive, a super electric driving technology, was released. It has a mileage range of 416 km in the integrated operating condition, which is longer than those of other vehicles in the same class. Meanwhile, Beijing Brand further improved the differentiated competition advantages of off-road vehicle products to maintain the leading position of Beijing Brand in the hard-style off-road market. In May 2018, BJ40 PLUS and BJ80 EVEREST vehicle models were put on the market, as the latest representative products of BAIC with military quality, and were expected to become a new mainstream in the off-road vehicle market.

In the first half of 2018, Beijing Brand continued to seek for brand upgrade, promoting work in relation to the disposal of the Wevan business and related assets to the controlling shareholder of the Company and its subsidiaries, thus further focusing on core products and improving the differentiated competitiveness.

In terms of optimization and upgrade of industrial layout, in the first half of 2018, the Company promoted the capacity reorganization and adjustment through the disposal of Shunyi Plant under Beijing Brand of the Company to Beijing Benz, thus making the capacity utilization rate of Beijing Brand more reasonable and ensuring sustainable growth in subsequent production and sales volumes of Beijing Benz.

Beijing Benz

In the first half of 2018, Beijing Benz continued to maintain the rapid growth trend, selling 252 thousand units of vehicles, representing a year-on-year increase of 19.6%, and continuously leading the rapid development of the premium vehicle market in China.

In terms of sale of segmented products, in the first half of 2018, the sales volumes of two main vehicle models of Beijing Benz, namely E-Class and C-Class sedans, hit double-digit growth, with a strong trend. The GLA SUV and GLC SUV also had a satisfactory sales performance.

In terms of capacity optimization, Beijing Benz has been committed to increasing and optimizing the capacity utilization rate, and implemented requirements of "Made in China 2025" and construction of the green manufacturing system, while endeavoring to ensure comprehensive commissioning of the MFA factory.

Facing the changes in regulation policies and tariff policies for the automobile industry in the first half of 2018, Beijing Benz also adjusted sales strategies in a timely manner, so as to ensure the profitability of the Company while delivering a better consumer experience.

Meanwhile, Beijing Benz has become an important production base of pure electric vehicles of Daimler AG in China. It is actively promoting the construction of a new energy electric vehicle factory. It also ensures its future competitiveness by methods including construction of a new production base.

Beijing Hyundai

In the first half of 2018, according to the operation principle of "quality • winning 2018", Beijing Hyundai further focused on the development of new products and implemented more targeted marketing strategies in the market in China, thus achieving a healthy upturn in results. During the Reporting Period, it achieved a gradually improvement and an upturn in results, with the sales volume of 380 thousand units of vehicles, representing a year-on-year increase of 26.2%.

During the Beijing International Automotive Exhibition in April 2018, ENCINO, a high-performing SUV model of Beijing Hyundai, was put on the market, which marked a further improvement in the product strength of Beijing Hyundai. Meanwhile, Beijing Hyundai thoroughly carried out localization strategies and made arrangements in fields of electrification, intelligentization and networking in advance. Beijing Hyundai and Hyundai Yantai R&D Center cooperated in enhancing collection of local data and localizing application of global resources, with Beijing Hyundai Technology Center as the subject, supported by the big data center of Hyundai Motor in China.

In terms of intelligentization layout, Beijing Hyundai accelerated the cooperation with domestic leading intelligent networking suppliers including Baidu and IFLYTEK, in comprehensively initiating the adoption of intelligentization and networking products with regional features. It increased the mileage range of Elantra EV and successively developed intelligent networking versions of vehicle models including Reina, Verna and new-generation ix35, in the first half of 2018. Intelligentized upgrade of the aforesaid products promoted an upturn in the sales volume of Beijing Hyundai and improved the brand strength and industrial competitiveness of Beijing Hyundai.

Fujian Benz

In the first half of 2018, with strong performance in the sales volume of the new V-Class model, Fujian Benz continued to maintain the good trend of rapid growth, selling 14 thousand units of vehicles, representing a year-on-year increase of 38.4%. With deepening cooperation between the Company and Daimler AG, it is expected that Fujian Benz will make more breakthroughs in terms of product structure optimization and etc.

