



北京汽车股份有限公司

BAIC MOTOR CORPORATION LIMITED*

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

Stock code: 1958

*For identification purpose only



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ANNUAL REPORT

BEIJING[®]





BEIJING X7



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Section I Corporate Information

- **LEGAL NAME OF THE COMPANY**

北京汽車股份有限公司

- **ENGLISH NAME OF THE COMPANY**

BAIC Motor Corporation Limited¹

- **REGISTERED OFFICE**

A5-061, Unit 101, 5th Floor, Building No 1, Courtyard No. 99, Shuanghe Street, Shunyi District, Beijing 101300, China

- **HEADQUARTERS**

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Mr. Wang Jianhui

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- **H SHARE STOCK CODE**

1958

- **INVESTOR ENQUIRIES**

Investor hotline: (86) 10 5676 1958; (852) 3188 8333

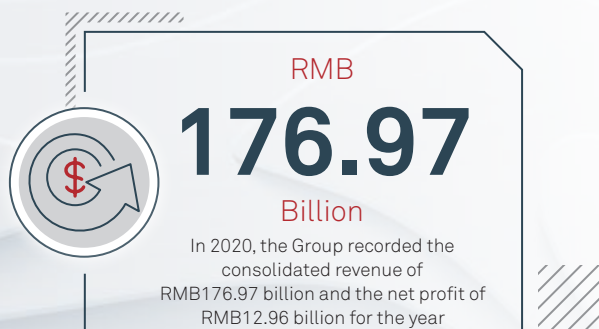
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Section II Chairman's Statement



Jiang Deyi
Chairman



DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the “Board”), I am delighted to present the 2020 Annual Report of BAIC Motor Corporation Limited (the “Company”, together with its subsidiaries, the “Group” or “we”).

In 2020, affected by the outbreak of global Corona Virus Disease 2019 (COVID-19) (the “COVID-19 Outbreak”), the complex economic situation and other factors, China’s GDP growth rate for the year was 2.3%², and there was a decline followed by an increase in the national economic performance data, while the domestic economy recovered steadily. With regard to the passenger vehicle industry, the production and sales volumes of passenger vehicles were below expectation due to the COVID-19 outbreak, the slow recovery of consumer demand, a decrease in new energy subsidies and other factors. According to the statistics of China Association of Automobile Manufacturers (“CAAM”), the sales volume of passenger vehicles in China in 2020 was 20.178 million units, representing a year-on-year decline of 6.0%. The sales volume of SUV model for the year was 9.461 million units, representing a year-on-year increase of 0.7%, while there were declines in the sales volumes of the other three vehicle models, but the overall sales remained stable. China continued to rank first in the world in terms of sales volume of vehicles. The automobile industry continued to maintain its resilience development and endogenous power.

In 2020, in the face of internal and external challenges including the impact of the COVID-19 outbreak, increased industry competition, and industry policy change, the Group focused on reform and development, adhered to the “dual-driver” product strategy of new energy + intelligentization, improved its product and brand strengths, and its intelligentization level, and actively responded to industry and competition pressure, thus recording consolidated revenue of RMB176.97 billion and net profit of RMB12.96 billion for the year.

² The GDP growth rate for 2020 was 2.3% as published by the National Bureau of Statistics

In 2020, the Group saw a stable trend of all business segments: Beijing Benz reported the sales of 611 thousand units of vehicles for the year, representing a year-on-year increase of 7.7%, and ranked among top joint-venture luxury brands in terms of growth rate, supporting the continuous increase in the sales volume of the Mercedes-Benz brand in China; Beijing Hyundai continued its stable operation, with the sales volume of 446 thousand units for the year, and promoted operation for the year in terms of new vehicle, marketing, channel and customer retention, and actively responded to the impact of the outbreak; Beijing Brand focused on core products and differentiated highlights, improved its product competitiveness, comprehensively promoted the increase in the sales volume of key vehicle models including BEIJING-X7, BEIJING-X7 PHEV and BEIJING-X3, thus promoting the favorable development of products of the "BEIJING" brand. In 2020, Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz sold a total of 1.169 million units of vehicles, with the growth in the sales volume of Beijing Benz and Fujian Benz against the trend.

Based on 2020 results of operations, the Board of Directors recommended the payment of an annual dividend of RMB0.08 (inclusive of tax) per share to shareholders, so as to practically provide a return to shareholders.

2021 is the period in which the time frames of the Two Centennial Goals converge, as well as the first year for the "14th five-year" plan. It is expected that China will see the continuous, healthy and stable development of the domestic macroeconomy, and continue to construct the new development perspective of "dual circulation", and pursue a high level of opening-up. 2021 will be a year of increased competition in existing markets and moving towards "high quality" development of the whole industry: The extension of the period for the new energy subsidies as well as the development plan and policy for the new energy vehicle industry has a significant impact on the

industry; electrification, intelligentization, networking and digitalization accelerate the transformation and upgrade of the automobile industry; industry cooperation among vehicle enterprises is deepened; consumption is upgraded for passenger vehicle products; the consumption potential is still huge.

In the new year, the Group will actively keep abreast of the development trend of the passenger vehicle industry, and promote the market-oriented matrix innovation mechanism under the guidance of creating value for customers, and make great efforts to open up new prospects for its diversified brands.

In terms of business operation principles of brands, in 2021, Beijing Brand will adopt the operation principle of "focus on development, value orientation, comprehensive deepening of reform, and collaborative innovation" and focus on its principal businesses to further develop its core competitiveness; Beijing Brand will comprehensively upgrade its strategic targets, promote its reform and innovation, drive continuous efficiency improvement, and vitality and value enhancement for businesses; Beijing Hyundai will strengthen business innovation, improve the marketing of new products, optimize business arrangements, enhance brand competitiveness, so as to make efforts to promote the achievement of the operation objectives for the year.

Lastly, I would like to express my gratitude to all our staff and partners for their hard work, and to our Shareholders for their long-lasting support.



Jiang Deyi

Chairman

March 24, 2021



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Section III Summary of Financial and Performance Information

I. FIVE-YEAR FINANCIAL SUMMARY

Summary of consolidated financial information of the Group for 2016 to 2020 is as follows:

(Unit: RMB million)

Item	2020	For the year ended December 31,				
		2019 (Restated ^{Note})	2019 (Extracted from the 2019 annual report, for reference only)	2018	2017	2016
Revenue	176,973	175,410	174,633	151,920	134,159	116,199
Cost of sales	(134,833)	(137,776)	(137,146)	(114,913)	(98,659)	(89,967)
Gross profit	42,140	37,634	37,487	37,007	35,500	26,232
Selling and distribution expenses	(11,309)	(10,414)	(10,294)	(10,432)	(11,920)	(10,603)
General and administrative expenses	(7,984)	(7,195)	(6,962)	(6,437)	(5,007)	(4,298)
Net impairment losses on financial and contract assets	(401)	(256)	(313)	(133)	-	-
Other (losses)/gains-net	(101)	2,862	1,766	623	(1,055)	189
Financial income/(costs)-net	100	(162)	(65)	(357)	(448)	(468)
Share of (loss)/profit of investments accounted for using equity method	(2,015)	(314)	(305)	904	(34)	4,217
Profit before income tax	20,430	22,155	21,314	21,175	17,036	15,269
Income tax expense	(7,475)	(6,998)	(6,991)	(6,904)	(6,038)	(3,733)
Profit for the year	12,955	15,157	14,323	14,271	10,998	11,536
Attributable to						
Equity holders of the Company	2,029	4,996	4,083	4,429	2,253	6,367
Non-controlling interests	10,926	10,161	10,240	9,842	8,745	5,169

Total assets, total liabilities and interests attributable to equity holders of the Company	2020	As of December 31,				
		2019 (Restated ^{Note})	2019 (Extracted from the 2019 annual report, for reference only)	2018	2017	2016
Total assets	193,703	196,393	193,212	172,034	167,403	168,900
Total liabilities	120,109	124,018	120,585	102,796	107,762	110,867
Interests attributable to equity holders of the Company	51,088	50,007	50,403	48,415	40,836	40,160

Note: The restated figures include the results of operations and financial position of BAIC International and BAIC Ruili. For more information, see Note 2(b) to the consolidated financial statements on pages 135 to 136.

In April 2020, the Company acquired from Beijing Automotive Group Co., Ltd. (“BAIC Group”), a Controlling Shareholder of the Company, a 100% equity interest held by BAIC Group in BAIC International Development Co., Ltd. (“BAIC International”) and a 24.78% equity interest held by BAIC Group in BAIC Yunnan Ruili Motor Co., Ltd. (“BAIC Ruili”). As the Company, BAIC International and BAIC Ruili were under common control by BAIC Group prior to the business combination, the acquisition is a business combination under common control, and therefore the Company adopted the merger accounting principle to prepare its financial information, and BAIC International and BAIC Ruili are deemed to have been consolidated, from the date on which they and the Company are under common control by BAIC Group. The financial information for 2020 includes the balance sheets, statements of comprehensive income and statements of cash flow of BAIC International and BAIC Ruili. The comparative data as at December 31, 2019 (the “end of 2019”) are restated in accordance with the principle. For details, see the relevant announcement of the Company dated March 13, 2020.

Section III Summary of Financial and Performance Information

II. FIVE-YEAR PERFORMANCE SUMMARY

The sales volume of vehicles of each passenger vehicle business segment of the Group for 2016 to 2020 is as follows:

(Unit: unit)

Brand	For the year ended December 31,				
	2020	2019	2018	2017	2016
Beijing Brand ^{Note 1}	81,792	166,992	156,159	235,841	457,082
Beijing Benz	610,816	567,306	485,006	422,558	317,069
Beijing Hyundai	446,082	662,590	790,177	785,006	1,142,016
Fujian Benz ^{Note 2}	29,920	28,182	28,616	22,476	12,568

Note 1: Base on strategic considerations including optimization of the product mix, in 2019, the Company ceased to produce and sell passenger vehicles of the Wevan brand; in June 2019, the Company ceased to sell the "BJ" series off-road vehicles (mainly two vehicle models, namely BJ40 and BJ80); for the business organization relationship between the Company and BAIC Group Off-road Vehicle Co., Ltd., see the section headed "Relationship with BAIC Group" in the prospectus issued by the Company on December 9, 2014 and relevant disclosure in previous announcements of the Company.

Note 2: Fujian Benz has officially become a joint venture of the Company since September 2016. The sales performance of Fujian Benz for 2016 and 2020 is set out here.

I. OVERVIEW

We are a leading passenger vehicle manufacturer in China, and are one of the passenger vehicle manufacturers with the most optimized brand layout and business system in the industry. Our brands cover joint venture premium passenger vehicles, joint venture premium multi-purpose passenger vehicles, joint venture mid- to high-end passenger vehicles and proprietary brand passenger vehicles, which can maximally satisfy various customers' demands.

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" or "Hong Kong Stock Exchange") on December 19, 2014 (H shares stock abbreviation: BAIC Motor; H shares stock code: 1958).

II. MAJOR BUSINESS OPERATIONS

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

Passenger vehicles

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, our proprietary brand, has nearly ten models on the market, covering a full range of oil powered models and new energy models of sedan and SUV.

The traditional oil-powered car models of Beijing Brand are targeted at consumers who value both vehicle performance and high-quality life, with the "metropolitan beauty" design and continual quality improvement. At present, "BEIJING AUTO" brand has BEIJING-X3 and BEIJING-X5 compact SUV, BEIJING-X7 midsize SUV, BEIJING-U5 compact sedan, BEIJING-U7 middle class sedan and other best-selling vehicle models. In the future, it will enrich its product lineup.

While manufacturing traditional oil-powered passenger vehicles, Beijing Brand accelerates the process of intelligent networking and transition to new energy vehicles, developing many pure electric new energy vehicle models based on traditional oil-powered car models. It has BEIJING-EU5, BEIJING-EU7 and other best-selling electric vehicle products. Its major vehicle models have a mileage range in the integrated operating condition reaching 500 km. Meanwhile, Beijing Brand is arranging for and advancing electrification upgrade work for the diversity of products including 48V hybrid electric vehicle model and PHEV plug-in hybrid electric vehicle model. Beijing Brand successfully launched BEIJING-X7 PHEV, a key vehicle model, in 2020.

Section IV Company Profile and Business Overview

2. Beijing Benz

Beijing Benz Automotive Co., Ltd. (“Beijing Benz”) is a subsidiary of the Company. The Company holds 51.0% equity interest of Beijing Benz, while Daimler AG (“Daimler AG”) and its wholly-owned subsidiary, Daimler Greater China Ltd. (“Daimler Greater China”), together hold a 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 currently manufactures and sells various Mercedes-Benz vehicle models, namely E-Class long-wheelbase sedan, C-Class long-wheelbase and standard-wheelbase sedan, A-Class long-wheelbase sedan, long-wheelbase GLC SUV, GLB SUV, GLA SUV, EQC pure electric SUV and AMG A 35 L.

Beijing Benz has become a joint venture enterprise of Daimler, which has three major vehicle model platforms in the world, namely front wheel drive vehicle, rear wheel drive vehicle and electric vehicle, and an engine plant and a power battery factory. Beijing Benz has exported core engine parts and components, and engines. As a result, Beijing Benz becomes an important part of the global production network of Mercedes-Benz. In recent years, Beijing Benz has won various honorary titles including “Global Excellent Operating Factory”, “Green Model Factory”, “Beijing Intelligent Manufacturing Benchmarking Enterprise” and “Pilot Model Project for Sino-German Intelligent Manufacturing Cooperation”.

3. Beijing Hyundai

Beijing Hyundai Motor Co., Ltd. (“Beijing Hyundai”) is a joint venture of the Company. The Company holds a 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.

Currently, Beijing Hyundai has production capacities in Beijing, Hebei and Chongqing, forming a nation-wide production and marketing system. Beijing Hyundai manufactures and sells a total of over ten types of products, covering a full range of major sedan models including middle class, compact and A0-Class models, as well as SUV models, with vehicle models for sale including the seventh-generation Elantra, the tenth-generation Sonata, the fourth-generation Santa Fe, the fourth-generation TUCSON, new ix35, LA FESTA EV, and ENCINO EV, thus fully meeting different consumer needs.

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, as well as the exercising of 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 multi-purpose passenger vehicles of Mercedes-Benz brand in 2010.

Core parts and components for passenger vehicles

In addition to 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, new energy reducer and other core automobile parts and components through entities including BAIC Motor Powertrain Co., Ltd. (“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 cooperative and independent development, we have broken through many technological difficulties, successively completed the development of many types of engines and transmission products, and realized mass production of such products. Such products have been widely used for Beijing Brand passenger vehicles.

Beijing Benz commenced to manufacture engines in 2013 and owns two engine plants and the first power battery factory outside Germany. The specific product offerings of Beijing Benz include M270, M274, M264 and M282 engines and the first new-energy power battery. Beijing Benz has exported core engine parts and components, and engines.

Beijing Hyundai commenced to manufacture engines in 2004. Its specific product offerings cover two major series namely BETA, Kappa, Gamma and Gammall. 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 after-sales business of Beijing Brand, Mercedes-Benz brand and Hyundai brand through associates and joint ventures including BAIC Group Finance Co., Ltd. (“BAIC Finance”), Mercedes-Benz Leasing Co., Ltd. (“MBLC”), Beijing Hyundai Auto Finance Company Limited (“BHAF”) and BH Leasing Co., Ltd. (“BH Leasing”) and continuously promote the rapid development of car financing businesses by methods including capital investment and business cooperation.

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 a great variety of financial products covering all car models now selling on the market, and meeting different customer demands. We have provided 24- and 36-installment interest-free fixed-amount loan products for interest-sensitive customers. During the COVID-19 outbreak, we launched a preferential financial product “Loan in Salute (致敬貸)” for people working at the frontline against the outbreak. Moreover, we launched various financial products including standard loan, flexible loan, low down payment, and repurchase at the residual value, which offer multiple options for customers.

MBLC is an associate of the Company. The Company and Daimler Greater China hold 35.0% and 65.0% equity interests in MBLC respectively. MBLC’s sale-leaseback volume has increased rapidly for five years in a row, which further stimulated the sales of Beijing Benz’s new models.

Section IV Company Profile and Business Overview

BHAF is an associate of the Company. The Company holds 33.0% and 14.0% equity interests in BHAF through its subsidiary, BAIC Investment, and its joint venture, Beijing Hyundai, respectively, while Hyundai Capital Services and Hyundai Motor hold the remaining equity interest. In 2020, BHAF was ranked amongst the top ten in the industry in terms of the new retail loan contract volume, which further stimulated the sales of Beijing Hyundai's new models.

Sales service business

In April 2020, the Company and BAIC BluePark New Energy Technology Co., Ltd. ("BAIC BluePark") jointly established BAIC BluePark Marketing Services Co., Ltd. (北京汽車藍穀營銷服務有限公司) ("BAIC BluePark Marketing Services"). BAIC BluePark Marketing Services is committed to providing the Company and BAIC BluePark with marketing business consultation, signing service agreements, promoting the sharing of channels, service resources and sales resources, etc., and enhancing the marketing competitiveness of the "BEIJING" brand as a whole.

International business

We are responsible for the production and operation businesses of the South African production base and the marketing business in South African and SADC markets, through BAIC Automobile SA, a joint venture company, and the international marketing business in markets outside China and South Africa, through BAIC International, a wholly-owned subsidiary, and promote the rapid development of international business, through overseas sales companies, KD technology³ cooperation, vehicle distribution, etc. International business focuses on exporting passenger vehicle products of Beijing Brand.

III. OTHER RELATED BUSINESSES

During 2020, we conducted lightweight research and development, new energy technology changes, information big data and used car businesses through relevant joint ventures.

IV. CORE COMPETITIVENESS

Amid intense market competition in 2020, the Group maintained stable growth, which attributed to the following core competitiveness:

1. Highly complementary business planning, transformation and innovation to response to changes in the industry

The Company's passenger vehicle brand portfolio is profoundly competitive and highly complementary and can satisfy the purchase demands of different groups for vehicles at different stages. Beijing Benz comprehensively built a "digitalized, flexible and green" intelligent factory and steadily advanced the introduction of new product projects, thus further consolidating its leading position in the high-end premium vehicle market. Beijing Hyundai focused on research and development, innovation, continuously launched new products, comprehensively upgraded product lines, accelerated the introduction and application of new technologies including the transition to new energy vehicles, intelligentization and networking. Beijing Brand firmly carried out management innovation, fully implemented the intelligent networking and transition to new energy vehicles, and actively responded to the industry development trend. The initial effect of the synergy of the three strengths, and brand upgrades, product innovation and channel integration helped break new ground for the improvement of Beijing Brand.

3 It means parts and components of a vehicle

2. Diversified equity structure and good strategic partnership

BAIC Group, a controlling shareholder of the Company as well as one of the main automobile groups in China, has established a relatively complete automobile industry chain covering businesses including research, development and manufacturing of vehicles, components and parts, automobile service trade, comprehensive commuting service, finance and investment. Other Shareholders of the Company include state-owned investment platforms, key state-owned enterprises, Daimler AG, related strategic and financial investors, which is a diversified and internationalized equity structure. Such diversified equity structure is conducive to sufficient utilization of resources of shareholders, improvement in the management ability by the Company and exploitation of the development potential of the Company.

The Company has established close joint venture and cooperation relationships with Daimler AG, Hyundai Motor and other famous enterprises in the industry, and has further expanded the breadth and depth of the cooperation. In addition to establishment of Beijing Benz, Fujian Benz, Beijing Mercedes-Benz Sales Service Co., Ltd. ("Benz Sales") and MBLC by the Company and Daimler AG, both parties have cooperated and exchanged with each other in technology, platform, human resource and other aspects to a greater extent. Close cooperation with strategic partners enhances the research and development ability of the Company, expands the talent team and enriches the experience of the Company in management, production and operation.

3. Experienced management team and core research and development team

The management team has extensive industry and management experience as well as multidisciplinary and compound knowledge systems and professional skills. The team members have worked for domestic and foreign leading automobile enterprises and accumulated extensive experience in enterprise management. They broaden the international vision rooted in local culture and ensure that the Company is able to formulate efficient and farsighted research and development strategies by grasping the future development trend and technologies of passenger vehicles and the law of industry development. Meanwhile, with the continuous improvement and optimization of the training system, the Company has carried out comprehensive improvement and continuously made progress in terms of pioneering, leading, basic and professional strengths.