2. Sales network

The Group always attaches great importance to the interests of customers, strives to optimize its product-service system, and is devoted to enabling product distributors and customers to receive timely, efficient, accurate service guarantee with high quality. All brands have independent marketing channels. In the first half of 2018, the Group strengthened efforts in widening penetration of automobile sales network and enhancing construction of satellite stores, so as to enhance its sales strength; Beijing Benz and Beijing Hyundai were continuously committed to improving the profitability of distributors and main engine plants while expanding the sales network.

3. Research and development

The Group believes that our research and development capability is critical to our future development. In the first half of 2018, all of our various brands vigorously and continuously boosted the construction of research and development system and capacity.

Beijing Brand focused on the field of intelligentization and was committed to research and development of intelligent cockpits, intelligent networking and EE architectures; with the launch of second-generation products, Beijing Brand was among the mainstream of the industry, in terms of the intelligentization level. Meanwhile, it continuously constructed technical development systems, platform technology systems, and research and development process systems, so as to ensure the technological and quality competitiveness of vehicle models of Beijing Brand.

Beijing Benz has the largest research and development center among all joint venture enterprises of Daimler AG, within which there are 7 advanced laboratories testing climate corrosion, vehicle emissions, engines and vibration noise, as well as trial production workshops and test runways, which provides major technical support to research and development and manufacturing of Mercedes-Benz's domestic models.

In the first half of 2018, Beijing Hyundai and Hyundai Yantai R&D Center cooperated in enhancing collection of local data and localizing application of global resources, supported by the big data center of Hyundai Motor in China. It comprehensively initiated the adoption of intelligentization and networking products with regional features, under the "3 series + 3 technologies" matrix product layout: creation of three product series, namely "basic car series, performance car series and new energy car series"; and development of "electric drive technology, intelligent technology and networking technology" as a technical core.

4. *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 allow 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.

On February 23, 2018, the Company and Beijing Benz executed the Asset Transfer Agreement, pursuant to which the Company agreed to dispose of, and Beijing Benz agreed to purchase, the production base of Beijing Branch of the Company located in Shunyi District, Beijing, so as to optimize capacity allocation of the Group, and enable Beijing Benz to rapidly expand its production capacity and make greater efforts for arrangement in the new energy field; immediately after that, the Company announced that it would, together with Daimler AG, invest over RMB11.9 billion to develop the original production base of Beijing Branch into a new premium vehicle production base of the Benz brand.

5. *Industry chain extension and business development*

In the first half of 2018, the Group further accelerated transformation and upgrade, enhanced business cooperation with strategic partners, extended the industry chain and expanded the business market.

In April 2018, BAIC Motor launched the new brand IP "New Driving Enjoyment Ecosystem". The new brand IP, which was launched on the basis of consumption upgrade and the trend of more young people in the consumer group in the digital age, will bring about an ecosystem of travelling experience under a new model. In the press conference, Beijing Motor executed a cooperation agreement with the first five ecological partners, namely Tencent Internet of Vehicles, Peking University, J.D.POWER, Modernsky and BAIC Mobility. Meanwhile, it released OFFSPACE SUIT, a new concept car, which represented the future design philosophy and technical route of Beijing Motor, and new Senova X55, a mainstream A-Class SUV model tailored for new-generation young people under the guidance of "New Driving Enjoyment Ecosystem". The new Senova X55 will be put on the market in the second half of 2018.

On January 22, 2018, BAIC (Guangzhou) Automotive Co., Ltd. ("**BAIC Guangzhou**"), a wholly-owned subsidiary of the Company, Beijing Automotive Group Co., Ltd. ("**BAIC Group**"), Daimler Greater China, Bohai Automotive System Co., Ltd. ("**Bohai Automotive**"), Beijing Shougang Lvjie Venture Capital Co., Ltd. ("**Shougang Lvjie**"), and other shareholders of Beijing Electric Vehicle Co., Ltd. ("**BJEV**") entered into the agreement on asset swap and acquisition assets by issuing shares with Chengdu Qianfeng Electronics Co., Ltd. ("**Qianfeng**"), pursuant to which, BAIC Guangzhou agreed to dispose of 8.15% equity interest in BJEV to QianFeng in exchange for new A shares to be issued to BAIC Guangzhou by QianFeng. Upon completion of the transaction, BAIC Guangzhou will hold 6.51% equity interest in QianFeng.

On February 23, 2018, the Company and Daimler AG announced an increase in the scale of production of Mercedes-Benz passenger vehicles in China, so as to satisfy future demands of the Chinese market. The Company and Daimler AG will jointly invest over RMB11.9 billion to construct a new premium vehicle production base of the Benz brand. The factory will produce various types of Mercedes-Benz products including new energy electric vehicle models in China and will have a complete premium vehicle manufacturing system, thus further improving the overall production capacity of Beijing Benz.

On April 25, 2018, the Company and Daimler Greater China entered into the capital increase agreement, pursuant to which, capital contributions to MBLC will be increased according to the original shareholding percentages. Upon completion of the capital increase, the Company will continue to hold 35.0% equity interest in MBLC.

III. Outlook for the Second Half of 2018

In terms of the automobile industry, affected by factors including phase-out of preferential treatments on purchase taxes and frequent launch of new products by automobile enterprises, it is expected that the automobile market will continuously grow at a mid-to-low rate, with increased industrial competition. However, affected by factors including the implementation of the dual-credit transaction scheme and accelerated launch of new energy vehicle products, it is expected that there will be room for a relatively big increase for the consumer demand for new energy vehicles in the second half of the year. Meanwhile, the continuous rise in the sales volume of SUVs made in China is expected to drive a steady increase in the market demand for vehicles under Chinese brands. With the national consumption upgrade, the demand for premium vehicle products will further increase in the traditional peak consumption season in the second half of the year.

In terms of the operation of the Group, all indicators have been increasing, and preliminary results were achieved for transformation measures including enhancement of "product strength, marketing strength and brand strength", in the first half of the year. In the second half of the year, we will continuously explore a high-quality development path, and achieve better results and create higher value for shareholders and customers, with the enterprise spirit of "dedication, teamwork, tenacity and perseverance".

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The Group's primary business is in the research and development, manufacturing, sale and after-sales service of passenger vehicles, which brings lasting and stable income for the Group. The Group's revenue increased from RMB66,737.1 million for the six months ended June 30, 2017 (the "**first half of 2017**") to RMB76,902.2 million for the first half of 2018, representing a year-on-year increase of 15.2%, mainly due to the increase in the revenue of Beijing Benz.

The revenue associated with Beijing Benz increased from RMB58,313.3 million in the first half of 2017 to RMB70,218.7 million in the first half of 2018, representing a year-on-year increase of 20.4%, mainly due to (i) a year-on-year increase of 19.6% in Beijing Benz sales volume; and (ii) the further increase in the proportion of the sales volume of higher priced models.

The revenue associated with Beijing Brand decreased from RMB8,423.8 million in the first half of 2017 to RMB6,683.5 million for the same period in 2018, representing a year-on-year decrease of 20.7%, mainly contributed by (i) a year-on-year decrease of 33.6% in the sales volume of Beijing Brand; (ii) the additional discounts offered in order to cope with impacts such as the slowdown in growth of domestic passenger vehicles industry, the adjustment of preferential policy for automobile purchase tax and decrease in the new energy subsidies; and (iii) adjustment of the product structure and the further increase in the proportion of the sales volume of higher priced models, leading to the decrease in the revenue less than the decrease in sales volume.

Cost of Sales

The Group's cost of sales increased to RMB56,465.3 million in the first half of 2018 from RMB49,246.4 million in the first half of 2017, representing a year-on-year increase of 14.7%, mainly contributed by the increase in the cost of Beijing Benz.

The cost of sales associated with Beijing Benz increased from RMB39,564.5 million in the first half of 2017 to RMB48,230.8 million for the same period in 2018, representing a year-on-year increase of 21.9%, mainly due to (i) a year-on-year increase of 19.6% in the sales volume of Beijing Benz; and (ii) the increase in product cost due to increase in the sales volume of higher priced models.

The cost of sales associated with Beijing Brand decreased from RMB9,681.9 million in the first half of 2017 to RMB8,234.5 million for the same period in 2018, representing a year-on-year decrease of 14.9%, mainly contributed by (i) a year-on-year decrease of 33.6% in the sales volume of Beijing Brand; and (ii) the increase in average cost per vehicle due to adjustment of the product structure and increase in the proportion of the sales volume of higher priced models.