The Company is committed to developing the first-class research and development strength and has a research and development team with excellent quality and reasonable structure. The core research and development team consists of international and domestic senior professionals in relevant fields, including intelligentization, electrification, vehicle integration, NVH, power, etc., with strong strength and rich experience in research and development. The team fully promotes independent innovation, creates core technologies in depth, and continuously builds the independently developed "core". The team has continuously made achievements, with the capacity for the development of complete vehicle systems, core parts and components, and integrated development of key sub-system technology and vehicle system. It is an important research and development organization for passenger vehicles of Beijing Brand.

Section IV Company Profile and Business Overview

4. Geographic advantage of headquarters in Beijing

The headquarters of the Company is located in Beijing, the capital of China, where there are many scientific research institutions, colleges and universities, a great number of industry experts and talents, and the Company is able to obtain more high-quality human resource support, attract high-end industry talents and keep abreast of new technologies and breakthroughs in the industry in a timely manner, in order to support the improvement in the research and development strength of the Company. Meanwhile, Beijing boasts more convenient transportation, a more developed logistics system, more complete supporting facilities and infrastructures, which satisfies the demands of the Company for support necessary for production and operation.

5. Advanced manufacturing, techniques, quality and process management

We have specialized production facilities to manufacture and assemble passenger vehicles to improve efficiency and maintain product quality standards, and save unit product cost through production expansion. All of our brand production facilities are equipped with flexible production lines, as

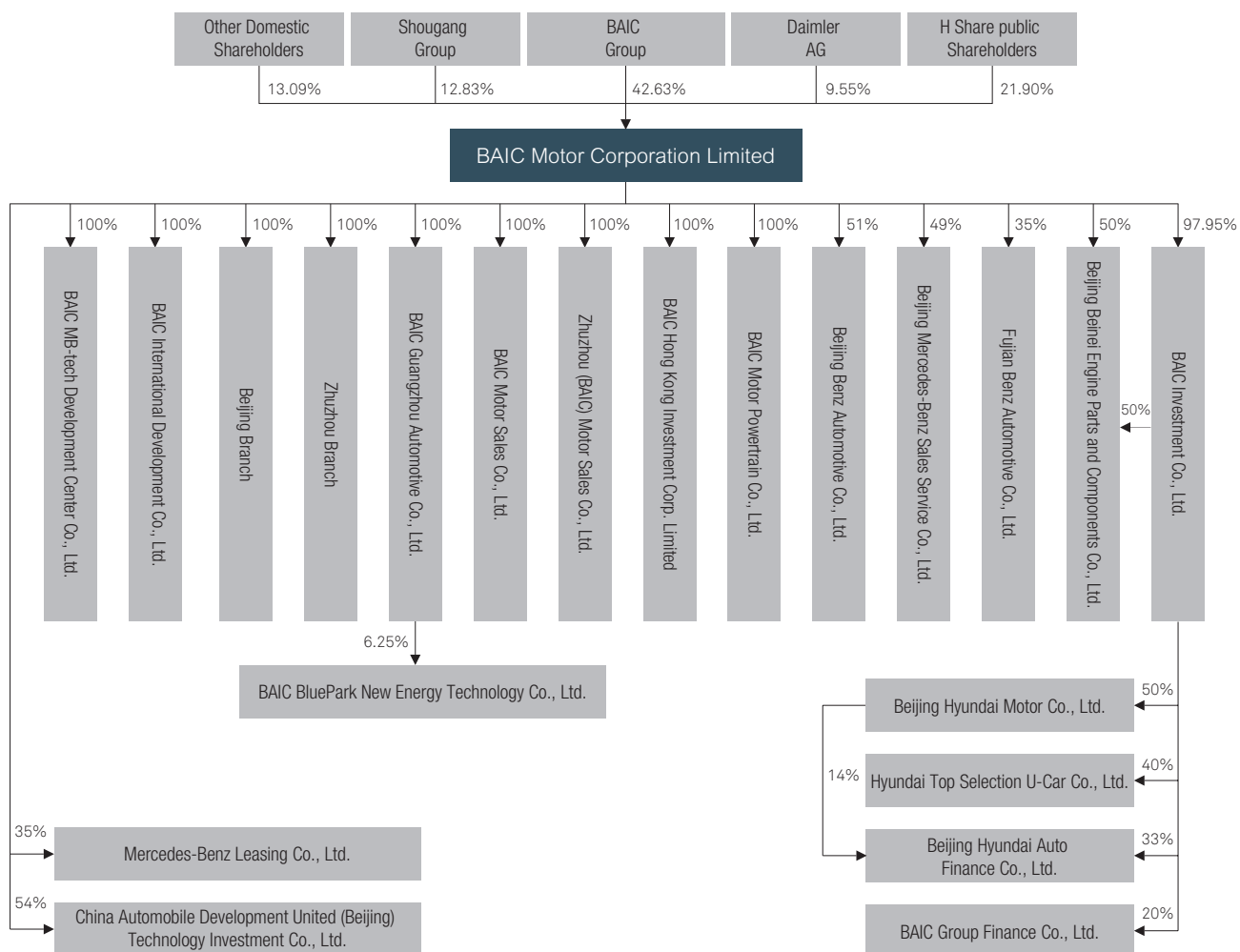
such we can apply differentiated production processes for different types of passenger vehicles. In order to ensure high quality operation of production, we carry out regular maintenance of the production facilities. Meanwhile, we have set up and implemented stringent quality control systems that comply with national and international standards, as we attach great importance to the consistency of product quality.

V. CONTROLLING SHAREHOLDER

BAIC Group is the sole Controlling Shareholder of the Company and held 42.63% equity interest in the Company as of the Date of Issue of the Report. BAIC Group is one of the main automobile manufacturing groups in China and ranked 134th in 2020 Global Fortune 500. BAIC Group has an operating history of over 60 years. It has now developed into a comprehensive and modern automobile conglomerate with diversified business portfolio and integrating vehicle research and development and manufacturing, parts and components manufacturing, automobile service trade, education and investment and financing business, as well as incubation of new industries. The Group is a key platform built by BAIC Group for passenger vehicle resource integration and business development.

VI. SIMPLIFIED SHAREHOLDING STRUCTURE

The following chart sets out the major shareholding and investment structure of the Company as at December 31, 2020 (the “end of 2020”):



VII. THE INDUSTRY DEVELOPMENT OF PASSENGER VEHICLES DURING 2020

According to the data of CAAM, in 2020, the wholesale volume of passenger vehicles reached 20.178 million units, representing a year-on-year decrease of 6.0%. Throughout the year, due to the impact of the COVID-19 outbreak, the national and local governments actively introduced a series of policies to promote vehicle purchase. There was a decline followed by a rise in the overall passenger vehicle market. The industry has the following characteristics:

Affected by various factors, the passenger vehicle market was under structural pressure, with the sales volume being stable with a slight decline, and the market share of brands of China falling continuously; new energy vehicles continued to see growth; passenger vehicle enterprises further accelerated the pace of competition.

According to the data of CAAM, in terms of market segment by type, the sales volume of sedans for the year was 9.275 million units, representing a year-on-year decline of 9.9%; the sales volume of SUV model for the year was 9.461 million units, representing a year-on-year increase of 0.7%, thus changing its growth rate from negative to positive; the sales volume of MPV model for the year was 1.054 million units, representing a significantly decrease of 23.8% year-on-year; the sales volume of CUV for the year was 0.388 million units, representing a year-on-year decline of 2.9%.

Meanwhile, there was a decline followed by an increase in the sales volume of premium brands, with a significant growth since April. Major products of first-line domestic premium brands saw a steady year-on-year increase in the sales volume, showing the trend of continuous consumption upgrades.

According to the data of CAAM, in terms of market segment by series, the sales volume of Chinese-branded passenger vehicles reached 7.749 million units, representing a year-on-year decrease of 8.1%, and the market share of those vehicles was 38.4%, representing a decrease of 0.8 percentage points as compared with last year. Chinese brands continued to have the largest share of the Chinese passenger vehicle market. Against the backdrop of overall weak demand, there was increased competition among enterprises and ongoing profound changes in the industry.

According to the data of CAAM, new energy passenger vehicles saw a significant growth trend, with the sales volume of 1.246 million units for the year, representing a year-on-year growth of 14.6%; the sales volume of pure electric passenger vehicles reached 1 million units, representing a year-on-year increase of 16.1%. The sales volume of plug-in hybrid electric passenger vehicles reached 0.247 million units, representing a year-on-year decrease of 9.1%. The mileage range of new energy passenger vehicle products was further increased, and there was a further expansion in the product market.

VIII. BUSINESS OPERATIONS OF THE GROUP IN 2020

Production and sales of brands

In 2020, in the face of complicated domestic and international circumstances, four business segments of the Group achieved the total sales of 1.169 million units of vehicles, representing a year-on-year decrease of 18.0%. Beijing Brand actively responded to severe market conditions, with further optimization of its production and sales structure; Beijing Benz continued to maintain strong momentum and stably ranked among top joint-venture luxury brands in terms of sales volume; Beijing Hyundai actively responded to industry change, launching many new products in due course, and supported its operation in terms of new vehicle, marketing, channel and customer retention; Fujian Benz outperformed the market, in spite of the pressure from the overall market downturn.

1. Beijing Brand

In 2020, in the face of the impact of the COVID-19 outbreak and the pressure from the increased competition in the industry, Beijing Brand took “brand upgrade, improvement in three strengths, and breakthrough through reform” as its management principle, and confirmed its differentiated competitive strategies, focused on products, adopted the dual-driver strategy, and continuously improve its core capacities:

In terms of sales performance, in 2020, Beijing Brand recorded the wholesales of 82 thousand units of passenger vehicles, and the sales performance of oil-powered vehicles improved driven by key vehicle models including BEIJING-X7 and BEIJING-X3. The sales volume of oil-powered vehicles for the year was 68 thousand units, representing a year-on-year increase of 9.0%, and the sales volume of SUV models was 54 thousand units, representing a year-on-year increase of 24.1% and accounting for 66.4%.

In terms of new vehicle model, in 2020, Beijing Brand launched key vehicle models including BEIJING-X7 and BEIJING-X7 PHEV, thus further optimizing its product mix. Meanwhile, it continuously promoted the improvement in the brand strength of “BEIJING” and product upgrade, and built a brand philosophy.

2. Beijing Benz

In 2020, Beijing Benz actively promoted the resumption of work and production, with the sales of 611 thousand units of vehicles during the year, representing a year-on-year increase of 7.7%, and stably ranked among top domestic premium brands in terms of sales volume.

In terms of sales of product segment, in 2020, the average monthly sales volumes of three main vehicle models of Beijing Benz, namely E-Class sedan, C-Class sedan and GLC SUV, exceeded 10 thousand units, showing a strong sales performance.

Section IV Company Profile and Business Overview

In terms of product improvement, the new-generation GLA SUV and the new-generation E-Class long-wheelbase sedan were launched for model change and iteration as scheduled, which steadily improved the product strength of Beijing Benz.

In terms of capacity optimization, the factory of Beijing Benz in Shunyi was fully put into operation, and will adopt the philosophy of “digital, flexible and green”, and benchmark against the most advanced modern production base, so as to support the development of Beijing Benz.

3. Beijing Hyundai

In 2020, in the face of the increasingly severe market environment and the test arising out of the COVID-19 outbreak, Beijing Hyundai made active adjustments and orderly responses, recording the wholesales of 446 thousand units of vehicles and tertiary sales of 502 thousand units of vehicles during the year.

In 2020, Beijing Hyundai adjusted the form and date of launching new vehicles in a timely manner, and launched various products including LA FESTA EV, the tenth-generation Sonata, the seventh-generation Elantra, the new ix35, thus achieving a complete upgrade through new platforms. Beijing Hyundai carried out various phased theme marketing activities to strengthen experiential marketing, thus promoting brand upgrade. Beijing Hyundai focused on network arrangement optimization and the improvement in the profit and loss of dealers to enhance the revenue of dealers and customer stickiness. Beijing Hyundai launched a new fans marketing platform to carry out targeted marketing activities for approximately ten million existing customers, so as to support the profit improvement.

4. Fujian Benz

The sales volume of Fujian Benz hit a record high, with 30 thousand units sold in 2020, representing a year-on-year increase of 6.2%. Mercedes-Benz V-Class and Vito facelifted model were mass produced and launched in September, and were continuously recognized by customers in their respective market segments.

Production facilities

We have specialized production facilities to manufacture and assemble products. All of our established manufacturing bases already completed are located in China, and all production facilities are equipped with flexible production lines, each of which can produce different models of passenger vehicles. 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.

The intelligent factory in Zhuzhou City of Beijing Brand has adopted an advanced digital and intelligent production quality management system with a focus on the design and manufacturing process for the quality of whole vehicle products. It has realized the transformation from documentation of development to digitization of implementation of technical standards, thus improving the accuracy of implementation of standards.

Beijing Benz continuously upgrades and constructs the world-leading modern production base of Mercedes-Benz. Beijing Benz is committed to integrating the philosophy of digital ecology into its production system and quality management. It has built a factory in Shunyi District with the philosophy of “digital, flexible and green”, so as to promote its sustainable development and even the sustainable development of the region where it is located. This lays a foundation for continuous improvement in the product competitiveness.

Beijing Hyundai adheres to the production philosophy of “green, quality, intelligent and efficient” and adopts advanced intelligent equipment and international production management systems. Beijing Hyundai has cutting-edge production equipment, with the automation rate of their equipment exceeding 90%, and therefore can effectively arrange production plans and produce different vehicle models in a single production line.

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 and high quality service guarantee. All brands have independent marketing channels.

In 2020, Beijing Brand continuously optimized its network arrangements, improved its store image and network structure. Based on the “2020 network upgrade plan”, Beijing Benz directed the effective online and offline synergy of the retail system of Benz brand, and realized the “customer-oriented” transformation and upgrade. Beijing Benz continuously improved customer experience, controlled costs, and improved the efficiency. Beijing Hyundai achieved stable dealer channel operation and actively maintained the healthy development of its network system by optimizing its network coverage.

Research and development

The Group believes that our research and development capability is critical to the future development. During 2020, all of our brands vigorously promoted the construction of research and development system and capacity.

In 2020, Beijing Brand made achievements in terms of innovation of research and development management, and new vehicle model research and development. New products-BEIJING-X7 and BEIJING-X7 PHEV, were successfully launched, showing the latest achievements of the Company in terms of intelligent networking, transition to new energy vehicles, styling upgrade, perceived quality, etc., which helps improve the product competitiveness. Meanwhile, it has carried out the development of many new energy vehicle products based on midsize SUVs and sedans, and continued to deepen its strategic cooperation relations with Huawei, Microsoft, Bosch and IFLYTEK and other scientific and technological enterprises, so as to comprehensively promote the steady implementation of the “dual-driver” strategy in sub-sectors including automatic self-driving, intelligent cabin and networking.

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Beijing Benz has built the biggest research and development center among joint venture companies of Daimler. The research and development center introduced the Mercedes-Benz development system, and continuously shortened the development cycle and strengthened the digital verification capability. The research and development center has international advanced laboratories which have been established and operated strictly according to the standards of Daimler AG, including climate corrosion, vehicle emission, engine and vibration noise, electromotor laboratories, power battery electric performance and environmental laboratories, material laboratories, thus providing important professional technical support for research and development, test and verification, internal quality control, problem analysis and production of traditional vehicle models and new energy vehicle models of Mercedes-Benz made in China.

In 2020, Beijing Hyundai launched many new vehicle models, and its main products were completely upgraded. In the face of the rapid changes in the PRC market and consumer demand, Beijing Hyundai was deeply and comprehensively engaged in the strategy of HSMART+, strengthened the application of many advanced system technologies including i-GMP platform, Smart Stream powertrain, the third-generation intelligent networking and Smart Sense driver assistance, so as to improve its product strength. Beijing Hyundai independently developed CELESTA CNG TAXI, and strengthened its local development capability. Beijing Hyundai launched the E-GMP electric vehicle-specific platform, developed new Mistra pure electric vehicle, accelerated the introduction of subsequent new energy vehicle models, so as to further enrich the new energy product line of Beijing Hyundai.

Joint venture cooperation and industrial chain extension

During 2020, the Group continuously promoted the integration of industry and finance and industrial cooperation in various fields, thus further expanding the scope of cooperation, extending the industry chain, expanding the business market and enhancing its competitive strength.

1. Additional capital contributions to BAIC Finance

On February 13, 2020, BAIC Investment, a non wholly-owned subsidiary of the Company, entered into a capital increase agreement with BAIC Finance, pursuant to which BAIC Investment agreed to further subscribe to the capital increase of BAIC Finance (the total capital increase being RMB2,500 million) amounting to RMB500 million, in proportion to its capital contribution to the current registered capital of BAIC Finance (namely 20%). Upon completion of the capital increase, the capital contribution by BAIC Investment to the registered capital of BAIC Finance arised to RMB1,000 million, accounting for 20%, remaining unchanged.

2. Acquisition of 100% equity interest of BAIC International and 24.78% equity interest of BAIC Ruili from BAIC Group

On March 13, 2020, the Company and BAIC Group entered into the Equity Transfer Agreement, pursuant to which the Company agreed to purchase, and BAIC Group agreed to dispose of a 100% equity interest held by BAIC Group in BAIC International and a 24.78% equity interest held by BAIC Group in BAIC Ruili, at a total consideration of approximately RMB80 million. Upon the completion of the transaction under the Equity Interest Transfer Agreement, BAIC International will become a wholly-owned subsidiary of the Company, while BAIC Ruili will become a non-wholly-owned subsidiary of the Company.

3. Subscription of new A shares of BAIC BluePark

On August 3, 2020, BAIC Guangzhou Automotive Co., Ltd. (“BAIC Guangzhou”), a wholly-owned subsidiary of the Company, and BAIC BluePark, an A-share listed subsidiary of BAIC Group, entered into a share subscription agreement, pursuant to which BAIC BluePark agrees to issue to BAIC Guangzhou, and BAIC Guangzhou agrees to subscribe for, not less than 6.25% of the total number of new A shares to be issued by BAIC BluePark, up to a maximum subscription amount of RMB343.8753 million.

In accordance with the share subscription agreement, the minimum shareholding of BAIC Guangzhou in BAIC BluePark will remain at 6.25% and the maximum shareholding will not exceed 7.32% (if the actual subscription price is determined according to the audited net asset value per share of BAIC BluePark as at 31 December 2019, namely RMB5.06).

IX. PROSPECT FOR THE DEVELOPMENT OF PASSENGER VEHICLE INDUSTRY IN 2021

In 2021, the domestic economy is expected to remain stable and efforts are made to achieve “high-quality” development. It is expected that the PRC passenger vehicle market will be subject to cyclical adjustment, the impact of shrinking industry and higher competitive pressure.

Automotive Data of China Co., Ltd. and relevant authorities believe that the main trend of the macroeconomy and the development of the automobile industry in 2021 will be as follows:

1. Macroeconomy is about to get back on track

The domestic economy remained stable, and there were many favorable factors supporting the stable recovery of the economy, thus getting the economy gradually back to the potential growth level. Under the influence of the base, the economic growth rate in 2021 will be significantly higher than the pre-outbreak level. The domestic economy will show long-term positive economic fundamentals. A full economic recovery and a further pick-up in domestic demand are expected in 2021.

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2. Expansion of consumption and unleashing of vehicle market potential

In 2021, policies will focus on local governments and consumption. Restrictive consumption policies may continue to be relaxed, so as to encourage cities with purchasing restrictions to optimize measures on vehicle purchasing restrictions, which will still promote the unleashing of regional market demand. Meanwhile, national and local authorities will continue to accelerate the popularization and application of new energy, and optimize and improve the financial and tax support policies for new energy vehicles. The focus of overall policies was mere consumption stimulation, but will be expanded to include the improvement in the supporting level, the change of management methods, etc.

3. Expansion of the scale of trade-in of vehicles helps unleash the demand for new vehicles

The PRC vehicle market gradually enters the stage of competition among existing products, with the great demand for trade-in under consumption upgrade. It is expected that there will be a great number of trade-in transactions in the passenger vehicle market in 2021, which will promote sales of a huge number of new vehicles in the trade-in transactions. Meanwhile, the phase-out of old diesel-powered trucks accelerates the increase in the demand for trade-in of commercial vehicles, thus promoting the market growth.

Beijing Brand will accelerate their development towards high-end and middle-large size products. Under the guidance of industrial policies, the number of new energy products launched will further increase. The application of new technologies including intelligent interaction, 5G Internet of Things and self driving will be further accelerated.