Gross Profit

As a result of the above reasons, the Group's gross profit increased to RMB20,436.8 million in the first half of 2018 from RMB17,490.7 million in the first half of 2017, representing a year-on-year increase of 16.8%, mainly contributed by the increase in the gross profit of Beijing Benz.

The gross profit of Beijing Benz increased from RMB18,748.7 million in the first half of 2017 to RMB21,987.9 million in the first half of 2018, representing a year-on-year increase of 17.3%. The gross profit margin slightly decreased from 32.2% in the first half of 2017 to 31.3% in the first half of 2018.

The gross profit of Beijing Brand decreased from RMB-1,258.0 million in the first half of 2017 to RMB-1,551.0 million in the first half of 2018, and the gross profit margin decreased from -14.9% in the first half of 2017 to -23.3% in the first half of 2018, mainly contributed by (i) a year-on-year decrease of 33.6% in the sales volume of Beijing Brand; and (ii) the additional discounts offered in order to cope with impacts such as the slowdown in growth of domestic passenger vehicles industry, the adjustment of preferential policy for automobile purchase tax and decrease in the new energy subsidies.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased to RMB6,334.2 million in the first half of 2018 from RMB6,218.7 million for the same period of 2017, representing a slight year-on-year increase of 1.9%.

The percentage of selling and distribution expenses of the Group to its revenue decreased from 9.3% in the first half of 2017 to 8.2% in the first half of 2018, mainly attributable to increase in selling and distribution expenses less than revenue increase as a result of implementation of a stricter budget system by the Group to control selling and distribution expenses, leading to the decrease of the ratio of selling and distribution expenses in the revenue.

Administrative Expenses

The Group's administrative expenses increased to RMB2,766.4 million in the first half of 2018 from RMB2,123.3 million for the same period of 2017, representing a year-on-year increase of 30.3%, mainly due to the increase in expenses including taxes, surcharges and amortization as a result of the year-on-year increase in the production and sales volumes of Beijing Benz.

The percentage of administrative expenses of the Group to its revenue increased from 3.2% in the first half of 2017 to 3.6% in the first half of 2018, mainly due to the increase in revenue of the Group less than the increase in administrative expenses, leading to the increase of the percentage of administrative expenses to the revenue.

Foreign Exchange Losses[1]

The Group's foreign exchange loss (mainly in the businesses of Beijing Benz) decreased from RMB866.8 million in the first half of 2017 to RMB86.4 million in the first half of 2018, mainly due to the decrease in exchange losses from euro-denominated payments as a result of the rise in the exchange rate of Renminbi against Euro.

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

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.

[1] Foreign exchange losses include forward foreign exchange contracts at fair value through profit or loss.

Finance Costs

The Group's net finance costs decreased to RMB237.3 million in the first half of 2018 from RMB325.8 million in the first half of 2017, representing a year-on-year decrease of 27.2%, mainly attributable to the increase in finance income of Beijing Benz.

The percentage of finance costs of the Group to its revenue decreased from 0.5% in the first half of 2017 to 0.3% in the first half of 2018, mainly attributable to (i) the decrease in net finance costs as a result of the increase in finance income exceeding the increase in finance costs; and (ii) the decrease in net finance costs and increase in revenue, leading to the decrease of the percentage of finance costs to the revenue.

Share of Profits of Joint Ventures and Associates

The Group recorded a total investment income of RMB582.3 million in the first half of 2018, representing a year-on-year increase of RMB714.6 million, mainly due to upturn in results of Beijing Hyundai and related supporting enterprises.

Income Tax Expense

Income tax expense of the Group increased to RMB3,686.4 million in the first half of 2018 from RMB2,833.7 million in the first half of 2017, representing a year-on-year increase of 30.1%, mainly attributable to the increase in taxable income of Beijing Benz. Effective tax rate decreased to 31.3% in the first half of 2018 from 36.0% in the first half of 2017.

The rates of enterprise income tax applicable to the Company and its subsidiaries in the first half of 2017 and the first half of 2018 were: 15.0% for PRC entities that qualified as 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. The statutory enterprise income tax rate of 25.0% was applicable to Beijing Benz in the first half of 2017 and the first half of 2018.

Net Profit

Based on the aforesaid reasons, the Group's net profit increased to RMB8,045.6 million in the first half of 2018 from RMB5,047.9 million in the first half of 2017, representing a year-on-year increase of 59.4%.