X. OPERATIONAL STRATEGY OF THE GROUP FOR 2021

Overall operational strategy

In the face of pressure and challenges in 2021, the Group will continuously focus on high-quality development and market-oriented philosophy, and practically enhance its core competitiveness. The Group will make efforts for its principal businesses in terms of strategy, brand, product, technology, resource and management, and enhance the synergy between business segments, attach importance to innovation, seek development, and follow the endogenous growth path and a differentiated operation strategy.

Operational strategy of Beijing Brand

In 2021, Beijing Brand adopts the operation principle of “focus on development, value orientation, comprehensive deepening of reform, and collaborative innovation”. In terms of focus on development, Beijing Brand is oriented towards customers and accurately positioned, and focuses on its principal businesses, so as to achieve the “high-quality” development target. In terms of value orientation, Beijing Brand implements the “market-oriented” philosophy and is guided by the creation of value for customers. Beijing Brand comprehensively deepens its reform with a focus on the realization of customer value. In terms of collaborative innovation, Beijing Brand adopts the market-oriented strong matrix innovation mechanism and actively gives full play to the main supporting role.

Operational strategy of Beijing Benz

In 2021, Beijing Benz comprehensively upgrades extremely challenging strategic targets including SQDCM⁴. The philosophies of “passionate employees”, “excellent products”, “global flexibility”, “excellent operation”, “pioneering digitalization” and “responsible sustainability” will guide Beijing Benz in promoting change and innovation, and driving continuous efficiency improvement, vitality and value enhancement for businesses, and consolidating its leading position in the high-end premium vehicle market, in the next five years.

Operational strategy of Beijing Hyundai

In 2021, under the management principle of “unalterable and victorious in 2021”, Beijing Hyundai promotes business operation from four aspects, namely basic business innovation, sales/profitability improvement with a focus on new vehicles, optimization of business arrangements, and enhancement of future competitiveness, so as to lay a foundation for comprehensively promoting the achievement of the “14th five-year” strategic objectives.

Operational strategy of Fujian Benz

In 2021, Fujian Benz will continue its steady development and strive to achieve the goal of “becoming a respected front-runner in travel solutions in the new era”.

4 It means five aspects, namely safety, quality, delivery, cost and morale

Section V Management Discussion and Analysis

Note: Due to the acquisition of a 100% equity interest in BAIC International and a 24.78% equity interest in BAIC Ruili, the financial information of the Company as at the end of 2019 was restated according to the principle of business combination under common control. The financial data as at the end of 2019 in this section are restated.

REVENUE AND NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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. The revenue of the Group increased from RMB175,410.2 million for the year ended December 31, 2019 ("2019") to RMB176,973.0 million in 2020, representing a year-on-year increase of 0.9%, mainly attributable to the increase in revenue of Beijing Benz.

Revenue associated with Beijing Benz increased from RMB155,153.7 million in 2019 to RMB169,695.5 million in 2020, representing a year-on-year increase of 9.4%, mainly attributable to a year-on-year increase of 7.7% in sales volume of Beijing Benz.

Revenue associated with Beijing Brand decreased from RMB20,256.5 million in 2019 to RMB7,277.5 million in 2020, representing a year-on-year decrease of 64.1%, mainly attributable to (i) a year-on-year decrease in sales volume of Beijing Brand; and (ii) a decrease in new energy subsidies.

The Group's net profit attributable to equity holders of the Company decreased from RMB4,996.3 million in 2019 to RMB2,028.8 million in 2020, representing a year-on-year decrease of 59.4%; the basic earnings per share decreased from RMB0.61 in 2019 to RMB0.24 in 2020, representing a year-on-year decrease of 60.7%, mainly due to a decrease in the profits of Beijing Brand and certain investment enterprises as a result of increased competition in the domestic passenger vehicle industry, the market downturn, etc.

Gross profit

The Group's gross profit increased from RMB37,633.7 million in 2019 to RMB42,139.9 million in 2020, representing a year-on-year increase of 12.0%, mainly attributable to the increase in the gross profit of Beijing Benz and the decrease in the gross loss of Beijing Brand.

The gross profit of Beijing Benz increased from RMB42,215.4 million in 2019 to RMB45,976.9 million in 2020, representing a year-on-year increase of 8.9%; the gross profit margin was 27.1% in 2020, basically in line with the figure of 27.2% for 2019.

The gross profit of Beijing Brand decreased from RMB-4,581.7 million in 2019 to RMB-3,666.2 million in 2020, mainly attributable to the decrease in sales volume and the change in structure of vehicle models.

WORKING CAPITAL AND FINANCIAL RESOURCES

The Group usually satisfied its daily working capital requirements through self-owned cash and borrowings. The Group's net cash generated from operating activities decreased from RMB35,823.9 million in 2019 to RMB26,007.6 million in 2020, representing a year-on-year decrease of 27.4%, mainly attributable to a decrease in the net cash inflow generated from operating activities of Beijing Brand.

As at the end of 2020, the Group had cash and cash equivalents of RMB48,146.3 million, notes receivable of RMB3,169.1 million, notes payable of RMB2,920.3 million, outstanding borrowings of RMB20,457.4 million, unused bank credit lines of RMB53,661.2 million, and commitments for capital expenditure of RMB32,672.8 million. The above outstanding borrowings included RMB2,010.3 million equivalents of Euro borrowings and RMB290.4 million equivalents of USD borrowings as at the end of 2020.

CAPITAL STRUCTURE

The Group maintained a reasonable combination of equity and liability to ensure an effective capital structure.

The Group's asset-liability ratio (total liabilities/total assets) decreased from 63.1% at the end of 2019 to 62.0% at the end of 2020, representing a year-on-year decrease of 1.1 percentage points, mainly attributable to a greater decrease in liabilities than in assets.

The Group's net gearing ratio ((total borrowings less cash and cash equivalents)/(total equity plus total borrowings less cash and cash equivalents)) decreased from -56.4% at the end of 2019 to -60.3% at the end of 2020, representing a year-on-year decrease of 3.9 percentage points, mainly attributable to (i) an increase in total equity; and (ii) a smaller increase in the total equity than in cash and cash equivalents.

As at the end of 2020, the total outstanding borrowings was RMB20,457.4 million, including short-term borrowings of RMB11,736.2 million in aggregate and long-term borrowings of RMB8,721.2 million in aggregate. The Group will promptly repay the aforesaid borrowings at maturity.

As at the end of 2020, none of the Group's loan agreements in effect includes any agreement on the obligations to be performed by the Controlling Shareholder of the Company. In the meantime, the Group has also strictly followed all the terms and conditions in its loan agreements, and no default has taken place.

SIGNIFICANT INVESTMENTS

The Group had no significant investments in equity interests in 2020.

Total capital expenditures of the Group decreased from RMB8,700.5 million in 2019 to RMB8,358.1 million in 2020, representing a year-on-year decrease of 3.9%. Capital expenditures of Beijing Benz decreased from RMB7,583.8 million in 2019 to RMB7,230.9 million in 2020. Capital expenditures of Beijing Brand increased from RMB1,116.7 million in 2019 to RMB1,127.2 million in 2020.

Total research and development expenses of the Group decreased from RMB3,100.0 million in 2019 to RMB2,601.5 million in 2020, representing a year-on-year decrease of 16.1%, the majority of which were incurred by the Group for its product research and development activities. Based on accounting standards and the Group's accounting policy, expenses of the aforesaid research and development complied with capitalization conditions had been capitalized accordingly.

MATERIAL ACQUISITIONS AND DISPOSALS

On February 13, 2020, BAIC Investment, a non wholly-owned subsidiary of the Company, entered into a capital increase agreement with BAIC Finance, pursuant to which BAIC Investment agreed to further subscribe to the capital increase of BAIC Finance (the total capital increase being RMB2,500 million) amounting to RMB500 million, in proportion to its capital contribution to the current registered capital of BAIC Finance (namely 20%). Upon completion of the capital increase, the capital contribution by BAIC Investment to the registered capital of BAIC Finance arised to RMB1,000 million, accounting for 20%, remaining unchanged.

On March 13, 2020, the Company and BAIC Group entered into the Equity Transfer Agreement, pursuant to which the Company agreed to purchase, and BAIC Group agreed to dispose of a 100% equity interest held by BAIC Group in BAIC International and a 24.78% equity interest held by BAIC Group in BAIC Ruili, at a total consideration of RMB80 million. Upon the completion of the transaction under the Equity Interest Transfer Agreement, BAIC International will become a wholly-owned subsidiary of the Company, while BAIC Ruili will become a non-wholly-owned subsidiary of the Company.

On August 3, 2020, BAIC Guangzhou, a wholly-owned subsidiary of the Company, and BAIC BluePark, an A-share listed subsidiary of BAIC Group, entered into a share subscription agreement, pursuant to which BAIC BluePark agrees to issue to BAIC Guangzhou, and BAIC Guangzhou agrees to subscribe for, not less than 6.25% of the total number of new A shares to be issued by BAIC BluePark, up to a maximum subscription amount of RMB 343.8753 million.

Section V Management Discussion and Analysis

For details of the aforesaid cooperation matters, see the relevant announcements issued by the Company respectively on February 13, March 13 and August 3, 2020.

FOREIGN EXCHANGE LOSSES⁵

The Group's foreign exchange loss (mainly from the business of Beijing Benz) increased from RMB627.3 million in 2019 to RMB825.5 million in 2020. Such increase in foreign exchange loss was mainly due to (i) the increase in exchange losses from Euro-denominated payments as a result of the decline in the exchange rate of RMB against Euro; and (ii) effective control on the foreign exchange rate risks due to the judgment on foreign exchange forward contracts offsetting part of loss.

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 rate fluctuations may have a certain impact on the Group's results of operations.

The Group has a well-developed foreign exchange management strategy that continuously and orderly controls foreign exchange rate risks of foreign exchange positions. At present, the Group mainly uses foreign exchange forward contracts as our hedging tool.

EMPLOYEE AND REMUNERATION POLICIES

The Group's staff decreased from 21,712 at the end of 2019 to 21,038 at the end of 2020. The staff costs incurred by the Group increased from RMB5,329.4 million in 2019 to RMB5,363.9 million in 2020, representing a year-on-year increase of 0.6%, mainly due to an increase in the production volume of Beijing Benz and the increase in the average staff cost resulting from, among others, the longer labor hours and the increase in the annual average wage in society.

Through integrating human resources strategy on the basis of job classification, the Group has established a performance and competence-oriented remuneration system, and will link the annual operating objectives with the performance appraisal of staff through a performance evaluation system, effectively supporting the Group's talent recruitment, retention and motivation, as well as the realization 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 plan with certain guarantee on retirement income.

PLEDGE OF ASSETS

As at the end of 2020, the Group had pledged notes receivable of RMB1,808.2 million.

CONTINGENT LIABILITIES

As at the end of 2020, the Group had no material contingent liabilities.

PRINCIPAL RISKS AND UNCERTAINTIES

1. Risk from the COVID-19 outbreak

Since the COVID-19 outbreak, strict prevention and control measures, the decrease in economic activities, demand, income and profits have possibly affected almost every enterprise. With the economic improvement and waning of the outbreak, a year-on-year improvement in the passenger vehicle market is expected, but it is hard to recover to the pre-pandemic level as the buying power has not been restored fully, which has an adverse impact on the Group's financial position, results of operations and prospect. The Group will continuously pay attention to the impact of the COVID-19 outbreak on its financial position and results of operations, and will take relevant measures to cope with the impact of the COVID-19 outbreak in a timely manner.

5 Foreign exchange losses include foreign exchange forward contracts at fair value through profit or loss

2. Risks relating to macroeconomic volatility

Macroeconomic performance will have an impact on consumer demands for automobiles, and therefore will affect the Group's operating performance. In 2020, China saw a GDP growth of 2.3%, with downward pressure on the economy. If China's economic growth continues to slow down, the purchasing power of residents will be affected, leading to a decrease in the customer demand for the Group's products, thus adversely affecting the Group's financial situation, operating results and prospects. The Group will continuously pay attention to China's macroeconomic situation, and take measures in due course to respond to fluctuations in the economic environment.

3. Risk of increased market competition

The Group operates in a highly competitive industry with fierce market competition. According to the statistics of CAAM, in 2020, the sales volume of passenger vehicles in China was 20.178 million units, representing a year-on-year decrease of 6.0%, showing higher pressure on the automobile industry. Meanwhile, enterprises in the industry continuously improved their core competitiveness through the increase in research and development investment, industry integration and otherwise, and thus the market competition increased. If the Group fails to take appropriate measures to maintain and improve its market position, its future results of operations will be adversely affected. The Group will continuously pay attention to the market conditions and take measures in due course to maintain and improve its market position.

4. Risks relating to the price fluctuation and supply of raw material

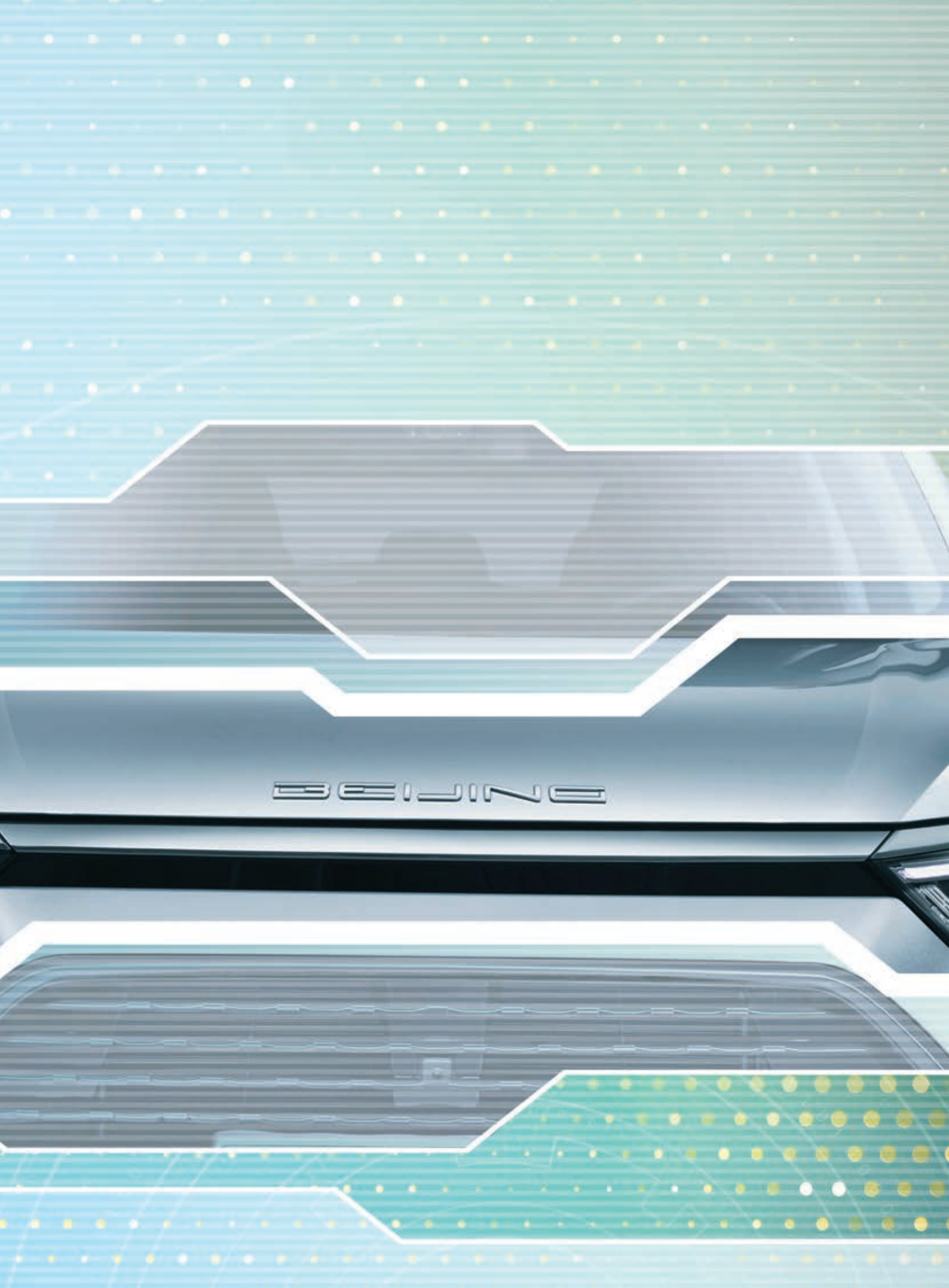
The key raw materials used by the Group in the research and development, production and sales of automobiles include steel, aluminum, rubber, plastics and paint, etc. With the annually continuous increase in production and sales, the key materials for production annually procured by the Group from its suppliers have also grown in volume with each passing year. A surge in the prices of bulk raw materials will adversely affect the Group's results of operations.

5. Risks relating to emission and environmental protection policies

Exhaust emissions of traditional vehicles are viewed as one of the primary sources of air pollution. "China VI"⁶ emission standards came into force in advance in key regions on July 1, 2019. The Group has taken initiative to fulfill its social responsibilities and support the implementation of the regulations in relation to emission and air quality in vehicles, but the resultant increased promotion costs, raw material costs and development expenditures will also affect the Group's results of operations.

6 "China VI" standard means the National Stage VI Motor Vehicle Emission Standard, which is defined by the Limits and Measurement Methods for Emission From Light-duty Vehicles (China VI) published by the Ministry of Environmental Protection and the General Administration of Quality Supervision, Inspection and Quarantine of China in December 2016





BEIJING

Section VI Report of the Board of Directors

The Board of Directors hereby presents the report of the Board of Directors to the Shareholders and 2020 audited consolidated financial statements of the Group as prepared in accordance with the IFRSs.

COMPANY PROFILE AND INITIAL PUBLIC OFFERING

The Company was incorporated as a joint stock limited company in the PRC on September 20, 2010. On December 19, 2014, the Company's H Shares have been listed on the Main Board of the Stock Exchange in Hong Kong Special Administrative Region ("Hong Kong").

PRINCIPAL BUSINESS

Please refer to the section headed "MAJOR BUSINESS OPERATIONS" on pages 11 to 14 of "Company Profile and Business Overview" in this report for details.

BUSINESS REVIEW

Please refer to the chapters headed "Company Profile and Business Overview" on pages 11 to 25 and "Management Discussion and Analysis" on pages 26 to 29 in this report for details regarding the business conditions, main risks and uncertainties faced by the Group in 2020, and the prospect of 2021. In addition, please refer to relevant information on page 32 and pages 34 to 35 in this report for events after balance sheet date, information regarding the Group's environmental performance and policies, the compliance with the relevant laws and regulations that have a significant impact on the Group and the Group's relations with employees, suppliers and customers in 2020.

OUTLOOK

Please refer to the chapter headed "OPERATIONAL STRATEGY OF THE GROUP FOR 2021" on page 24 of "Company Profile and Business Overview" in this report for details.

PERFORMANCE

The 2020 annual results and the financial position at the end of 2020 of the Company and the Group are set out on pages 127 to 203 of the audited consolidated financial statements in this report.

PROPERTY

Changes of property, plant and equipment of the Group in 2020 are set out in Note 7 to the audited consolidated financial statements.

SHARE CAPITAL

As of the Date of Issue of the Report, the total share capital of the Company is RMB8,015,338,182 and is divided into 8,015,338,182 Shares, at par value of RMB1.0 per Share (comprising 5,494,647,500 Domestic Shares and 2,520,690,682 H Shares).

TAXATION

The tax position of the Group for 2020 is set out in Note 34 to the audited consolidated financial statements.

EVENTS AFTER BALANCE SHEET DATE

The details for events after balance sheet date of the Group are set forth in Note 43 to the audited consolidated financial statements.

DISTRIBUTABLE RESERVES

The details of the change in the reserves of the Company and the Group for 2020 are set forth in Note 41 to the audited consolidated financial statements, and in the consolidated statement of changes in equity on page 131, respectively, among which the information of the reserve distributable to Shareholders is set forth in Note 41 to the audited consolidated financial statements.

PROFIT DISTRIBUTION

In accordance with the provisions of Article 197 of the Articles of Association of BAIC Motor Corporation Limited (“Articles of Association”), distributable profits will be determined based on either the Chinese Accounting Standards for Business Enterprises or the IFRSs, whichever is lower.

The Board recommends the Company to distribute an annual final dividend for the year 2020 of RMB0.08 per share (tax inclusive) in cash to the shareholders whose names appear on the register of members at the close of business on the record date determined in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). Based on the total ordinary share capital of 8,015,338,182 shares as at the end of 2020, the total cash dividend distributed by the Company will be amounted to RMB641,227,054.56. The proposal will be submitted to the Company’s 2020 annual general meeting (the “2020 Annual General Meeting”) for consideration and approval. The expected date of distribution will be no later than September 3, 2021.

For the details of the distribution of annual dividends by the Company, please refer to the circular for the 2020 Annual General Meeting to be despatched by the Company in due course.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company and the Group did not purchase, redeem or sell any of the Company’s listed securities in 2020.

MAJOR CLIENTS AND SUPPLIERS

Major clients

The transaction amount of the top five clients of the Group in 2020 accounted for 2.3% of the Group’s total revenue in 2020. The transaction amount of the single largest client of the Group accounted for 0.6% of the Group’s total revenue in 2020.

Major suppliers

The transaction amount of the top five suppliers of the Group in 2020 accounted for approximately 49.8% of the Group’s cost of raw materials used in the cost of sales in the year. The transaction amount of the single largest supplier of the Group accounted for approximately 34.0% of the Group’s cost of raw materials used in the cost of sales in the year.

In 2020, Daimler AG (the largest supplier of the Group), Beijing Hainachuan Lear Automotive System Co., Ltd. (the third largest supplier of the Group), Beijing Electric Vehicle Co., Ltd. (the fourth largest supplier of the Group) and Beijing Beiqi Mould & Plastic Technology Co., Ltd. (the fifth largest supplier of the Group) are the Connected Persons of the Group.

None of the directors of the Company (the “Directors”), their close associates or any Shareholders (who to the best of the Directors’ knowledge held more than 5% of the issued shares of the Company) had interests in the major clients and suppliers of the Group in 2020.

Section VI Report of the Board of Directors

RELATIONS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group provides a competitive remuneration portfolio to attract and incentivize employees. The Group reviews the employees' remuneration portfolio on a regular basis and makes necessary adjustment in order to be in line with the market standard. The Group also understands that it is of great importance to maintain good relations with suppliers and customers for the realization of the short-term and long-term goals. For the purpose of maintaining the competitiveness of brands and the leading position, the Group is committed to providing consistently premium products and services to customers. In 2020, the Group had no material and significant dispute with suppliers and customers.

ENVIRONMENTAL PERFORMANCE AND POLICIES

The Group has actively responded to the environmental policies and strictly complied with the Environmental Protection Law of the People's Republic of China, the Energy Conservation Law of the People's Republic of China, and other laws, regulations and relevant policies. In adhering to the environmental concept of "green operation for sustainable development", we continued to promote clean production, develop green products through eco-design, reduce the impact of the full life cycle of products on the environment, and apply the overall prevention environmental strategies to the whole production process, so as to continuously reduce resources and energy consumption and pollutant emissions.

The Group, through the business philosophy of "improving efficiency through cost reduction", promoted both management-related energy conservation and project-related energy conservation,

explored energy-saving potential, improved energy utilisation efficiency and reduced energy consumption. The Company has established its operating guidelines as planning energy consumption, promoting energy conservation and improving its productivity and efficiency through energy conservation. The Company promoted energy conservation through technologies and management methods, and continuously reduced its own energy consumption and carbon dioxide emissions, thus achieving the coordinated development of its economic development and resource conservation.

In 2020, the Group strictly complied with relevant laws, regulations and China's environmental policies, and established corresponding compliance operation mechanisms. It prepared the environmental, social and governance report according to the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange. For details, see the chapter headed "Environmental, Social and Governance Report" on page 88 to 120 of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company is an exempted company incorporated in China with limited liability, and registered as a non-Hong Kong company under the Hong Kong Companies Ordinance. The Shares of the Company are traded on the Main Board of the Stock Exchange. The Company continuously reviews its current systems and procedures, emphasizes and strives to comply with the Company Law of the People's Republic of China (the "Company Law"), the Listing Rules, the Securities and Futures Ordinance (the "SFO"), applicable Hong Kong Companies Ordinance, and other relevant laws and regulations which have a significant impact on the Company. The Company endeavors to safeguard its Shareholders' interests, enhance corporate governance and strengthen the functions of the Board of Directors.

Laws and regulations that have a significant impact on the operation of the Group include but are not limited to the Company Law, the Regulation of the People's Republic of China on the Administration of Company Registration, the Securities Law of the People's Republic of China, the Foreign Investment Law of the People's Republic of China, the Contract Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Regulation on the Administration on Recall of Defective Auto Products, the Provisions on the Liability for the Repair, Replacement and Return of Household Automotive Products, the Trademark Law of the People's Republic of China, the Patent Law of the People's Republic of China and the Product Quality Law of the People's Republic of China. In case of violation of the aforesaid laws and regulations, the Group may be subject to corresponding civil legal liabilities and administrative penalties imposed by competent authorities, or corresponding criminal liabilities if such violation constitutes a crime.

The operation of the Group has always complied with national and local laws and regulations. The Group upholds honesty and integrity, and performs its social responsibility. In 2020, there was no material litigation or dispute against the Group.

The Group has always been adhering to putting the exercise of power under institutional checks, continuously improving and strengthening the Company's employee management system construction. In 2020, the Group further deepened and perfected the management system matching with the governance requirements of listed companies, and further facilitated the system which is easy to comply with, operate and implement. Meanwhile, the Group continues to enforce the policies such as the Implementation of the Decision-making System by State-owned Enterprises for the Major Issues, Major Personnel Appointments and Dismissals, Investments in Major Projects and Use of Large Sums of Money and the Requirements of Practice Integrity for State-owned Enterprises Leaderships.

The Company and its employees have been exercising their best endeavours to strictly follow the applicable rules, laws and industry standards. The directors are not aware of any breach of laws or regulations which have a significant impact on the Group, nor are they aware of any litigation or cases of corruption, bribery, extortion, fraud and money laundering involving the Group in 2020.

BANK LOANS AND OTHER BORROWINGS

The details for bank loans and other borrowings of the Group at the end of 2020 are set forth in Note 24 to the audited consolidated financial statements.

DONATIONS

In 2020, the total amount of donations made by the Group was RMB2.1 million.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The basic information of the Directors, the supervisors (the "Supervisors") and senior management of the Company is set out in the chapter headed "Directors, Supervisors and Senior Management" on pages 78 to 87 of this report.

Section VI Report of the Board of Directors

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following sets out changes in information of the Directors, Supervisors and senior management from January 1, 2020 to the Latest Practicable Date:

Directors and Supervisors

On June 18, 2020, the Company held a general meeting for 2019, at which Mr. Qi Chunyu was appointed as a shareholder representative Supervisor for a term of office commencing on June 18, 2020 and ending on the expiry of the term of office for the third session of the board of supervisors of the Company (the “Board of Supervisors”). Due to other work arrangements, Mr. Yao Shun will cease to act as a shareholder representative Supervisor on the effective date of the appointment of Mr. Qi Chunyu as a shareholder representative Supervisor. For details, see the relevant announcement of the Company dated June 18, 2020.

On July 24, 2020, due to the change in his work commitments, Mr. Yan Xiaolei resigned as a non-executive Director, a member of the strategy committee of the Board of the Company (the “Strategy Committee”) and a member of the audit committee of the Board of the Company (the “Audit Committee”). Pursuant to Rule 3.21 of the Listing Rules, the audit committee must comprise a minimum of three members. Upon the resignation of Mr. Yan Xiaolei, the number of members of the Audit Committee would decrease from three to two, which is lower than the minimum specified in Rule 3.21 of the Listing Rules. For details, see the relevant announcement of the Company dated July 24, 2020.

On July 31, 2020, Mr. Liao Zhenbo and Ms. Shang Yuanxian were appointed as a member of the Strategy Committee and a member of the Audit Committee respectively. After the appointment of Ms. Shang Yuanxian as a member of the Audit Committee, the Company re-complied with the requirement on the minimum number of members of the audit committee under Rule 3.21 of the Listing Rules. For details, see the relevant announcement of the Company dated July 31, 2020.

On September 9, 2020, due to the change in his work commitments, Mr. Xu Heyi resigned as the chairman of the Board, non-executive Director, a chairman of the Strategy Committee and a chairman of the nomination committee of the Board of the Company (the “Nomination Committee”). For details, see the relevant announcement of the Company dated September 11, 2020.

On October 27, 2020, the Company convened the first extraordinary general meeting of 2020, at which Mr. Jiang Deyi and Mr. Liao Zhenbo were appointed as non-executive Directors for a term of office commencing on October 27, 2020 and ending on the expiry date of the term of office of the third session of the Board. On the same date, Mr. Jiang Deyi was appointed as the chairman of the Board, the chairman of the Strategy Committee and the chairman of the Nomination Committee, for a term of office commencing on October 27, 2020 and ending on the expiry date of the term of office of the third session of the Board. For details, see the relevant announcement of the Company dated October 27, 2020.

On December 31, 2020, Mr. Chen Hongliang was redesignated from executive Director to non-executive Director of the Company, due to the change in his work commitments. For details, see the relevant announcement of the Company dated December 31, 2020.

On March 24, 2021, the Company convened the first extraordinary general meeting of 2021, at which Mr. Jiang Deyi, Mr. Liao Zhenbo, Mr. Chen Hongliang and Mr. Hu Hanjun were appointed as non-executive Directors of the fourth session of the Board, Mr. Huang Wenbing was appointed as an executive Director of the fourth session of the Board, Mr. Ye Qian, Mr. Hubertus Troska, Mr. Harald Emil Wilhelm, Mr. Jin Wei and Mr. Sun Li were appointed as non-executive Directors of the fourth session of the Board, and Mr. Ge Songlin, Ms. Yin Yuanping, Mr. Xu Xiangyang, Mr. Tang Jun and Mr. Edmund Sit were appointed as independent non-executive Directors of the fourth session of the Board, for a term of office commencing on March 24, 2021 and ending on the expiry date of the term of office of the fourth session of the Board. On the same date, Ms. Li Chengjun and Mr. Zhang Yanjun were elected as employee representative Supervisors of the fourth session of the Board of Supervisors at the employee representatives' meeting of the Company, and Mr. Sun Zhihua, Mr. Zhou Xuehui and Ms. Qiao Yufei were appointed as non-employee representative Supervisors of the fourth session of the Board of Supervisors at the first extraordinary general meeting of 2021 of the Company, for a term of office commencing on March 24, 2021 and ending on the expiry of the term of office for the fourth session of the Board of Supervisors. For details, see the relevant announcements of the Company dated February 4, March 9 and March 24, 2021.

SENIOR MANAGEMENT AND COMPANY SECRETARY

On July 1, 2020, Mr. Liu Yu ceased to act as the vice president of the Company due to the change in his work commitments. On July 24, 2020, the Board appointed Mr. Li Jingang, Mr. Du Junbao and Mr. Li Xingxing as vice presidents of the Company, for a term commencing on July 24, 2020 and ending on the expiry of the term of office for the third session of the Board.

On December 31, 2020, Mr. Chen Hongliang ceased to serve as the president of the Company due to the change in his work commitments. On the same date, the Board appointed Mr. Huang Wenbing as the president of the Company, for a term of office commencing on December 31, 2020 and ending on the expiry of the term of office for the third session of the Board; for details, see the relevant announcement of the Company dated December 31, 2020.

On February 4, 2021, the Board of Directors appointed Mr. Wang Jianhui as the vice president of the Company and secretary to the Board of the Company, for a term of office commencing on February 4, 2021 and ending on the expiry of the term of office for the third session of the Board. On December 31, 2020, Mr. Li Jingang ceased to serve as the vice president of the Company due to the change in his work commitments.

On March 24, 2021, the fourth session of the Board of the Company continued to appoint Mr. Jiang Deyi as the chairman, Mr. Huang Wenbing as the president, Mr. Chen Wei, Mr. Du Junbao, Mr. Li Deren, Mr. Yang Xueguang, Mr. Wu Zhoutao, Mr. Wang Jianhui, Mr. Gao Jianjun and Mr. Li Xingxing as vice presidents of the Company, and Mr. Wang Jianhui as the secretary to the Board and company secretary. The term of office of the above personnel will commence on March 24, 2021 and end on the expiry of the term of office for the fourth session of the Board.

Save as disclosed above, from January 1, 2020 up to the Latest Practicable Date, the Company did not appoint new Directors, Supervisors and members of senior management, or remove any Directors, Supervisors and members of senior management.

Section VI Report of the Board of Directors

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each Director of the Board of Directors and each Supervisor of the Board of Supervisors have entered into a service contract with the Company for a term of three years or ending on the expiry of the term of office for the current session of the Board of Directors or the Board of Supervisors. The service contract sets out the main terms, key conditions and relevant rights, obligations and responsibilities of the appointed Directors and Supervisors, with particular emphasis on the duties of the independent non-executive Directors and the executive Directors, and it can be terminated in accordance with the relevant terms in the service contract.

In 2020, none of the Directors or the Supervisors has entered into a service contract with the Company that cannot be terminated by the Company within a year without compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details of remuneration of Directors and Supervisors in 2020 are set out in Note 42 to the audited consolidated financial statements.

REMUNERATION FOR FIVE INDIVIDUALS WITH THE HIGHEST REMUNERATION

Details for remuneration for five individuals (excluding Directors and Supervisors) with the highest remuneration in the Company in 2020 are set forth in Note 32 to the audited consolidated financial statements.

MANAGEMENT CONTRACTS

In 2020, no contract regarding the management and administration of overall business and any substantial part of the business has been entered into by the Company.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed “CONNECTED TRANSACTIONS” on pages 43 to 55 in this report, none of the Company or any of its subsidiaries entered into any contracts of significance with the Controlling Shareholder or any of its subsidiaries other than the Group, nor was there any contracts of significance between the Group and the Controlling Shareholder or any of its subsidiaries other than the Group in relation to provision of services in 2020.

MATERIAL INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS, TRANSACTIONS OR ARRANGEMENTS

In 2020, save as disclosed in this report, none of the Directors or Supervisors or their connected entities directly or indirectly has material interest in any contracts, transactions or arrangements, which are significant to the businesses of the Group and entered into by the Company or any of its subsidiaries.

RIGHTS AND INTERESTS OF DIRECTORS ON COMPETING BUSINESSES

In 2020, save as disclosed in this report, none of the Directors or their associates has any competing interests in the businesses which compete or are likely to compete with businesses of the Company, either directly or indirectly.

DIRECTORS AND SUPERVISORS SERVING IN COMPETING BUSINESSES

The chart below summarizes the information of the Directors and Supervisors of the Company serving in BAIC Group and its connected companies as at the Date of Issue of the Report:

Name	Main Positions in the Group	Main Positions in Beijing Automotive Group Co., Ltd. and Its Connected Companies
Mr. Jiang Deyi ^{Note 3}	<ul style="list-style-type: none"> Chairman of the Board and non-executive Director of the Company Chairman of the board of directors of Beijing Benz Automotive Co., Ltd. 	<ul style="list-style-type: none"> Chairman of the board of directors of Beijing Automotive Group Co., Ltd.
Mr. Liao Zhenbo ^{Note 3}	<ul style="list-style-type: none"> Non-executive Director of the Company 	<ul style="list-style-type: none"> Deputy general manager of Beijing Automotive Group Co., Ltd.
Mr. Chen Hongliang ^{Note 4}	<ul style="list-style-type: none"> Non-executive Director of the Company 	<ul style="list-style-type: none"> General manager assistant of Beijing Automotive Group Co., Ltd.
Mr. Hu Hanjun ^{Note 5}	<ul style="list-style-type: none"> Non-executive Director of the Company 	<ul style="list-style-type: none"> Secretary to the board of directors of Beijing Automotive Group Co., Ltd. Director of Beijing Automotive Asset Operation Management Co., Ltd. (北京汽車資產經營管理有限公司) Director of BAIC ROCAR Automobile Service & Trade Co., Ltd. Director of Bohai Automotive System Co., Ltd.
Ms. Shang Yuanxian ^{Note 5}	<ul style="list-style-type: none"> Non-executive Director of the Company 	<ul style="list-style-type: none"> Secretary to the board of directors of Beijing Automotive Group Co., Ltd. Director of Bohai Automotive System Co., Ltd.
Mr. Xie Wei ^{Note 5}	<ul style="list-style-type: none"> Non-executive Director of the Company 	<ul style="list-style-type: none"> Secretary of the party committee and chairman of the board of directors of Beijing Hainachuan Automobile Components Corporation Limited

Note 1: Before September 9, 2020, Mr. Xu Heyi acted as the chairman of the Board and non-executive Director of the Company, and the chairman of the board of directors of BAIC Group and BAIC BluePark, director of Beijing Electric Vehicle, etc.

Note 2: Before July 24, 2020, Mr. Yan Xiaolei worked as a non-executive Director of the Company, and director of BAIC BluePark, Bohai Automotive and BAIC ROCAR, etc.

Note 3: Mr. Jiang Deyi and Mr. Liao Zhenbo were appointed as non-executive Directors of the Company on October 27, 2020.

Note 4: Mr. Chen Hongliang was redesignated from executive Director to non-executive Director of the Company on December 31, 2020.

Note 5: Mr. Hu Hanjun was appointed as a non-executive Director of the Company on March 24, 2021. On the same date, Ms. Shang Yuanxian and Mr. Xie Wei ceased to serve as non-executive Directors of the Company. Mr. Hu Hanjun was appointed as the secretary to the board of BAIC Group in January 2021, and Ms. Shang Yuanxian ceased to act as the secretary to the board of BAIC Group.

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The businesses of the Group are partially competing with those of BAIC Group and its subsidiaries. Executive Directors of the Company Mr. Chen Hongliang (redesignated as a non-executive Director on December 31, 2020) and Mr. Huang Wenbing (appointed as an executive Director on March 24, 2021), devoted most of their time to managing the Company's daily operations.

Save as disclosed above, as at the Date of Issue of the Report, none of the Directors, Supervisors or their associates had any rights and interests in competing businesses or businesses that might be competing with the Group's business, nor did they have any other conflicts of interest with the Group.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the end of the Reporting Period, none of the Directors, Supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations which were

required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register as referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at the end of 2020, none of the Directors or Supervisors or any of their respective associates was granted by the Company or its subsidiaries any rights to, or exercised any rights to acquire shares or debentures of the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at the end of 2020, to the best knowledge of the Directors, the following entities/persons (except for the Directors, Supervisors and senior management) had interests or short positions in the Shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 in Part XV of the SFO, or recorded in the register required to be kept under section 336 of the SFO, or who were directly and/or indirectly deemed to have 5% or more interest of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings:

Name of Shareholder	Class of Shares	Number of Shares/ Underlying Shares Held ^{Note 1}	Percentage of relevant class of shares (%) ^{Note 2}	Percentage of the total share capital (%)
Beijing Automotive Group Co., Ltd.	Domestic Shares	3,416,659,704(L)	62.18	42.63
Shougang Group Co., Ltd.	Domestic Shares	1,028,748,707(L)	18.72	12.83
Shenzhen Benyuan Jinghong Equity Investment Fund (Limited Partner)	Domestic Shares	342,138,918(L)	6.23	4.27
Daimler AG	H Shares	765,818,182(L)	30.38	9.55
Citigroup Inc.	H Shares	149,732,855(L)	5.94	1.87
		1,498,400(S)	0.05	0.02
		147,864,350(P)	5.86	1.84

Note 1: (L) – Long position, (S) – Short position, (P) -Lending pool.

Note 2: The percentage is calculated based on the number of shares held by relevant persons/the number of relevant classes of shares of the Company in issue as at the end of 2020.

Section VI Report of the Board of Directors

ARRANGEMENTS FOR SHARE PRE-EMPTIVE RIGHT AND SHARE OPTION

In 2020, no arrangement for share pre-emptive right and share option was made by the Company, and there is no specific provision under the PRC laws or the Articles of Association regarding share pre-emptive right.

DEBENTURES ISSUED

The debentures issued by the Group in 2020 are set out below:

On January 8, 2020, the Group issued 2020 first-tranche corporate bonds in an amount of RMB600 million with a term of 3 years, the annual coupon rate of 3.39%, and proceeds raised for repayment of interest-bearing debts and replenishing the working capital.

On March 10, 2020, the Group issued 2020 first-tranche ultra short-term debentures in an amount of RMB1,500 million with a term of 269 days, the annual coupon rate of 2.39%, and the proceeds raised for repaying bank borrowings of the Company and replenishing the daily working capital.

On April 17, 2020, the Group issued 2020 second-tranche ultra short-term debentures in an amount of RMB1,500 million with a term of 252 days, the annual coupon rate of 1.82%, and the proceeds raised for repaying bank borrowings of the Company and replenishing the daily working capital.

EQUITY-LINKED AGREEMENTS

In 2020, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company or subsisted.