Net Profit Attributable to Equity Holders of the Company

The Group's net profit attributable to equity holders of the Company increased to RMB2,820.3 million in the first half of 2018 from RMB985.7 million in the first half of 2017, representing a year-on-year increase of 186.1%. Basic earnings per share increase to RMB0.36 in the first half of 2018 from RMB0.13 in the first half of 2017, representing a year-on-year increase of 176.9%.

Financial Resources and Capital Structure

As at June 30, 2018 (the "**end of June 2018**"), the Group had cash and cash equivalents of RMB44,553.0 million, notes receivable of RMB3,135.2 million, notes payable of RMB7,975.2 million, outstanding borrowings of RMB32,061.7 million, undrawn bank facilities of RMB24,691.7 million, and commitments for capital expenditure of RMB5,096.2 million. The above outstanding borrowings included RMB3,216.4 million equivalents of Euro loans as at the end of June 2018.

As at December 31, 2017 (the "**end of 2017**"), the Group had cash and cash equivalents of RMB36,824.9 million, notes receivable of RMB8,261.1 million, notes payable of RMB9,406.4 million, outstanding borrowings of RMB31,645.0 million, and undrawn bank facilities of RMB23,445.3 million.

The Group usually satisfied its daily working capital requirements through self-owned cash and borrowings. As at the end of June 2018, the outstanding borrowings of the Group included short term borrowings and long-term borrowings of RMB16,815.2 million and RMB15,246.5 million, respectively. The Group will promptly repay the aforesaid borrowings at maturity.

On March 23, 2018, the Company issued 2018 renewable bonds (first tranche) in an amount of RMB2,000.0 million with the term of 3+N years and the annual coupon rate of 5.60%, and all proceeds after deduction of issue expenses were used for repaying corporate debts.

On April 27, 2018, the Company issued 2018 first ultra short-term debentures in an amount of RMB2,000.0 million with the term of 180 days and the annual coupon rate of 4.20%, and all proceeds were used for replenishment of the working capital of the Group.

As of the end of June 2018, none of the debt covenants in effect includes any agreement on the performance of controlling shareholders' 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 RMB174,927.9 million at the end of June 2018 from RMB167,403.0 million at the end of 2017, representing a year-on-year increase of 4.5%, mainly attributable to (i) the increase in monetary resources arising from issuance of renewable bonds and placement of H shares by the Company; (ii) the increase in monetary resources and receivables arising from growth of sales volume of Beijing Benz; and (iii) the decrease in receivables as a result of adjustment of the product structure by Beijing Brand, partially offsetting the effect of increase in receivables of Beijing Benz.

Total Liabilities

Total liabilities of the Group increased to RMB111,407.0 million at the end of June 2018 from RMB107,762.1 million at the end of 2017, representing a year-on-year increase of 3.4%, mainly attributable to (i) the increase in dividends payable as a result of dividend distribution declared by the Company and Beijing Benz; (ii) the increase in payables as a result of the increase in production volume of Beijing Benz; and (iii) the decrease in payables as a result of industrial layout optimization by Beijing Brand, partially offsetting the effect of increase in payables of Beijing Benz.

Total Equity

Total equity of the Group increased to RMB63,520.9 million at the end of June 2018 from RMB59,640.9 million at the end of 2017, representing a year-on-year increase of 6.5%, mainly attributable to (i) the increase in equity arising from issuance of renewable bonds and placement of H shares by the Company; (ii) the increase in net profit of Beijing Benz; and (iii) the decrease in Beijing Brand's losses.

Net Gearing Ratio

The Group's net gearing ratio ((total borrowings less cash and cash equivalents)/(total equity plus the total borrowings less cash and cash equivalents)) decreased to -24.5% at the end of June 2018 from -9.5% at the end of 2017, representing a year-on-year decrease of 15.0 percentage points, mainly due to (i) the increase in cash and cash equivalents; and (ii) the increase in the total borrowings less than the increase in cash and cash equivalents.

Significant Investments

Total capital expenditures of the Group increased to RMB2,622.5 million in the first half of 2018 from RMB2,237.9 million in the first half of 2017, representing a year-on-year increase of 17.2%, of which capital expenditures of Beijing Benz increased to RMB2,149.2 million in the first half of 2018 from RMB1,025.1 million in the first half of 2017, and capital expenditures of Beijing Brand decreased to RMB473.3 million in the first half of 2018 from RMB1,212.8 million in the first half of 2017.

Total research and development expenses of the Group decreased to RMB1,109.2 million in the first half of 2018 from RMB1,214.6 million in the first half of 2017, representing a year-on-year decrease of 8.7%, the majority of which were incurred by the Group for its product research and development activities. Based on the 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 January 22, 2018, BAIC Guangzhou, BAIC Group, Daimler Greater China, Bohai Automotive, Shougang Lvjie and other shareholders of BJEV entered into the agreement on asset swap and acquisition assets by issuing shares with QianFeng, pursuant to which, BAIC Guangzhou agreed to dispose of 8.15% equity interest in BJEV to QianFeng in exchange for new A shares to be issued to BAIC Guangzhou by QianFeng. Upon completion of the transaction, BAIC Guangzhou will hold 6.51% equity interest in QianFeng.

On February 23, 2018, the Company and Beijing Benz signed the asset transfer agreement, pursuant to which, the Company agreed to dispose of, and Beijing Benz agreed to acquire the assets to be transferred by Beijing Branch of the Company. Immediately after that, the Company announced that it would, together with Daimler AG, invest over RMB11.9 billion to build a new premium vehicle production base of Beijing Benz on the basis of the original production base of Beijing Branch.

On March 22, 2018, the Company announced that in order to further optimize the business structure and asset allocation of the Company and improve profitability, the Company intends to dispose of the Wevan business unit and related assets to BAIC Group, the controlling shareholder of the Company, and its subsidiaries. The disposal plan and transaction details are being negotiated.

On April 25, 2018, the Company and Daimler Greater China entered into the capital increase agreement, pursuant to which, capital contributions to MBLC will be increased according to the original shareholding percentages. Upon completion of the capital increase, the Company will continue to hold 35.0% equity interest in MBLC.

For details of the aforesaid cooperation matters, please refer to relevant announcements of the Company dated January 22, February 23, March 22 and April 25, 2018.

Pledge of Assets

As at the end of June 2018, the Group had pledged notes receivable of RMB2,124.1 million.

Contingent Liabilities

The Group had no material contingent liabilities as at the end of June 2018.

Employee and Remuneration Policies

The Group's staffs decreased from 22,844 at the end of 2017 to 20,530 at the end of June 2018. The staff costs incurred by the Group increased from RMB2,504.9 million in the first half of 2017 to RMB2,779.1 million in the first half of 2018, representing a year-on-year increase of 10.9%, mainly due to (i) the increase in average labor cost; (ii) the increase in labor hours as a result of the increase in production; and (iii) the increase in the annual average wage in society, resulting in the corresponding increase in the social pooling costs paid by the Group for the employees.

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 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 an enterprise annuity system to provide the qualified and voluntary employees with the supplementary pension system with certain guarantee on retirement income.

Lending

In the first half of 2018, the Group did not provide any loans to other entities.

External Financial Assistance or Guarantees

In the first half of 2018, the Group did not provide any financial assistance or guarantees to external parties.

Placing of H Shares

In order to continuously improve the product structure and the profitability to better reward the shareholders, on April 25, 2018, the Company and the placing agent entered into a placing agreement with regard to placing of H shares of the Company, pursuant to which, the placing agent shall place a total of 420,000,000 new H shares of the Company at a price of HK$7.89 per H share (the "**Placing**").

The placees for the Placing were 33 institutional investors. So far as is known to the Directors, none of the institutional investors became substantial shareholders of the Company immediately following completion of the Placing.

The aggregate nominal value of the aforementioned H shares under the Placing was RMB420,000,000, and the net proceeds (after deducting all applicable costs and expenses, including commission and professional fee) were approximately HK$3,266.3 million. According to the announcement of the Company dated April 25, 2018 (the "**Placing Announcement**"), the placing proceeds were intended to be used for general corporate purposes including replenishment of the working capital of the Company. The Placing was completed on May 3, 2018.

The following table shows the actual use of the net proceeds as of June 30, 2018:

	Proposed use of the net proceeds as set out in the Placing Announcement *(HK$ million)*	**Amount actually used as of June 30, 2018** *(HK$ million)*	**Amount unused as of June 30, 2018** *(HK$ million)*
Replenishment of the working capital of the Company	3,266.3	3,266.3	–
Other general corporate purposes	–	–	–
Total	3,266.3	3,266.3	–

Relevant net proceeds were used for the proposed purposes specified in the Placing Announcement.