PERMITTED INDEMNITY PROVISION

In 2020, no permitted indemnity provision (whether made by the Company or otherwise) was made which was or is in force for the benefit of the Directors of the Company or any directors of the associated companies of the Company (if made by the Company).

The Company has liability insurance to protect Directors, Supervisors and senior management against certain relevant lawsuits.

RETIREMENT AND EMPLOYEE BENEFIT SCHEMES

For details of the retirement and employee benefit schemes of the Group, see relevant information set out in the section headed “EMPLOYEES” on pages 56 to 57 of this report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For details, see the chapter headed “Corporate Governance Report” on pages 61 to 77 of this report.

AUDIT COMMITTEE

The Audit Committee has reviewed the Company’s and the Group’s 2020 annual results, and the audited consolidated financial statements for 2020 prepared in accordance with the IFRSs.

AUDITORS

PricewaterhouseCoopers (“PwC”) and PricewaterhouseCoopers Zhong Tian LLP (“PwC Zhong Tian”) were appointed as the Company’s auditors in relation to the financial statements prepared under the IFRSs and China Accounting Standards, respectively, for the year ended 2020.

SUMMARY OF THE FIVE-YEAR FINANCIAL INFORMATION

Summary of the Group's operation performance, assets and liabilities for the last five financial years is set out in the chapter headed "Summary of Financial and Performance Information" on pages 8 to 10 in this report. This summary does not form part of the audited consolidated financial statements.

COMPLIANCE OF BAIC GROUP WITH THE NON-COMPETITION UNDERTAKING

The Company has received a confirmation letter from BAIC Group, which confirms that in 2020, BAIC Group has complied with every undertaking in the "Non-competition Undertakings" given to the Company.

PUBLIC FLOAT

According to the information publicly available to the Company, or to the knowledge of the Directors, on the Date of Issue of the Report, the public held no less than 21.90% of Shares issued by the Company, which complies with a waiver regarding public float obtained by the Company when Listing. For details, please refer to the Prospectus, the announcement of the Company on partial exercise of over-allotment option dated January 12, 2015, and the announcement of the Company on completion of the placing of H Shares dated May 3, 2018.

MATERIAL LITIGATION

As at the end of 2020, the Company was not involved in any material litigation or arbitration. To the best knowledge of the Directors, there is also no ongoing or possible material litigation or claim against the Company.

CONNECTED TRANSACTIONS

Fully-exempted continuing connected transactions

Trademark and Technology Licensing Framework Agreement between the Company and BAIC Group

The Company entered into the Trademark and Technology Licensing Framework Agreement with BAIC Group on December 2, 2014 for an initial term commencing on the Listing Date of the Company and expiring on the end of 2016, subject to renewal upon mutual consents by both parties. In order to continue using the licensed trademark of BAIC Group, both parties have renewed the agreement on October 20, 2016, the term of which commenced on January 1, 2017 and will expire at the end of 2019, subject to renewal upon mutual consents by both parties. Both parties renewed the agreement on March 27, 2019, with the term commencing on January 1, 2020 and ending on December 31, 2022, subject to further renewal with the agreement of both parties.

Pursuant to the agreement, BAIC Group agreed to grant the Group (excluding Beijing Benz) a non-exclusive license for the use of certain registered trademarks (the "Licensed Trademarks") and relevant production technologies owned by BAIC Group on a royalty-free basis. Our Group will use the Licensed Trademarks and the production technologies within the scope specified in the Trademark and Technology Licensing Framework Agreement.

BAIC Group is the sole Controlling Shareholder and a Connected Person of the Company. The transaction between the Company and BAIC Group constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

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The Trademark and Technology Licensing Framework Agreement was on normal commercial terms and the Group paid the trademark licensing fee of RMB nil and the technology licensing fee of RMB nil to BAIC Group in 2020. The applicable percentage ratio calculated pursuant to Chapter 14A of the Listing Rules was less than 0.1% on an annual basis. Pursuant to Rule 14A.76 of the Listing Rules, the aforesaid continuing connected transactions are exempted from reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Non-exempt continuing connected transactions

1. Trademark Licensing Agreement between Beijing Benz and BAIC Group

Beijing Benz, a non-wholly owned subsidiary of the Company entered into a trademark licensing agreement (the "Trademark Licensing Agreement") with BAIC Group on February 28, 2013, with regard to its company name of "Beijing Benz", the production and assembly of its existing vehicle models, and the agreement will remain effective within the term of the joint venture agreement of Beijing Benz. The trademark licensing arrangement is a part of the joint venture agreement between the Company and Daimler AG in respect of Beijing Benz.

Pursuant to the agreement, Beijing Benz has the non-exclusive license granted by BAIC Group to use the "Beijing" trademark in the Company's name, and the manufacturing and assembly of passenger vehicles, and Beijing Benz shall regularly pay the trademark licensing fee to BAIC Group. The trademark licensing fee payable to BAIC Group is determined with reference to an agreed percentage of the net revenue generated by each vehicle. The annual caps of the trademark licensing fee paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement for 2020, 2021 and 2022 were RMB939.8 million, RMB986.8 million and RMB1,036.2 million respectively. The above continuing

connected transactions and the annual caps were considered and approved by the Board of Directors on March 27, 2019. For other details on the Trademark Licensing Agreement, see the announcement of the Company dated March 27, 2019.

In 2020, the trademark licensing fee paid by Beijing Benz to BAIC Group under the above agreement was RMB772.8 million.

2. Property and Facility Leasing Framework Agreement between the Company and BAIC Group

The Company entered into a property and facility leasing framework agreement (the "Property and Facility Leasing Framework Agreement") with BAIC Group on December 2, 2014, with the term from the Listing Date of the Company to the end of 2016, subject to renewal through mutual consents by both parties. Both parties renewed the Property and Facility Leasing Framework Agreement on October 20, 2016, with a term from January 1, 2017 to the end of 2019, subject to renewal through mutual consents by both parties. Pursuant to the agreement, the Company and/or its subsidiaries will lease properties and facilities from BAIC Group and/or its associates for manufacturing specific passenger vehicles. The rent payable under the agreement shall be agreed based on arm's length negotiation between the parties to the agreement with reference to the local market price, in compliance with relevant rules and regulations of the PRC; individual agreements shall be entered into, which shall specify the specific terms and conditions (including property rents, payment methods and other usage fees), in respect of relevant leased properties and facilities. On March 27, 2019, the Company entered into a supplemental agreement to the Property and Facility Leasing Framework Agreement ("Property and Facility Leasing Supplemental Agreement") with BAIC Group to supplement certain provisions in respect of

transaction type under the Property and Facility Leasing Framework Agreement and set up the annual cap for the rentals to be received by the Group from BAIC Group and/or its associates for properties and facility leasing in 2019. Pursuant to the Property and Facility Leasing Supplemental Agreement, the Company and/or its subsidiaries will lease properties and facilities to BAIC Group and/or its associates for manufacturing specific passenger vehicles.

The Company and BAIC Group renewed the amended Property and Facility Leasing Framework Agreement on March 27, 2019, for a term from January 1, 2020 to December 31, 2022, subject to renewal through mutual consents by both parties. The annual caps for 2020, 2021 and 2022 determined by the Company for the total annual rentals for properties and facility leasing to be paid to BAIC Group and/or its associates are RMB351.9 million, RMB387.1 million and RMB425.8 million respectively; the annual caps for 2020, 2021 and 2022 determined by the Company for the total annual rentals for properties and facility leasing to be received from BAIC Group and/or its associates are RMB255.9 million, RMB255.9 million and RMB255.9 million respectively. The above continuing connected transactions and the annual caps were considered and approved by the Board of Directors on March 27, 2019. For other details on the Property and Facility Leasing Framework Agreement, please refer to the announcement of the Company dated March 27, 2019.

In 2020, the rentals for properties and facility leasing paid by the Group to BAIC Group and/or its associates was RMB161.0 million, and the rentals received from BAIC Group and/or its associates for properties and facility leasing was RMB106.2 million.

3. Financial Services Framework Agreement between the Company and BAIC Finance

The Company entered into a financial services framework agreement (the "Financial Services Framework Agreement") with BAIC Finance on December 2, 2014, for an initial term commencing on the Listing Date of the Company and expiring at the end of 2016, subject to renewal through mutual consents by both parties. The Company renewed the Financial Services Framework Agreement with BAIC Finance on October 20, 2016, with the term from January 1, 2017 to the end of 2019, subject to renewal through mutual consents by both parties.

Pursuant to the agreement, BAIC Finance will provide financial services to the Company, mainly including (i) deposits; (ii) loans and entrusted loans; (iii) other financial services inclusive of notes discount and acceptance, finance leasing, settlement and entrusted loan agency; and (iv) any other services subject to relevant approvals from China Banking and Insurance Regulatory Commission ("CBIRC").

The Financial Services Framework Agreement provides for the following pricing principles:

- (a) Deposit services. Interest rates for the deposits placed by the Group with BAIC Finance will not be lower than: (i) the interest rate published by the People's Bank Of China ("PBOC") for deposits of a similar type for the same period; (ii) the interest rate for deposits of a similar type for the same period placed by the subsidiaries of BAIC Group (other than the Group); or (iii) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to us and our subsidiaries.

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- (b) Loan services. Interest rates for the loans to be advanced by BAIC Finance to the Group will not be higher than: (i) the caps (if any) of the loan interest rate published by the PBOC for loans of a similar type for the same period; (ii) the interest rate for loans of a similar type for the same period offered by BAIC Finance to other subsidiaries of BAIC Group (other than the Group); or (iii) the interest rate for loans of a similar type for the same period offered by independent commercial banks to the Group.
- (c) Other financial services. The interest rates or services fees will be (i) subject to the benchmark fee (if applicable) for similar types of financial services published by the PBOC or CBRC from time to time; (ii) comparable to or not exceeding the interest rates or fees charged by independent commercial banks or financial institutions to the Group for similar types of financial services; and (iii) comparable to or not exceeding the fees charged by BAIC Finance to the subsidiaries of BAIC Group (other than the Group) for similar financial services.

BAIC Group, the Controlling Shareholder and a Connected Person of the Company, holds 56.00% equity interest in BAIC Finance, an associate of BAIC Group, therefore, BAIC Finance is also a Connected Person of the Company. The transactions under the Financial Services Framework Agreement between the Company and BAIC Finance constitute connected transactions of the Company, pursuant to Chapter 14A of the Listing Rules.

As the loan services provided by BAIC Finance to the Group are on normal commercial terms and on terms that are no less favourable than those offered by independent third parties to the Group for comparable services in China, and that no security over the assets of the Group would be granted in respect of the loans, therefore, the loan service transactions are exempted from the reporting, announcement and independent Shareholders' approval requirements under the Rule 14A.90 of the Listing Rules.

The Company renewed the Financial Services Framework Agreement with BAIC Finance on March 27, 2019, with the term from January 1, 2020 to December 31, 2022, subject to renewal through mutual consents by both parties. The annual caps on the maximum daily balance of deposits and the interest income from deposits under the Financial Services Framework Agreement for 2020, 2021 and 2022 are as follows:

Item	Annual cap for the year ended December 31 (RMB in million)		
	2020	2021	2022
Maximum daily balance of deposits placed by the Group with BAIC Group Finance Co., Ltd.	16,000.0	16,000.0	16,000.0
Interest income from deposits placed by the Group with BAIC Group Finance Co., Ltd.	292.8	292.8	292.8

The above continuing connected transactions and the annual caps were considered and approved by the Board of Directors on March 27, 2019, and approved at the 2018 annual general meeting of the Company on June 18, 2019. For other details on the Financial Services Framework Agreement, see the announcement of the Company dated March 27, 2019 and the circular dated May 24, 2019.

For 2020, the actual maximum daily balance of deposits placed by the Group with BAIC Finance was RMB15,999.3 million, and the actual Interest income from deposits placed by the Group with BAIC Finance was RMB292.4 million.

4. Products and Services Purchasing Framework Agreement between the Company and BAIC Group

The Company entered into a products and services purchasing framework agreement (the “Products and Services Purchasing Framework Agreement”) with BAIC Group on December 2, 2014, for an initial term of the Agreement commenced on the Listing Date of the Company and expired on the end of 2016, subject to renewal through mutual consents by both parties. In order to effectively meet the Company’s requirements in terms of stable supply and high quality of products and comprehensive services and high quality, the Company renewed the Products and Services Purchasing Framework Agreement with BAIC Group on October 20, 2016, with the term from January 1, 2017 to the end of 2019, subject to renewal through mutual consents by both parties.

Pursuant to such agreement, BAIC Group and/or its associates will provide the Company and/or its subsidiaries with products including automobile equipment, raw materials, components and parts, vehicles, and services including labor services, logistics services, transportation services and consultancy services (“Purchased Products and

Comprehensive Services”). In order to ensure that the terms of individual transaction in respect of the purchase of products and comprehensive services by the Group from BAIC Group are fair and reasonable and in line with market practices, the Group has adopted the following pricing policies and measures: to have regular contact with the suppliers of the Group (including BAIC Group) to keep abreast of market developments and the price trend of comprehensive services; before placing an individual purchase order, to invite certain suppliers (including BAIC Group) from the approved list of suppliers of our Group to submit quotations or proposals; to have the suppliers and pricing of products and comprehensive services determined jointly by the Company’s tender assessment team according to the Company’s administrative measures for market quotations.

The Company renewed the Products and Services Purchasing Framework Agreement with BAIC Group on March 27, 2019, for the term from January 1, 2020 to December 31, 2022, subject to renewal through mutual consents by both parties. The annual caps for purchase of products and purchase of services under the Products and Services Purchasing Framework Agreement for 2020, 2021 and 2022 are as follows:

Item	Annual cap for the year ended December 31, (RMB in million)		
	2020	2021	2022
Purchase of products	50,346.0	52,920.8	55,603.1
Purchase of services	5,036.4	4,990.2	5,194.6

The above continuing connected transactions and the annual caps were considered and approved by the Board of Directors on March 27, 2019, and approved at the 2018 annual general meeting of the Company on June 18, 2019. For other details on the Financial Services Framework Agreement, see the announcement of the Company dated March 27, 2019 and the circular dated May 24, 2019.

For 2020, the actual amount of purchasing products and services under the Products and Services Purchasing Framework Agreement were RMB17,742.3 million and RMB3,565.6 million respectively.

5. Provision of Products and Services Framework Agreement between the Company and BAIC Group

The Company entered into a provision of products and services framework agreement (the "Provision of Products and Services Framework Agreement") with BAIC Group on December 2, 2014, for an initial term of the Agreement commenced on the Listing Date of the Company and expired at the end of 2016, subject to renewal through mutual consents by both parties. The Company renewed the Provision of Products and Services Framework Agreement with BAIC Group on October 20, 2016, with the term from January 1, 2017 to the end of 2019, subject to renewal through mutual consents by both parties.

Pursuant to such agreement, BAIC Group and/or its associates will purchase various products comprising facilities, raw materials, components and parts, vehicles etc. ("Provision of Products") and services comprising sales agency, processing agency, labor, logistics, transportation and consultancy services

("Provision of Services") offered by the Company and/or its subsidiaries. In order to ensure that the terms under such agreement are fair, the said agreement specifically provides that the terms of transactions contemplated thereunder are to be no less favorable than those entered into between the Company and independent third parties. The service fees charged to BAIC Group by the Group are determined on the basis of arm's length negotiations between the relevant parties. To ensure that the terms of supplying products and services to BAIC Group are fair and reasonable, the Group will make reference to the relevant historical prices of products and services and will base such on the principle of cost coupled with a fair and reasonable margin.

The Company renewed the Provision of Products and Services Framework Agreement with BAIC Group on March 27, 2019, for the term from January 1, 2020 to December 31, 2022, subject to renewal through mutual consents by both parties. The annual caps for provision of products and services under the Provision of Products and Services Framework Agreement for 2020, 2021 and 2022 are as follows:

Item	Annual cap for the year ended December 31 (RMB in million)		
	2020	2021	2022
Provision of Products	29,726.4	31,250.5	32,836.9
Provision of Services	392.7	413.3	434.7

The transaction for sale of products and the annual caps were considered and approved by the Board of Directors on March 27, 2019, and approved at the 2018 annual general meeting of the Company on June 18, 2019. The transaction for Provision of Services and the annual caps were considered and approved by the Board of Directors on March 27, 2019. For other details on the transactions for the Provision of Products and Provision of Services, see the announcement of the Company dated March 27, 2019 and the circular dated May 24, 2019.

In 2020, the amounts actually incurred for the sale of products and provision of services under the Provision of Products and Services Framework Agreement were RMB15,702.5 million and RMB68.2 million respectively.

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6. Continuing connected transactions in relation to Daimler AG and its associates

In 2020, the Group has entered into a number of continuing connected transactions with Daimler AG and its associates. In view of factors including protection of trade secrets and avoidance of unnecessary burden and losses to the business and operation of the Group, the Stock Exchange, at the time of Listing of the Company, has granted the Company an exemption from strict compliance with the written agreement and/or annual cap, announcements, annual reporting and/or independent Shareholders' approval requirements under the Listing Rules in respect of certain transactions with Daimler AG, as follows:

Nature of transaction	Transaction summary and pricing policy	Exemption granted
Sales of vehicles by Beijing Benz to Daimler AG and its associates	<ul style="list-style-type: none"> • Transaction summary: Daimler AG and its associates purchased vehicles from Beijing Benz for the purposes of research and development, testing, marketing and promotion and self-use. • Pricing policy: The market prices of relevant vehicles have been taken into consideration to ensure that the prices are fair and reasonable and on normal commercial terms. 	Signing of written agreement
Purchases of parts and accessories by Beijing Benz from Daimler AG and its associates	<ul style="list-style-type: none"> • Transaction summary: Beijing Benz purchased from Daimler AG and its associates components (including chassis), spare parts and accessories for the purposes of production. • Pricing policy: The market prices of similar products available in the market will be taken into consideration by Beijing Benz to ensure that the prices offered by Daimler AG and/or its associates are reasonable and competitive in the market. • Transaction amount: Not applicable. 	Signing of written agreement, annual cap, annual reporting, announcement and independent Shareholders' approval

Nature of transaction	Transaction summary and pricing policy	Exemption granted
<p>Provision of the right to use intellectual property rights (including trademarks and technologies) by Daimler AG and its associates to Beijing Benz</p>	<ul style="list-style-type: none"> • Transaction summary: Beijing Benz is granted by Daimler AG a non-exclusive license for the use of trademarks (including the “Benz” trademark in its company name) and technologies in the manufacture and assembly of Mercedes-Benz branded passenger vehicles upon the periodic payment of royalties to Daimler AG and its associates. • Pricing policy: The prices for the use of technologies and trademarks have been agreed by Daimler AG and the Group on arm’s length negotiations subject to our internal control procedures. The royalties payable for such licenses of technologies and trademarks are calculated as a percentage of the net revenue from vehicles and automobile parts and components which use the licensed technologies and trademarks. This net revenue is calculated based on the manufacturer’s suggested retail price less the value-added tax, gross margin of dealers, sales rebates to dealers, consumption tax and sales discounts. • Transaction amount: Not applicable. 	<p>Signing of written agreement, annual cap, annual reporting, announcement and independent Shareholders’ approval</p>
<p>Provision of services by Daimler AG and its associates to Beijing Benz</p>	<ul style="list-style-type: none"> • Transaction summary: Beijing Benz has entered into service procurement agreements with Daimler AG and its associates, pursuant to which Daimler AG and its associates provided technical support, training, specialist assistance, IT support, sales consulting, marketing and operational management services. • Pricing policy: The service fees charged by Daimler AG and its associates to the Group are determined based on arm’s length negotiations subject to our internal control procedures. In relation to technical support services and specialist assistance services, Daimler AG and the Company agreed that the service fees to be paid will be determined on a fixed fee rate on a daily basis with reference to the historical rates paid by Beijing Benz for the provision of similar services. The Group will take into account the market prices and comparable prices of similar services. • Transaction amount: Not applicable. 	<p>Signing of written agreement, annual cap, annual reporting, announcement and independent Shareholders’ approval</p>

Section VI Report of the Board of Directors

Nature of transaction	Transaction summary and pricing policy	Exemption granted
<p>Beijing Benz provides Daimler AG and its associates with services, parts and accessories</p>	<ul style="list-style-type: none"> • Transaction summary: Beijing Benz sold components and spare parts and provided aftersales referral services to Daimler AG and its associates. • Pricing policy: In relation to the aforesaid transactions, the Group will take into account the market prices of the relevant parts, components and services offered by other suppliers to Daimler AG and its associates to ensure that the prices Beijing Benz offered to Daimler AG and its associates are fair and reasonable and on normal commercial terms. The Group determines the prices of our components, parts and accessories by reference to the average profit margin in the market or based on the principle of the cost plus a reasonable margin. • Transaction amount: Not applicable. 	<p>Signing of written agreement, annual cap, annual reporting, announcement and independent Shareholders' approval</p>

Upon completion of the placing of H Shares by the Company on May 3, 2018 and as at the date of this report, Daimler AG held 9.55% equity interest in the Company and ceased to be a Connected Person at the listed company level; since Daimler AG held 49% equity interest in Beijing Benz at the same time, a significant subsidiary of the Company, Daimler AG and its associates remained Connected Persons of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules, and the transactions entered into between the Group and Daimler AG and its associates continued to constitute connected transactions of the Company and shall be regulated as transactions with Connected Persons at the subsidiary level.