Material Litigation and Arbitration

As at June 30, 2018, the Company had no material litigation or arbitration. The Directors were also not aware of any litigation or claims which were pending or had significant adverse effect on the Company.

Events after the Reporting Period

On August 15, 2018, the Company issued the second ultra short-term debentures for 2018 with an issuance amount of RMB2,000.0 million at a nominal interest rate of 3.6% per annum with a term of 270 days.

INTERIM DIVIDEND

The Board has not made any recommendation on the payment of an interim dividend for the first half of 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has been building and maintaining a high level of corporate governance so as to protect the rights and interests of Shareholders and enhance the Company's corporate value and sense of responsibility. With reference to the Code on Corporate Governance as set forth in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"), the Company has established a modern and balanced corporate governance structure which comprises a number of independently operated bodies including the general meeting, the Board, the board of supervisors of the Company (the "**Board of Supervisors**") and senior management. The Company had complied with the Corporate Governance Code throughout the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities of the Company by all our Directors and supervisors of the Company ("**Supervisors**"). In response to the Company's enquiries, all Directors and Supervisors have confirmed that they strictly complied with the Model Code during the Reporting Period.

THE BOARD, THE BOARD OF SUPERVISORS AND THE COMMITTEES

On June 12, 2018, Mr. Guo Xianpeng resigned as a non-executive Director and a member of the strategy committee under the Board (the "**Strategy Committee**") due to other job assignment; Ms. Wang Jing resigned as a non-executive Director and a member of the remuneration committee under the Board (the "**Remuneration Committee**"). For details, please refer to the announcement of the Company dated June 12, 2018.

On June 29, 2018, the Company convened the 2017 annual general meeting. Ms. Shang Yuanxian, Mr. Yan Xiaolei, Mr. Xie Wei, Ms. Jiao Ruifang and Mr. Lei Hai were appointed as non-executive Directors, with the term of office from June 29, 2018 until the expiry date of the term of office of the third session of the Board. Upon the appointment of Ms. Shang Yuanxian, Mr. Yan Xiaolei and Mr. Lei Hai becoming effective, Mr. Zhang Xiyong, Mr. Zhang Jianyong and Mr. Zhu Baocheng ceased to act as non-executive Directors due to other work arrangements. Meanwhile, Ms. Shang Yuanxian was appointed as a member of the Strategy Committee and a member of the nomination committee under the Board (the "**Nomination Committee**"); Mr. Yan Xiaolei was appointed as a member of the Strategy Committee and a member of the Audit Committee; each of Mr. Lei Hai and Mr. Xie Wei was appointed as a member of the Strategy Committee; Ms. Jiao Ruifang was appointed as a member of the Remuneration Committee, with the term of office commenced from June 29, 2018. Upon the appointment of Ms. Shang Yuanxian, Mr. Yan Xiaolei and Mr. Lei Hai, Mr. Zhang Xiyong ceased to act as a member of the Strategy Committee and a member of the Nomination Committee; Mr. Zhang Jianyong ceased to act as a member of the Strategy Committee and a member of the Audit Committee; and Mr. Zhu Baocheng ceased to act as a member of the Strategy Committee. For details, please refer to the announcement of the Company dated June 29, 2018. The biographical details of non-executive Directors appointed at the 2017 annual general meeting are as follows:

Mr. Lei Hai, aged 50, holds a MBA degree and currently acts as the deputy director of the industrial investment department of Beijing Energy Holding Co., Ltd..

Mr. Lei Hai has more than twenty years of experience of corporate management. He previously served as the project manager of the venture capital investment department of Beijing International Power Development and Investment Corporation, the project manager of the department of technology industrial investment of Beijing Energy Investment Holding Co., Ltd., the project manager of the preparation office and the manager of the general affairs department of the asset management branch of Beijing Energy Investment Holding Co., Ltd., and the chief of the second project office and the assistant to director of the industrial management department of Beijing Energy Investment Holding Co., Ltd. Since June 2018, he has been serving as the deputy director of the industrial investment department of Beijing Energy Holding Co., Ltd..

Ms. Shang Yuanxian, aged 52, holds a bachelor's degree in economics and currently serves as the secretary to the board of directors and director of the office under the board of directors of BAIC Group.

Ms. Shang Yuanxian previously served as the director and deputy head of the Auditing Department of the Auditing Firm of Shizuishan City of Ningxia, the manager of the Auditing Department of SHINEWING CPA Limited, the deputy manager and manager of the Auditing Department and the manager of the Financial Department of China Huan Dao (Group) Ltd., the deputy manager and head of the Department of the Management of State-owned Assets in Beijing Automotive Industry Holding Co., Ltd., the head of the Department of Management of State-owned Assets, the head of the Department of State-owned Assets Operation, the supervisor of capital operation, the head of the Department of Capital Operation, the director of the office under the board of directors of BAIC Group and the Director of the Company. Ms. Shang Yuanxian currently serves as director of Beiqi Foton Motor Company Limited (stock code: 600166.SH), director of Bohai Automotive (stock code: 600960.SH) and the secretary to the board of directors and the director of the office under the board of directors of BAIC Group.

Mr. Yan Xiaolei, aged 43, holds a doctoral degree in accounting and is a certified public accountant and senior economist. He currently serves as the director of securities and finance at BAIC Group, director of BAIC ROCAR Automobile Service & Trade Co., Ltd., a subsidiary of BAIC Group and Bohai Automotive (stock code: 600960.SH). He also serves as postgraduate tutor of Chinese Academy of Fiscal Sciences and Central University of Finance and Economics.

Mr. Yan Xiaolei previously worked for Beijing Sound Environment Group Co., Ltd. and the Company.

Mr. Xie Wei, aged 48, holds a doctoral degree in management and currently serves as the secretary to the party committee and the president of Beijing Automotive Research Center Co., Ltd..

Mr. Xie Wei successively served as the senior manager of production planning section and the acting general manager of logistics department of Beijing Benz, the head of human resources department of Beijing Automotive Research Center Co., Ltd., the head of human resources department, a member of the party committee and the head of management office of Beijing Hyundai, and a member of the party committee and vice president of the Company.

Ms. Jiao Ruifang, aged 40, holds a master's degree in business administration and currently serves as the deputy general manager of the first division of investment management of Beijing State-owned Assets Management and Administration Center ("**BSAMAC**").

Ms. Jiao Ruifang successively served as the head of strategic investments of Beijing Jingcheng Machinery Electric Company Limited, the director of secretariat office of the board of directors and the secretary to the board of directors of Beiren Printing Machinery Holdings Limited, the secretary to the board of directors of Beijing Jingcheng Machinery Electric Company Limited, the deputy general manager of Beijing Tianhai Industry Co., Ltd., the deputy general manager of the first division of investment management and the deputy general manager of the equity management division of BSAMAC.

Save as disclosed above, during the Reporting Period and as at the date of the announcement, there was no change in the composition of the Board, the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference. The Audit Committee comprises Mr. Wong Lung Tak Patrick (Chairman), Mr. Yan Xiaolei and Mr. Liu Kaixiang, among which two are independent non-executive Directors. The Audit Committee has reviewed with the management the accounting standards and practices adopted by the Group and reviewed the unaudited interim financial statements for the first half of 2018, the 2018 interim results and the 2018 interim report of the Group.

PUBLICATION OF UNAUDITED INTERIM RESULTS AND 2018 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement will be published on the website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (www.hkex.com.hk) and the Company's website (www.baicmotor.com) respectively. The Company will dispatch to the shareholders in due course the 2018 interim report containing all the information required by the Listing Rules, which will also be published on the websites of the Company and the Stock Exchange.

By order of the Board
BAIC Motor Corporation Limited
Gu Xin
Secretary to the Board and Company Secretary

Beijing, the PRC, August 28, 2018

As at the date of this announcement, the Board comprises Mr. Xu Heyi, as chairman of the Board and non-executive Director; Ms. Shang Yuanxian and Mr. Yan Xiaolei, as non-executive Directors; Mr. Chen Hongliang, as executive Director; Mr. Xie Wei, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Bodo Uebber, Ms. Jiao Ruifang and Mr. Lei Hai, as non-executive Directors; and Mr. Ge Songlin, 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*