The annual caps for the continuing connected transactions arising from the sale of vehicles by Beijing Benz to Daimler AG and its associates for 2020, 2021 and 2022 are RMB210.0 million, RMB210.0 million and RMB210.0 million respectively. The above continuing connected transactions and the annual caps were considered and approved by the Board of Directors on March 27, 2019. As each of applicable percentage ratios of the annual caps is less than 1%, pursuant to Rule 14A.76 of the Listing Rules, the aforesaid continuing connected transactions shall be fully exempted from reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In 2020, the actual amount of such transactions was RMB68.4 million.

Independent non-executive directors' review and confirmation

Independent non-executive Directors of the Company have reviewed the aforesaid continuing connected transactions and have confirmed that in 2020, they have been entered into: in the ordinary and usual course of the Group's business; on normal commercial or better terms; with the terms no less favorable to the Company than those offered to or by (as the case may be) independent third parties, if those available for comparison are insufficient to determine whether the terms of such transaction is normal commercial terms; and in accordance with relevant agreements whose conditions are fair and reasonable and in the interest of the Shareholders of the Company as a whole.

Auditor's Letter

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged our auditor, PwC, to report on the Group's continuing connected transactions in accordance with HKSAE3000 (Revised) "Hong Kong Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accounts. Based on its work, the Company's auditor provided the Board of Directors with a letter confirming that, with respect to the aforesaid continuing connected transactions: (1) nothing has come to our auditor's attention that causes it to believe that the disclosed continuing connected transactions have not been approved by the Board of Directors; (2) for transactions involving the provision of goods or services by the Group, nothing has come to our auditor's attention that causes it to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (3) nothing has come to our auditor's attention that causes it to believe that the transactions

Section VI Report of the Board of Directors

were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; (4) with respect to the aggregate amount for each of the aforesaid continuing connected transactions, nothing has come to our auditor's attention that causes it to believe that the amount of the disclosed continuing connected transactions has exceeded the annual cap as set by the Company.

The Company has submitted a copy of the aforesaid auditor's letter to the Stock Exchange.

The Company confirmed that the entering into and implementation of specific agreements in relation to the above continuing connected transactions for 2020 has complied with the pricing principles of these continuing connected transactions.

Non-continuing connected transactions

1. Additional Capital Contributions by BAIC Investment to BAIC Finance

On February 13, 2020, BAIC Investment entered into a capital increase agreement with BAIC Finance, pursuant to which BAIC Investment agreed to further subscribe to the capital increase of BAIC Finance (the total capital increase being RMB2,500 million) amounting to RMB500 million, in proportion to its capital contribution to the current registered capital of BAIC Finance (namely 20%). Upon completion of the capital increase, the capital contribution by BAIC Investment to the registered capital of BAIC Finance will be RMB1,000 million, accounting for 20%, remaining unchanged.

On the date of the agreement, BAIC Group was the sole Controlling Shareholder holding 42.63% of the total issued share capital of the Company, and a Connected Person of the Company. BAIC Group held a 56% equity interest in BAIC Finance, an associate of BAIC Group, therefore, BAIC Finance

is also a Connected Person of the Company. The subscription by BAIC Investment, non-wholly owned subsidiary of the Company, to the capital increase of BAIC Finance constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

For details of the aforesaid transaction, see the announcement of the Company dated February 13, 2020.

2. Acquisition by the Company of a 100% Equity Interest in BAIC International and a 24.78% Equity Interest in BAIC Ruili from BAIC Group

On March 13, 2020, the Company and BAIC Group entered into the Equity Transfer Agreement, pursuant to which the Company agreed to purchase, and BAIC Group agreed to dispose of a 100% equity interest held by BAIC Group in BAIC International and a 24.78% equity interest held by BAIC Group in BAIC Ruili, at a total consideration of RMB80 million. Upon the completion of the transaction under the Equity Interest Transfer Agreement, BAIC International will become a wholly-owned subsidiary of the Company, while BAIC Ruili will become a non-wholly-owned subsidiary of the Company.

On the date of the agreement, BAIC Group was the sole Controlling Shareholder holding 42.63% of the total issued share capital of the Company, and a Connected Person of the Company. The transaction of acquisition by the Company of the target equity interest from BAIC Group constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

For details of the aforesaid transaction, see the announcement of the Company dated March 13, 2020.

3. Subscription by BAIC Guangzhou of new A shares of BAIC BluePark

On August 3, 2020, BAIC Guangzhou, a wholly-owned subsidiary of the Company, entered into a share subscription agreement with BAIC BluePark, an A-share listed subsidiary of BAIC Group, which is a Controlling Shareholder of the Company, pursuant to which BAIC BluePark agreed to issue to BAIC Guangzhou, and BAIC Guangzhou agreed to subscribe for, at the subscription price determined according to the pricing basis of the A share offering of BAIC BluePark and subject to the maximum subscription amount of RMB343.8753 million, no less than 6.25% of the total number of new A shares issued by BAIC BluePark. On the same date, BAIC Group and its subsidiary Bohai Automotive also signed relevant share subscription agreements with BAIC BluePark to respectively subscribe for no less than 29.57% and 3.01% of the total number of new A shares issued by BAIC BluePark, at the same subscription price and under the same subscription conditions as those agreed with BAIC Guangzhou, and subject to the maximum subscription amounts of RMB1,626.5805 million and RMB165.7231 million.

The subscription is subject to the fulfillment of all conditions precedent under the share subscription agreement, including the obtaining by BAIC BluePark of the approval at the general meeting, the consent of the competent state-owned assets supervision and administration authorities, and the approval of the China Securities Regulatory Commission, with regard to the A share offering. As at the date of the agreement, BAIC Guangzhou, BAIC Group and Bohai Automotive respectively held 6.25%, 29.57% and 3.01% equity interests in BAIC BluePark. In accordance with relevant provisions in the share subscription agreement, if

the subscription is completed, the shareholding percentage of BAIC Guangzhou in BAIC BluePark will range from 6.25% to 7.32% (if the actual subscription price is based on BAIC BluePark's audited net asset value per share of RMB5.06 as at the end of 2019).

For details of the aforesaid transaction, see the announcement of the Company dated August 3, 2020.

Save as disclosed above, there are no other related party transactions or continuing related party transactions set out in note 39 to the financial statements which are discloseable connected transactions or continuing connected transactions under the Listing Rules. The connected transactions and continuing connected transactions have complied with the disclosure requirements under Chapter 14A of the Listing Rules.

MODEL CODE

Having made all reasonable enquiries to the Directors and the Supervisors, in the year 2020, they confirmed that they have strictly followed the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Company has not adopted a standard lower than that provided by the Model Code in relation to Directors' securities transactions.

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of 2020 audited consolidated financial statements are consistent with the principal accounting policies for the preparation of 2019 audited consolidated financial statements.

EMPLOYEES

Personnel Structure

As at the end of 2020, the Group had 21,038 full-time employees and the number of employees of different functions is set out in the table below:

Classification	Beijing Brand	Beijing Benz	Subtotal
Production workers	3,783	10,868	14,651
Technical staff	2,274	1,748	4,022
Sales and marketing personnel	400	32	432
Others	1,178	755	1,933
Total	7,635	13,403	21,038

Employee motivation

The Group has established a comprehensive performance evaluation system to link the annual business objectives with the performance evaluation of different departments and employees. It is a comprehensive performance evaluation system built across the Company and cascaded down to its departments, branches and individuals to ensure full coverage of key indicators as well as effective implementation and achievement of indicators by level-by-level management. Through multiple measures and approaches, the Group's business and individual motivation are connected, thereby stimulating the creative capability of the organization and the individuals. In line with the notion of pursuing shareholder value and corporate social responsibility, we hope to contribute to the sustainable development of the Company.

Employee training

In 2020, according to its overall corporate strategy and talent plan, under the value creation and market-oriented philosophy, with a focus on facilitating the digital transformation and reform of training, the Group tapped into the requirements, formulated and implemented customized training plans for all key businesses, on the basis of continuous and proper development of talents at all levels and team construction, thus improving the organizational efficiency, activating the vitality of personnel, strongly supporting the career development of employees and implementation of corporate strategies.

Employees' remuneration

Based on human resources strategies, the Group has established a performance and competence-oriented remuneration system with a focus on the post value, and a competitive remuneration standard with reference to the remuneration level of relevant enterprises in Beijing and the same industry, providing effective guarantee for recruiting, retaining and motivating talents, as well as the realization of human resources strategy of the Group.

Pension plan

In 2020, the Group has a total of 78 retired individuals who enjoy the basic pension insurance granted by the local social security bureau.

The Group has established a pension system to provide the qualified and voluntary employees with the supplementary pension plan offering certain guarantee on retirement income. The employees participating in the plan shall make relevant payment by a certain proportion. A third-party legal person trustee is entrusted to act as the account manager, custodian and investment manager to carry out fund management and investment activities. In accordance with the provisions of the pension system, such payment shall be payable at the time of employee retirement.

All references in this part of this annual report (Report of the Board of Directors) to other parts, sections of or notes in the annual report, form part of the Report of the Board of Directors.



BY ORDER OF THE BOARD

Jiang Deyi

Chairman

March 24, 2021

Section VII Report of the Board of Supervisors

In the year 2020, pursuant to the Company Law, the Articles of Association and Rules of Procedure of the Board of Supervisors of BAIC Motor Corporation Limited (“Rules of Procedure of the Board of Supervisors”), and in the spirit of accountability for the interest of the Company and safeguarding the legitimate rights of the Shareholders, all Supervisors have duly performed their supervisory duties to effectively monitor and inspect the execution of the duties of the Directors and senior management and the operation and management activities of the Company. In so doing, they have promoted the operational standard and healthy development of the Company.

THE WORK OF THE BOARD OF SUPERVISORS

Convening meetings of the Board of Supervisors

In the year 2020, a total of four meetings of the Board of Supervisors were held, at which the Work Report of the Board of Supervisors for 2019, the 2019 Annual Report, 2020 Interim Report, financial statements for the first quarter and the third quarter of 2020 were considered and approved.

Changes of members of the Board of Supervisors

On June 18, 2020, the Company held a general meeting for 2019, at which Mr. Qi Chunyu was appointed as a shareholder representative Supervisor for a term of office commencing on June 18, 2020 and ending on the expiry of the term of office for the third session of the Board of Supervisors of the Company. Due to other work arrangements, Mr. Yao Shun will cease to act as a shareholder representative Supervisor on the effective date of the appointment of Mr. Qi Chunyu as a shareholder representative Supervisor. For details, see the relevant announcement of the Company dated August 26, 2019 and June 18, 2020.

On March 24, 2021, Ms. Li Chengjun and Mr. Zhang Yanjun were elected as employee representative Supervisors of the fourth session of the Board of Supervisors at the employee representatives’ meeting of the Company, and Mr. Sun Zhihua, Mr. Zhou Xuehui and Ms. Qiao Yufei were appointed as non-employee representative Supervisors of the fourth session of the Board of Supervisors at the first extraordinary general meeting of 2021 of the Company, for a term of office commencing on March 24, 2021 and ending on the expiry of the term of office for the fourth session of the Board of Supervisors. On the same date, the Company convened the first meeting of the fourth session of the Board of Supervisors, at which Ms. Li Chengjun was elected as the chairman of the fourth session of the Board of Supervisors, for a term of office commencing on March 24, 2021 and ending on the expiry of the term of office for the fourth session of the Board of Supervisors. For details, see the relevant announcements of the Company dated February 4 and March 24, 2021.

Attendance at the Shareholders’ general meetings and the Board meetings

Pursuant to the Articles of Association and the Rules of Procedure of the Board of Supervisors, members of the Board of Supervisors attended the 2019 annual general meeting, the 2020 first domestic shareholders class meeting, the 2020 first H shareholders class meeting, the first extraordinary general meeting of 2020, and was in attendance at the Board meetings held on site. The Board of Supervisors also appointed certain Supervisors to act as the scrutinizers of the general meeting and Board meetings to ensure the legality of meeting procedures and matters voted on at the meetings, and reviewed relevant materials of the Board meetings held by teleconference.

By attending the general meetings and the Board meetings and reviewing relevant meeting materials, members of the Board of Supervisors enhanced their understanding of consideration of proposals of the general meeting and the Board of Directors of the Company, as well as the decision-making process of the Board. They have also enhanced their understanding of the financial position, connected transactions and production and operation of the Company, the supervision of the performance of the duties of the Directors and senior management, decisions on significant matters, standardization and effectiveness of operation and management activities; and in a timely manner, have informed the Company of possible risks and problems in production, operation, financial management and internal control, and have put forward reasonable suggestions on major operating decisions and financial risk control of the Company, and enhanced supervision of the Company for lawful operation. In so doing, they have played a positive role in promoting the Company's standardized governance and improving the operational efficiency of the Company.

Status of supervision

In 2020, in consideration of the strategic arrangements, corporate operation management and the implementation of material projects of the Company, the Board of Supervisors carried out an in-depth investigation at the Company, and an on-the-spot investigation at BAIC Marketing Services and Beijing Beinei Engine Parts and Components Co., Ltd. ("BEPC"). The Board of Supervisors visited dealers, understood the production and operation of the Company, and put forward improvement suggestions on the management and dealer business development of the Company.

Meanwhile, members of the Board of Supervisors put forward professional opinions and suggestions on product planning, brand building, market development and service quality improvement of Beijing Brand. For traditional investment enterprises, the Board of Supervisors provided constructive suggestions on how to effectively improve asset efficiency, organize corporate strategic transformation and realize the efficient operation of enterprises.

The Board of Supervisors further safeguarded the interests of the Company and Shareholders by continuously strengthening the supervision and inspection of enterprises to prevent operational risks, which lays a solid foundation for the sustained, steady and healthy development of the Company.

INDEPENDENT OPINION OF BOARD OF SUPERVISORS ON LAWFUL OPERATION OF THE COMPANY

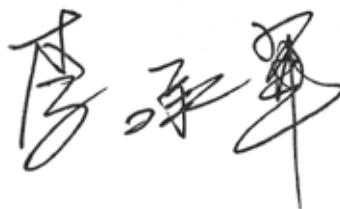
In the year 2020, the Board of Directors made scientific decisions in compliance with the Company Law, the Listing Rules, the Articles of Association and relevant laws, regulations and systems. The Directors duly performed their duties diligently and in accordance with the laws; the members of senior management devoted to their duties and performed their duties faithfully and conscientiously implemented the decisions made by the Board of Directors, and ensured high standards of operation and prudent management of the Company. The Company continuously improved and effectively implemented the internal control systems according to its actual conditions, requirements of laws and regulations. The internal control systems complied with relevant national laws, regulations and actual requirements of the Company and played a relatively good role in preventing and controlling risks for the operation and management of the Company. The Company has established internal joint supervision mechanisms including discipline inspection and supervision, internal audit and compliance management, which effectively promotes, prevents and addresses the operational risks of the Company, and promotes compliant operation of the Company.

Section VII Report of the Board of Supervisors

INDEPENDENT OPINION OF BOARD OF SUPERVISORS ON INSPECTION OF THE COMPANY'S FINANCIAL STATUS

The chairman and certain members of the Board of Supervisors were in attendance at the meetings of the Audit Committee of the Board of Directors for the year, and supervised the financial position, risk management, internal audit and other work of the Company. The Board of Supervisors carefully read the 2020 financial budget report of the Company, reviewed the standard unqualified auditor's reports issued by PwC and PwC Zhong Tian, listened to the report of the Company's senior management on relevant audit and communicated with the auditors. The Board of Supervisors is of the view that the Company's 2020 financial report meets the requirements of the relevant accounting standards and regulations; and it gives a true and fair view of the Company's financial position and business performance; and the information reflecting the Company's operation is truthful, legitimate and complete without false information, misleading representation or material omissions.

During the year, the work of the Board of Supervisors was supported by the Shareholders, the Board of Directors and the management. We hereby would like to express our heartfelt gratitude to the Shareholders, the chairman of the Board, the Directors and the management.



By order of the Board of Supervisors

Chairman of the Board of Supervisors

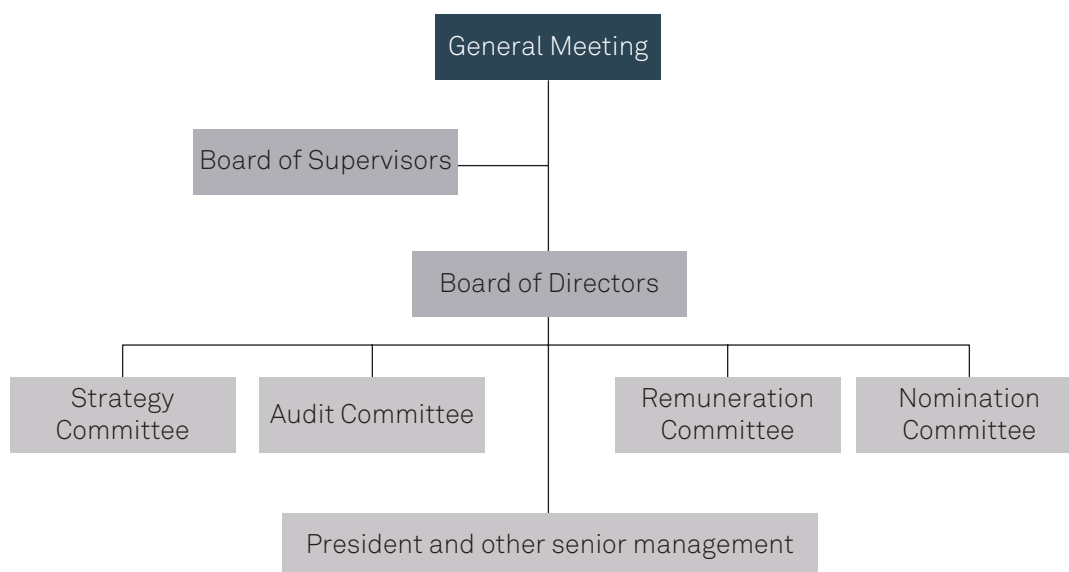
Ms. Li Chengjun

March 24, 2021

CORPORATE GOVERNANCE PRACTICE

The Group has been building and maintaining a high level of corporate governance so as to protect the rights and interests of Shareholders and enhance corporate value and sense of responsibility. The Company has put together a sound and market-oriented corporate governance structure and established the general meeting, the Board of Directors, the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee under the Board of Directors (the “Special Committees”) and the Board of Supervisors, and implemented corporate governance practices in strict accordance with the Articles of Association. The Company has adopted the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules (“Corporate Governance Code”).

The governance structure of the Company is as follows:



The Directors of the Company as a whole believe that in 2020, the Group had complied with all the code provisions under the Corporate Governance Code for all significant matters, other than the following disclosure in relation to the postponement of the election of the Board of Directors and the Board of Supervisors.

GENERAL MEETING

Responsibility

The general meeting is the supreme decision-making body of the Company and is responsible for lawfully exercising its functions and rights and making

important decisions. The annual general meeting or the extraordinary general meeting provides a channel for direct communication between Directors and Shareholders. Therefore, the Company attaches great importance to the general meeting. Notice shall be sent to all the Shareholders to encourage their attendance, at least 20 working days before a general meeting, or 10 working days or 15 days (whichever is longer) before an extraordinary general meeting, requesting that all the Directors, Supervisors and secretary to the Board attend the meetings, while the president and other senior management should be in attendance at the meeting.

Section VIII Corporate Governance Report

In 2020, the Company held four general meetings, including the 2019 annual general meeting, the 2020 first domestic shareholders class meeting, the 2020 first H shareholders class meeting and the 2020 first extraordinary general meeting. The attendance of Directors at general meetings in 2020 is set out on page 66 of this report:

Substantial Shareholders

BAIC Group is the Controlling Shareholder of the Company and as at the Date of Issue of the Report, BAIC Group holds 42.63% of the Shares of the Company. During 2020, BAIC Group did not circumvent the general meeting to make direct or indirect intervention in the Company's decision making and business operation.

For 2020, information on other substantial Shareholders and data on the personnel with a voting right of 5.0% or above at the general meeting (classes of Shares by Domestic Share and H Share) are set out in the chapter headed "Report of the Board of Directors" on pages 32 to 57 of this report.

BOARD OF DIRECTORS

Responsibility

Pursuant to the Articles of Association, the Company established the Board of Directors which is accountable to the general meeting. The Board of Directors comprises 15 Directors, including one executive Director, nine non-executive Directors and five independent non-executive Directors. The Directors are elected at the general meeting for a three-year term of office, and are eligible for re-election and re-appointment upon expiry of the term. The Board of Directors determines key resolution plans of the Company, and reviews and monitors the Company's business operation. The Board of Directors has authorized the Company's senior management to oversee the day-to-day management of the Company, with operational authority and responsibility. In order to facilitate the Board of Directors to consider specific

matters of the Company, the Board has set up four Special Committees, namely the Strategy Committee, the Audit Committee, the remuneration committee under the Board of the Company (the "Remuneration Committee") and the Nomination Committee. The Board of Directors has delegated various responsibilities to the Special Committees within their scope of duties.

All the Directors undertake that they will, in good faith, comply with the applicable laws and regulations and carry out their duties in the interests of the Company and the Shareholders during their term of office.

Composition of the Board of Directors

As of the Date of Issue of the Report, the Board of Directors comprised fifteen members, and the biographical details of the Directors are listed in the chapter headed "Directors, Supervisors and Senior Management" on pages 78 to 87 in this report. In the year of 2020, the Board of Directors complied at all time with the Rule 3.10(1) and Rule 3.10(2) of the Listing Rules regarding the appointment of at least three independent non-executive Directors (specifically, at least one of the independent non-executive Directors shall possess appropriate professional qualification or expertise relating to accounting or financial management), and the Rule 3.10A of the Listing Rules regarding the appointment of one-third of the Board members to be independent non-executive Directors.

All the Directors (including independent non-executive Directors) have brought different valuable work experience and expertise to the Board so as to effectively carry out the duties of the Board of Directors. All the Directors agreed to comply with the provisions as set out in the Corporate Governance Code and disclose to the Company in a timely manner information regarding the number of positions held, nature of the position(s), identity, term of office and other significant undertakings in other listed companies or organizations.

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and each of the independent non-executive Director has confirmed his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent individuals pursuant to Rule 3.13 of the Listing Rules.

In the year 2020, none of the Directors, Supervisors and senior management has any financial, business or family relationships or any relationships in other material aspects with each other or with the Company for which disclosure may be required.

Performance and continuing professional development

All the newly appointed Directors have received the necessary job performance training and relevant materials of the Company to ensure that they have an appropriate understanding of the Company's operation, business and their corresponding responsibilities as required by the relevant regulations, laws, rules and ordinances. The Company also arranged research activities and seminars for the Directors regularly to help them understand the Company's latest business development, and the laws, regulations and latest news at the regulatory level on a timely basis. Meanwhile, the Company also updated the Directors on the Company's business performance, operational situation and market prospect regularly to facilitate the Directors to fulfill their duties.

Training received by all the Directors in 2020 is set out on page 66 of this report.

Appointment, re-election and re-appointment of Directors and Supervisors

The appointment, re-election and re-appointment and removal procedures and requirements of Directors and Supervisors are set forth in the Articles of Association. The Nomination Committee is responsible for reviewing the composition of the Board of Directors and putting forward suggestions on the appointment, re-election and succession plan of Directors. Executive Directors, non-executive Directors and independent non-executive Directors shall serve a term of three years. The employee representatives Supervisors are elected democratically by the employee representative congress, while non-employee representatives Supervisors are elected by the general meeting. The term of office of each Supervisor is three years, renewable upon re-election.

The three-year term of office for the third session of the Board of the Company expired on April 20, 2020. Due to the impact of the COVID-19 outbreak, the election of the Board was postponed. The term of office for the third session of the Board of Directors was extended until March 24, 2021, namely the date on which members of the fourth session of the Board of Directors was approved by the general meeting. The fourth session of the Board of Directors was established on March 24, 2021.

The three-year term of office for the third session of the Board of Supervisors of the Company expired on December 4, 2020. As the nomination and selection of supervisor candidates for the new session of the Board of Supervisors had not been completed, the election of the third Board of Supervisors of the Company needed to be postponed, so as to maintain the continuity of the work of the Board of Directors and the Board of Supervisors of the Company. The term of office for the third session of the Board of Supervisors was extended until March 24, 2021, namely the date on which members of the fourth session of the Board of Supervisors was approved by the general meeting. The fourth session of the Board of Supervisors was established on March 24, 2021.

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Information on the service contracts with all Directors and Supervisors is set out in the chapter headed “Report of the Board of Directors” on page 38 of this report.

Board meeting

Pursuant to the Articles of Association, the Board of Directors shall hold at least four regular meetings each year, which shall be convened by the chairman. A 14-day advance written notice along with relevant materials to the issues to be considered shall be served to all Directors, in order to help the Directors with an opportunity to attend the meetings and fully understand all relevant issues to be considered so as to ensure effective decision-making of the Board.

For meetings of the Special Committees, a 3-day advance written notice shall be served to all the committee members. The meeting notice, including meeting agenda and relevant documents of the Board of Directors, has set aside adequate time for the

committee members to review and prepare for the meeting. Where the Directors or committee members are not able to attend the meeting in person, the Company will communicate with them well in advance to ensure their sufficient rights to express opinions and to participate in decision-making for the issues to be considered.

The minutes of the Board meetings and the Special Committees meetings shall record in detail the matters for their consideration and resolutions passed including the questions raised by the Directors. Upon compilation, the draft minutes of the Board meetings and the Special Committees meetings shall be sent to the Directors within a reasonable time in a reasonable manner after the meetings.

During 2020, the Board held eleven meetings. The main matters considered are as follows:

Name of Board Meeting	Date	Main Matters Considered
36th meeting of the third session of the Board	January 22, 2020	Project of Beijing Benz Automotive Co., Ltd. for Technology Transformation of Vehicle Models Engine Update and Upgrade Project of Beijing Benz Automotive Co., Ltd.
37th meeting of the third session of the Board	February 19, 2020	Acquisition of the Equity Interests Held by BAIC Group in BAIC International and BAIC Ruili
38th meeting of the third session of the Board	March 26, 2020	2019 Final Account Report (draft) 2019 Profit Distribution Plan (draft) 2019 Annual Report and 2019 Annual Results Announcement 2019 Report of the Board of Directors
39th meeting of the third session of the Board	April 9, 2020	Production and Operation Plan for 2020 (draft) 2020 Annual Investment Plan 2020 Credit Line Application Re-appointment International and Domestic Auditors for 2020

Name of Board Meeting	Date	Main Matters Considered
40th meeting of the third session of the Board	April 27, 2020	Financial Statements for the First Quarter of 2020 (draft) General Mandate for the Issuance of Debt Financing Instruments General Mandate for the Issuance of Shares General Mandate for the Repurchase of Shares 2019 Environmental, Social and Governance Report
41st meeting of the third session of the Board	July 24, 2020	Appointment of Directors
42nd meeting of the third session of the Board	July 31, 2020	Subscription by BAIC Guangzhou of shares issued by BAIC BluePark through private placement
43rd meeting of the third session of the Board	August 31, 2020	2020 Interim Report (Draft)
44th meeting of the third session of the Board	September 11, 2020	Appointment of Directors
45th meeting of the third session of the Board	October 27, 2020	Election of the Chairman of the Board of Directors, the Chairman of the Strategy Committee and the Nomination Committee of the Board Financial Statements for the Third Quarter of 2020
46th meeting of the third session of the Board	December 31, 2020	Appointment of the President

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Attendance of Directors at the meetings of the Board, the Strategy Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, the general meeting and their training in 2020 are set out as follows:

Name of Director	Number of Meetings Attended						
	Board meeting	Strategy Committee meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General Meeting	Training Received ^{Note 1}
Chairman and Non-executive Director							
Xu Heyi ^{Note 2}	8/8	2/2	-	-	1/1	0/3	A/B/C/D
Jiang Deyi ^{Note 3}	2/2	0/0	-	-	1/1	0/0	A/B/C/D
Non-executive Director							
Liao Zhenbo ^{Note 3}	2/2	0/0	-	-	-	0/0	A/B/C/D
Chen Hongliang ^{Note 4}	11/11	2/2	-	1/1	-	4/4	A/B/C/D
Shang Yuanxian ^{Note 3}	11/11	2/2	2/2	-	4/4	0/4	A/B/C/D
Yan Xiaolei ^{Note 5}	5/5	2/2	3/3	-	-	0/3	A/B/C/D
Xie Wei	11/11	2/2	-	-	-	3/4	A/B/C/D
Qiu Yinfu	11/11	2/2	-	-	-	3/4	A/C/D
Hubertus Troska	11/11	2/2	-	-	-	0/4	A/C/D
Harald Emil Wilhelm	11/11	-	-	-	-	0/4	A/C/D
Jin Wei	11/11	-	-	1/1	-	3/4	A/B/C/D
Lei Hai	11/11	2/2	-	-	-	0/4	A/B/C/D
Independent Non-executive Director							
Ge Songlin	11/11	2/2	-	-	4/4	0/4	A/B/C/D
Wong Lung Tak Patrick	11/11	-	5/5	1/1	-	0/4	A/B/C/D
Bao Robert Xiaochen	11/11	-	-	1/1	4/4	0/4	A/B/C/D
Zhao Fuquan	11/11	2/2	-	-	4/4	0/4	A/B/C/D
Liu Kaixiang	11/11	-	5/5	1/1	-	0/4	A/B/C/D

Note 1: A: attending seminars and/or meetings and/or forums and/or briefings; B: speaking at seminars and/or meetings and/or forums; C: attending training provided by lawyers or training related to the issuer business; D: reading materials on various topics, including corporate governance, responsibilities of directors, amendments to the Listing Rules and other related regulations.

Note 2: Due to the change in his work commitments, Mr. Xu Heyi ceased to act as the chairman of the Board, non-executive Director, the chairman of the Strategy Committee and the Nomination Committee of the Board, on September 9, 2020.

Note 3: On July 31, 2020, Mr. Liao Zhenbo and Ms. Shang Yuanxian were appointed as a member of the Strategy Committee and a member of the Audit Committee respectively. On October 27, 2020, Mr. Jiang Deyi and Mr. Liao Zhenbo were appointed as non-executive Directors of the Company. On the same date, Mr. Jiang Deyi was elected as the chairman of the Board of Directors, and the chairman of the Strategy Committee and the Nomination Committee of the Board.

Note 4: Mr. Chen Hongliang ceased to act as an executive Director and the president due to the change in his work commitments, and was redesignated as a non-executive Director, on December 31, 2020.

Note 5: Due to the change in his work commitments, Mr. Yan Xiaolei ceased to act as a non-executive Director, and member of the Strategy Committee and the Audit Committee of the Board, on July 24, 2020.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities by the Directors and Supervisors. After making all reasonable enquiries to all Directors, Supervisors and senior management, it is confirmed that they complied with the Model Code in 2020.

AUTHORIZATION OF THE BOARD OF DIRECTORS

The Board of Directors reserves the right of decision making on all major matters of the Company, including approving and supervising all matters relating to policies, overall strategy, internal control and risk management system, significant transactions (especially transactions involving conflicts of interest), financial data, nomination of director candidates and other major financial, production and operational matters. The Directors can seek independent and professional opinions when performing their duties, with the expenses borne by the Company. Meanwhile, the Directors are encouraged to make independent consultation from the Company's senior management.

The senior management is authorized to take charge of the Company's day-to-day management, administration and operation, and the Board of Directors will regularly review the performance of the senior management and execution of relevant resolutions. The management shall obtain approval of the Board of Directors before entering into any major transactions.

FUNCTIONS OF CORPORATE GOVERNANCE

The Board of Directors confirmed that corporate governance is the joint responsibility of all Directors, and its function includes the following: formulate and review the Company's policies and practices on corporate governance; review and monitor the training and continuous professional development of the Directors and senior management; review and monitor the Company's policies and practices on compliance with the regulatory requirements; formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and review the Company's compliance with Corporate Governance Code and disclosure of information in the corporate governance report.

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REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Board of Directors has established a Remuneration Committee with the responsibilities including confirming and reviewing the remuneration policies and proposals of the Directors and senior management. In 2020, except for the independent non-executive Directors and independent Supervisors who have received directors' and supervisors' remuneration from the Company, the remaining Directors or Supervisors have not received remuneration from the Company as Directors or Supervisors. The executive Directors received the senior management's remuneration of the Company. The remuneration standard of independent non-executive Directors and independent Supervisors is determined in accordance with the Company's actual situation and with reference to the average market level. The remuneration standard of each independent non-executive Director and independent Supervisor is RMB120,000 per year (before tax), which shall be calculated starting from the effective date of their term of office.

Details of remuneration of Directors and Supervisors in 2020 are set out in Note 42 to the audited consolidated financial statements.

The remuneration paid by the Company to the senior management (including one Director) in 2020 is as follows:

Remuneration Range (RMB)	Number of Personnel
2,000,001-2,500,000	1
1,500,001-2,000,000	1
Below 1,500,000	7

LIABILITY INSURANCE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Company has liability insurance to protect Directors, Supervisors and senior management against certain relevant lawsuits in 2020.

CHAIRMAN AND PRESIDENT

According to the requirement of provision A.2.1 of the Corporate Governance Code, the roles of chairman and president should be separated. In 2020, the chairman of the Board of the Company was Mr. Xu Heyi, who resigned on September 9, 2020, and Mr. Jiang Deyi was appointed as the chairman of the Board on October 27, 2020. The president (chief executive) was Mr. Chen Hongliang, who ceased to act as such on December 31, 2020, and Mr. Huang Wenbing was appointed as the president on December 31, 2020. The Company has clearly defined the responsibilities of the chairman and the president and the detailed definitions are provided in the Articles of Association.

SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS

Strategy Committee

The Board of Directors has established the Strategy Committee to operate formally and perform corresponding duties effective from the Listing Date of the Company. The Strategy Committee is mainly responsible for carrying out research and making recommendations in respect of the medium and long-term development strategies of the Company. The specific terms of reference of the Strategy Committee can be found on websites of the Stock Exchange and the Company.

As at the end of 2020, the Strategy Committee comprised ten members, namely Mr. Jiang Deyi (chairman), Mr. Liao Zhenbo, Ms. Shang Yuanxian, Mr. Chen Hongliang, Mr. Xie Wei, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Lei Hai, Mr. Ge Songlin and Mr. Zhao Fuquan, of which two were independent non-executive Directors, and eight were non-executive Directors.

Mr. Yan Xiaolei ceased to be a member of the Strategy Committee on July 24, 2020. Mr. Liao Zhenbo has acted as a member of the Strategy Committee since July 31, 2020.

Mr. Xu Heyi ceased to be the chairman of the Strategy Committee on September 9, 2020. Mr. Jiang Deyi has served as the chairman of the Strategy Committee since October 27, 2020.

During 2020, the Strategy Committee held a total of two meetings. Attendance of the committee members is set out on page 66 of this report.

Audit Committee

The Board of Directors has established the Audit Committee to operate formally and perform corresponding duties effective from the Listing Date of the Company. The Audit Committee is mainly responsible for reviewing and monitoring the Company's financial reporting processes, including, among others, proposing the engagement or change of external auditors; monitoring internal audit system of the Company and its implementation; being responsible for the communication of internal auditors and external auditors; reviewing the financial information and its disclosure; reviewing risk management and internal monitoring system of the Company. The specific terms of reference of the Audit Committee can be found on the websites of the Stock Exchange and the Company.

As of the end of 2020, the Audit Committee comprised three members, namely Mr. Wong Lung Tak Patrick (chairman), Ms. Shang Yuanxian and Mr. Liu Kaixiang, of which two were independent non-executive Directors and one was a non-executive Director.

Mr. Yan Xiaolei ceased to act as a member of the Audit Committee on July 24, 2020. Upon the resignation of Mr. Yan Xiaolei, the number of members of the Audit Committee decreased from three to two, which was lower than the minimum specified in Rule 3.21 of the Listing Rules. After Ms. Shang Yuanxian was appointed as a member of the Audit Committee on July 31, 2020, the Company re-complied with the requirement on the minimum number of members of the audit committee under Rule 3.21 of the Listing Rules.

During 2020, the Audit Committee held a total of five meetings, which reviewed and presented reasonable comments on the financial reporting system, compliance procedures, internal monitoring and control (on resources, qualifications, training programs and budget of the employees in the accounting and finance departments of the Company), and risk management system and procedures.

The decisions of the Board of Directors were in line with the recommendation and suggestion made by the Audit Committee on selection, appointment, resignation or removal of external auditors.

Meanwhile, the Audit Committee has reviewed the Group's first and third quarter's financial statements, the interim results and annual results for the financial year of 2020, the work plan of external auditors and the relevant auditing arrangements as well as the report prepared by PwC for accounting matters and major discoveries during the audit process.

During 2020, the Audit Committee held a total of five meetings. Attendance of the committee members is set out on page 66 of this report.

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Remuneration Committee

The Board of Directors has established the Remuneration Committee to operate formally and perform corresponding duties effective from the Listing Date of the Company. The Remuneration Committee is mainly responsible for formulating assessment standards of Directors and senior management and evaluating their performance to confirm and review the remuneration policies and plans of senior management. The specific terms of reference of the Remuneration Committee can be found on the websites of the Stock Exchange and Company.

As at the end of 2020, the Remuneration Committee comprised five members, namely Mr. Bao Robert Xiaochen (chairman), Mr. Chen Hongliang, Mr. Jin Wei, Mr. Wong Lung Tak Patrick and Mr. Liu Kaixiang, of which three were independent non-executive Directors, and two were non-executive Directors.

The Remuneration Committee has made recommendations and suggestions to the Board of Directors on the remuneration packages for certain executive Directors and senior management.

During 2020, the Remuneration Committee held a total of one meeting, considering and discussing relevant employee incentive schemes. Attendance of the committee members at the meeting is set out on page 66 of this report.

Nomination Committee

The Board of Directors has established the Nomination Committee to operate formally and perform corresponding duties effective from the Listing Date of the Company. The Nomination Committee is mainly responsible for researching the structure, size and composition of the Board, reviewing the suitable candidates of Directors and senior management and making proposals to the Board. The specific terms of reference of the Nomination Committee can be found on the websites of the Stock Exchange and the Company.

As at the end of 2020, the Nomination Committee comprised five members, namely Mr. Jiang Deyi (chairman), Ms. Shang Yuanxian, Mr. Ge Songlin, Mr. Bao Robert Xiaochen and Mr. Zhao Fuquan, of which three were independent non-executive Directors and two were non-executive Directors.

Mr. Xu Heyi ceased to act as the chairman of the Nomination Committee on September 9, 2020. Mr. Jiang Deyi was appointed as the chairman of the Nomination Committee on October 27, 2020.

During 2020, the Nomination Committee held a total of four meetings, putting forward opinions and suggestions to the Board and the Board of Supervisors on the change of Directors, Supervisor and senior management. Attendance of the committee members at the meetings is set out on page 66 of this report.

DIRECTOR NOMINATION METHOD AND PROCEDURE

A Director may be nominated by Shareholders or the Board.

Any shareholders holding individually or jointly more than 3% of the total outstanding shares in the Company with voting rights may propose a candidate for election as a non-employee representative Director at the general meeting in writing, at least 10 working days prior to a general meeting.

The Board may propose a list of Director candidates, according to the number of Directors to be appointed, up to the number specified by the Articles of Association, and submit the same to the Board for review. After the selection of Director candidates, the Board may submit a written proposal to the general meeting. Where there is a need to fill the casual vacancy of Directors, a list of Director candidates shall be proposed by the Board at the general meeting for election or replacement.

Written notices indicating the intent to nominate Director candidates and their acceptance of the nomination, as well as written information on the nominees shall be delivered to the Company at least 10 business days prior to the date of the general meeting. The Board shall provide the Shareholders with biographical details and basic information on the Directors.

Prior to submission to the Board, the list of all Director candidates shall be reviewed by the Nomination Committee, which shall put forward suggestions to the Board and Shareholders. The Nomination Committee shall review the biographical details of candidates and conduct due diligence, and evaluate their educational backgrounds, professional qualifications, industry-related experience, character and integrity, etc., by reference to the “Board Diversity Policy”. In the case of independent non-executive Directors, the Nomination Committee shall evaluate the independence of the candidates in accordance with the Corporate Governance Code and the Listing Rules. With regard to Directors who offer themselves for re-election upon the expiry of the terms of their office, the Nomination Committee shall review the contribution and performance of the candidates during their term of office (including the attendance rates of the candidates at Board committee meetings, Board meetings and ordinary meetings, their participation and performance in the Board).

DIVIDEND POLICY

The profit distribution policy is summarized as follows:

When distributing its profit after tax for the year, the Company shall set aside 10% of the profit as its statutory reserve fund. After allocation to the statutory reserve fund, subject to the approval by a resolution of a general meeting, the profit after tax may also be appropriated to the discretionary reserve fund. After making up losses and appropriation to reserve funds in accordance with the Articles of Association, balance of the profit after tax shall be distributed in proportion to shareholdings of Shareholders, except where non-pro rata distribution is provided pursuant to the Articles of Association.

The Company may distribute dividends in one or both of the following manners:

- (I) cash;
- (II) share.

The Company shall maintain consistent and stable profit distribution policies as practicable and shall consider cash dividend as the first priority. The specific ratio of dividend to be distributed shall be resolved by the Shareholders at the general meetings.

The Company shall calculate, declare and pay dividends and other amounts which are payable to holders of Domestic Shares in Renminbi within 3 months after the date of declaration. The Company shall calculate and declare dividends and other amount which are payable to holders of overseas listed foreign shares in Renminbi, and shall pay such amounts in foreign currency within 3 months after the date of declaration. The exchange rate shall be the average central parity rate for the relevant foreign currency announced by the People’s Bank of China 5 working days prior to the declaration of the dividend and other amounts. The dividend distribution of the Company shall be implemented by the Board according to the authorization delegated by the general meeting through an ordinary resolution.

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BOARD DIVERSITY POLICY

The Nomination Committee has formulated a “Board Diversity Policy” on the nomination and appointment of new Directors, in which it stipulates that the selection standard of Director candidate includes various factors such as gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service. The final candidate will be selected based on the comprehensive capability and the contributions that the individual is expected to bring to the Board. The composition of the Board of Directors (including their gender, age and term of office) will be disclosed in the annual report each year.

The Nomination Committee shall consider and adopt the composition of Board of Directors in accordance with the above measurement standard. By taking into account the Directors’ skills and experience and their suitability to the Company, the Nomination Committee believes that the Company’s existing Board structure in 2020 is reasonable and meets the requirements of “Board Diversity Policy”, without the need of adjustment.

Reasons for implementing the diversity policy

The Company firmly believes that diversity is the basis for the effective and successful operation of the Board. In order to achieve sustainable and balanced development, the Company regards increasing diversity at the board level as one of the key elements to support the achievement of its strategic objectives and its sustainable development. All appointments by the Board are based on the principle of meritocracy, and the benefits of Board diversity are fully taken into account in the selection of candidates, under objective conditions.

It helps the Nomination Committee and the Board ensure that the Board has suitable skills, experience and diversified opinions, which are balanced and meet the business requirements of the Company.

In the selection of Director candidates, as an automobile enterprise, the Company has taken into diversified consideration, the industry, economy, management and other related education, as well as experience in the automobile industry.

Measurable objectives

The selection of candidates will be based on diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skill, knowledge and length of service. The ultimate decision will be based on merit of candidates and their proposed contribution to the Board.

Implementation and monitoring

The Nomination Committee shall review the structure, size and composition (including the skills, knowledge and experience) of the Board once a year, and put forward suggestions on Board changes arising out of change in strategies of the Company, and shall supervise the implementation of the diversity policy by the Board, according to the policy of the committee in relation to Board diversity.

On the date of the report, the composition of the Board at the diversity level is summarized as follows:

1. Gender: There are 15 Directors, consisting of 1 female Director and 14 male Directors;
2. Educational background: There are 15 Directors, consisting of 4 Directors holding a doctoral degree, 8 Directors holding a master’s degree and 3 Directors holding a bachelor’s degree;

3. Age: There are 15 Directors, consisting of 3 Directors aged at or above 60 and 12 Directors aged below 60;
4. Position: There are 15 Directors, consisting of 1 executive Director, 9 non-executive Directors and 5 independent non-executive Directors;
5. Nationality: There are 15 Directors, consisting of 13 Chinese Directors and 2 German Directors.

RESPONSIBILITY OF DIRECTORS IN RELATION TO THE FINANCIAL STATEMENTS

The Board of Directors shall fulfill its duty to prepare the 2020 financial statements for the Group so as to present a true and fair view of the Group's production and operational condition, and of the business performance and cash flow of the Company.

The management of the Company has provided the Board of Directors with the necessary explanation and data to facilitate the Directors to review the Company's financial statements submitted for the approval by the Board of Directors. The Company has provided all members of the Board of Directors with updated information on the performance situation and prospects of the Company on a monthly basis.

The Directors are not aware of any significant uncertainties, that are, events or incidents that may cause significant concern on the on-going operation of the Company.

The results of the Company and the Group for the year 2020, and the financial positions of the Company and the Group at the end of 2020 are set out in the audited consolidated financial statements in this report on pages 127 to 133.

COMPANY SECRETARY

Mr. Wang Jianhui served as the secretary to the Board of the Company (with effect from January 17, 2019) and the company secretary (with effect from January 29, 2019), responsible for advising the Board of Directors on corporate governance, ensuring compliance with policies and procedures of the Board of Directors, relevant laws and regulations. In order to maintain good corporate governance and ensure compliance with the Listing Rules and applicable laws in Hong Kong, the Company continued to appoint Mr. Lee Kwok Fai, the head of corporate secretarial services of TMF Hong Kong Limited, as the company secretary assistant of the Company to assist Mr. Wang Jianhui (internal contact person) in performing his duties as the company secretary of the Company.

In the year 2020, Mr. Wang Jianhui and Mr. Lee Kwok Fai attended no less than 15 hours of relevant professional training respectively, in compliance with the requirements in Rule 3.29 of the Listing Rules.

CONTROL MECHANISM

Board of Supervisors

The third session and the fourth session of the Board of Supervisors comprise nine and five Supervisors respectively. The powers and functions of the Board of Supervisors include, but not limited to, reviewing and providing written opinions on the periodic reports of the Company prepared by the Board; monitoring the financial activities of the Company; supervising the performance of duties of Directors and senior management; proposing the removal of the Directors and senior management who have acted in breach of the laws, administrative regulations, the Articles of Association or the resolutions passed at the general

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meeting; requesting that the Directors and senior management to conduct rectification for actions causing damage to the interest of the Company; and proposing that extraordinary general meetings be convened.

In the year 2020, the Board of Supervisors has monitored the financial activities and the legality and compliance of the duties carried out by Directors and senior management of the Company. Four meetings were held in total, with attendance rate (including authorizing other Supervisors to attend the meeting) of 100%. The Supervisors also attended the general meetings and Board meetings as non-voting delegates and duly performed the duties of the Board of Supervisors.

INTERNAL CONTROL AND RISK MANAGEMENT

Responsibility of the Board

The Board is responsible for supervising the design, implementation and monitoring of risk management system by the management to ensure the establishment and maintenance of an effective risk management system of the Group. The Board keeps supervising risk management and internal control systems of the Group and reviews the effectiveness of the risk management and internal control systems of the Group at least once annually. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee under the Board is responsible for conducting regular or irregular reviews to the operation of the risk management and internal control systems of the Company in order to ensure the effectiveness of their operation. The management should report to the Board in respect of the operation of the risk management and internal control systems at least once annually. The Board and the Audit Committee are all clear that the effective risk management and internal control systems can only minimize the possibility of the occurrence of risks as possible, not to completely eradicate the same. The Board can only take reasonable risk management and internal control measures, but cannot absolutely guarantee to eradicate risks.

Risk management and internal control systems

The Company's operation planning department and the audit department are responsible for the risk management, internal control, operation maintenance and evaluation functions. The operation planning department is the leading department of the Company's risk management and internal control system construction and system operation, which is responsible for providing a related working mechanism of risk management and internal control and the generalized risk management and internal control methods and tools and designing relevant operating modes, establishing relevant organizations of risk management, organizing related professional training of risk and internal control together with the human resources department, as well as establishing risk and internal control business processes and incentive and communication mechanisms. The audit department is responsible for organizing self-evaluation of risk management and internal control and entrusting an independent third party to implement the risk management and internal control evaluation.

The Board of Directors has reviewed the effectiveness of risk management and internal control systems of the Group for 2020 and considered that such systems were effective and adequate.

The Company has set up a comprehensive risk management system involving three lines of defense. The first line of defense is the comprehensive risk management defense line consisting of process system, internal control system and risk database. The second line of defense is the key risk management and control defense line based on risk manager system. The third line of defense is the audit work known for independence and professionalism. The three lines of defense cooperate with each other, jointly constructing a comprehensive and well-established risk management system which focuses on the key risks, emphasizes synergy and is complementary in professional areas.

During the course of risk management, the Company implements risk management responsibility and puts pressure into each business unit through risk manager system, and transmits to every grass-roots responsible person from level to level. Vice president level will assume the role of risk manager, responsible for setting up professional risk management system in businesses of which they take in charge, promoting the application of the professional risk management tools and methods used by professionals for risk identification, analysis, monitoring and necessary response. The risk management and internal control systems of the Company are a set of comprehensive and self-contained risk management system which absorbs the insights from others' strengths. For example, the compilation of the Risk Management and Internal Control Manual learned from the COSO-ERM⁷, the Enterprise Risk Management Integration Framework and the Guidelines for Internal Control jointly issued by five ministries; the establishment of

risk database learned from the "Risk Intelligence Map" of a professional risk management organization and the Guidelines for Comprehensive Risk Management issued by State-owned Assets Supervision and Administration Commission of the State Council. The entire risk management and internal control systems have the following features:

1. A comprehensive system. For the first line of defense, a risk prevention and control network involving all staff and full value chains has been built, based on process system, risk database and the Risk Management and Internal Control Manual.
2. Highlighting the key points. The second line of defense actively promotes professional risk management philosophy via professional methods carried out by professionals through risk manager system to implement risk responsibility, from level to level and sets up the Risk Management Committee, of which the president personally serving as the chairman, each vice president as the risk manager and responsible for the establishment of a professional risk management team consisting of risk specialists, risk liaison officers and risk internal trainer. The unit responsible of risk management department is responsible for establishing a set of key risk reporting mechanisms on a monthly basis.
3. Professional synergy. The implementation of the professionalism of the professional risk management carried out by professionals through professional methods is achieved through risk manager system. In respect of the relatively high-risk items, all units cooperate fully for the preparation of risk response, and activate contingency plans if necessary.

7 COSO is an abbreviation of the Committee of Sponsoring Organizations of the Treadway Commission. In September 2004, it officially published the Enterprise Risk Management-Integrated Framework (COSO-ERM). It started the first amendment to the risk management framework in 2014 and published the updated Enterprise Risk Management Framework (COSO-ERM) in September 2017.

Section VIII Corporate Governance Report

The Group conducts a comprehensive self-evaluation work which covers the relevant year for the comprehensive risk management and internal control system once a year, using evaluations to hundreds of indicators from the two dimensions of the design integrity and the running availability to undertake the system assessment. In 2020, the self-evaluation work for risk and internal control involved a total of 774 indicators, consisting of 275 design integrity indicators and 499 running availability indicators. In respect of the flawed entries discovered during the evaluation, the Company adopts special rectification work, assigns a person of primary responsibility, clarifies the rectification plans, deliverables and schedule requirements, and completes the rectification work within a time limit.

The procedures of processing and releasing inside information

The Group establishes a compliance system of internal monitor and control information reporting which consists of internal major information contacts, which mainly includes regular material information reporting and temporary material information reporting, for the purpose of ensuring the high efficiency and order of the transmission and usage of the Group's internal information. Meanwhile, the information disclosure management department combines the Group's actual operating environment, changes to regulatory policies and the major concern of capital markets as well as in accordance with the regulatory requirements, proactively acquiring and discriminating the sensitive information which will result in the abnormal fluctuation of the Group's stock price, ensuring the proactively acquiring and discriminating of the Group's inside information and forming a bilateral and two-dimensional compliance system of information monitor and control with the functions of "reporting proactively" and "monitoring proactively".

The Company formulated and published systems including the Management System of Information Disclosure and the Measures for the Administration of Major Internal Information Reporting as the internal monitor and control and safeguard measures for processing and releasing inside information procedures and applied them within the Group.

AUDITORS' REMUNERATION

The Company has appointed PwC and PwC Zhong Tian as the auditors of the Company's 2020 consolidated financial statements prepared under IFRSs and PRC Accounting Standards, respectively. The general meeting authorized the management of the Company to determine its service remuneration.

The remuneration for the year 2020 paid or payable to the above Company's auditors, for audit and audit-related services amounted to RMB8.4 million and there was no non-audit services fee.

COMMUNICATION WITH THE SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes that effective communication with the Shareholders is very important to enhancing investor relations and helping investors to better understand the Company's business, performance and strategies. The Company also firmly believes that timely and non-selective disclosure of Company information is very important for Shareholders and investors to make informed investment decisions.

Information disclosure

The Company attaches great importance to fulfilling the legal obligation of information disclosure. It has strictly complied with the related provisions of the Listing Rules and the rules and procedures on the administration of information disclosure to disclose information that may have material impact on the investors' decision-making in a timely, accurate and complete manner, thus ensuring that all Shareholders are equally and fully informed.

In 2020, the Company released a total of 75 announcements in accordance with the Listing Rules. All announcements of the Company were published on the websites of the Stock Exchange and the Company. For details, please visit www.hkex.com.hk and www.baicmotor.com.

Communication with investors

In order to promote effective communication, the Company has set out policies of Shareholder communication to establish good communication channels between the Company and the Shareholders, such as website (www.baicmotor.com), hotlines (tel: +86 10 5676 1958; +852 3188 8333) and e-mail (ir@baicmotor.com) for investors' inquiries. The Company shall publish the latest information on the business operation and development, corporate governance practices and other data on its website for public access.

The general meeting has provided an opportunity for Shareholders and Directors to communicate directly. The Company's chairman and chairmen of the Special Committees under the Board will try their best to attend the annual general meeting to answer queries from the Shareholders, while the Company's external auditors will also attend the above meeting to answer questions thereon.

Shareholders' rights

In order to protect the interests and rights of the Shareholders, the Company shall present resolutions in the form of stand-alone motion to the general meeting for consideration (including the election of individual Directors). The motions presented to the general meeting for consideration shall be voted in accordance with the Listing Rules, and the voting results shall be published on the websites of the Company and the Stock Exchange in a timely manner after the meeting.

Pursuant to the Articles of Association, Shareholders individually or collectively holding 10% or more of the Company's issued and outstanding shares with voting right can make a formal request in writing to the Board of Directors to convene an extraordinary general meeting for specific purposes. The general meeting shall be held within two months after such requests being put forward by the Shareholders.

According to the Articles of Association, Shareholders individually or collectively holding more than 3% of the Shares may submit an extraordinary proposal to the Board in writing 10 days before the date of the general meeting. The Board shall notify other Shareholders within two days upon the receipt of the proposal and include it for consideration at the general meeting. The written proposal shall be addressed to the Board. Please visit the Company's website for relevant procedures for election of Directors. Shareholders who want to make inquiries regarding the Company to the Board of Directors can do so through the above-mentioned communication channels.

Articles of association

The Articles of Association of the Company has been published on the website of the Company for public access. In 2020, the Articles of Association was not amended.

Section IX Directors, Supervisors and Senior Management

As of the Latest Practicable Date, the profiles of Directors, Supervisors and senior management are as follows:

DIRECTORS

Mr. Jiang Deyi (姜德義), born in February 1964, holds a doctor of engineering degree. He is a senior economist and senior engineer. **He currently acts as the chairman of the Board of Directors and a non-executive Director of the Company**, the secretary of the party committee and chairman of the board of directors of BAIC Group, the chairman of the board of directors of Beijing Benz, and a member of the 13th Beijing Municipal Committee of the Chinese People's Political Consultative Conference.

Mr. Jiang has more than 30 years of experience in corporate management. Since 1986, he served as the plant director of Beijing Liulihe Cement Plant (北京市琉璃河水泥廠), the deputy general manager and president of BBMG Corporation (北京金隅股份有限公司), the secretary to the party committee and the chairman of BBMG Group Company Limited (北京金隅集團有限責任公司) (BBMG Corporation), the secretary to the party committee and the chairman of BBMG Corporation (北京金隅集團股份有限公司) and other positions.

Mr. Jiang has acted as the chairman of the Board and non-executive Director of the Company since October 27, 2020.

Mr. Liao Zhenbo (廖振波), born in December 1961, holds a bachelor's degree in engineering. **He currently acts as a non-executive Director of the Company** and the deputy general manager of BAIC Group.

Mr. Liao has over 30 years of experience in the automotive industry. Since 1983, he has served successively as the assistant engineer, the engineer and the senior engineer of technology foundation department and vehicle test department under technology centre of Dongfeng Motor Corporation (東風汽車集團有限公司) ("Dongfeng Motor Corporation"), the project manager, the deputy director (section chief) and the senior international business operator of international cooperation section under international cooperation department of Dongfeng Motor Corporation, the director of international cooperation division under strategic planning department of Dongfeng Motor Corporation, the deputy head and the head of the strategic planning department of Dongfeng Motor Corporation, the deputy chief engineer and the chief engineer for corporate planning in Dongfeng Motor Corporation, the vice president of Shenzhen Bak Battery Co., Ltd. (深圳市比克電池有限公司) and general manager of prismatic batteries business unit of Shenzhen Bak Power Battery Co., Ltd. (深圳市比克動力電池有限公司), and the president of Shenzhen Bak Power Battery Co., Ltd.

Mr. Liao has acted as a non-executive Director of the Company since October 27, 2020.

Mr. Chen Hongliang (陳宏良), born in January 1965, holds a master's degree in engineering and is a researcher-level senior engineer. **He currently serves as the non-executive Director of the Company**, the general manager assistant, and head of the operation and management department of BAIC Group, the chairman of the board of directors of Beijing Hyundai and Fujian Benz, the executive director of BAIC Investment, the director of CAAM, the standing director of Beijing Association of Automobile Manufacturers (北京汽車行業協會), and the standing director of Beijing Automobile Economic Research Association (北京汽車經濟研究會).

Section IX Directors, Supervisors and Senior Management

Mr. Chen has over 30 years of experience in the automobile industry. Since 1988, He has acted as the deputy workshop director, the workshop director and the deputy factory director of Nanjing Automobile Factory (南京汽車製造廠), the deputy director of the vehicle body plant, the deputy director of the general manager office, the head of the procurement department (at the deputy division director level), the director of the assembly plant, the secretary of the party committee, the deputy general manager and the deputy secretary of the party committee of NAVECO Ltd., the deputy general manager of the passenger vehicle business department of BAIC Group (at the division director level), the secretary of the party committee and general manager of Zhuzhou Branch of the Company, a member of the party committee and the vice president of the Company, the secretary of the party committee and the senior executive vice president of Beijing Benz, and the executive Director, president, deputy secretary of the party committee of the Company.

Mr. Chen has acted as an executive Director of the Company since June 23, 2017, and was redesignated as a non-executive Director of the Company on December 31, 2020.

Mr. Hu Hanjun (胡漢軍), born in October 1971, holds a master's degree in business administration and is a senior economist. **At present, he serves as a non-executive Director of the Company**, the secretary to the board of directors, the head of the department of investment and asset management of BAIC Group, the director of Beijing Automotive Asset Operation Management Co., Ltd., Beijing General Aviation Co., Ltd., BAIC ROCAR Automobile Services & Trade Co., Ltd. ("BAIC ROCAR"), BAIC International HK Co., Ltd. (北京汽車國際香港有限公司) and Bohai Automotive.

Mr. Hu has nearly 30 years of experience in the automobile industry. Since 2009, Mr. Hu has acted successively as an assistant to the general manager and the head of finance operation department of Beijing ROCAR Automobile Services & Trade Co., Ltd. (北京鵬龍汽車服務貿易有限公司), a member of the party committee and the deputy general manager of BAIC ROCAR, a member of the joint party committee of BAIC Rocar Services & Trade (北汽鵬龍服務貿易), the deputy general manager of BAIC ROCAR, the head of asset management department and investment and asset management department of BAIC Group.

Mr. Hu has acted as a non-executive Director of the Company since March 24, 2021.

Mr. Huang Wenbing (黃文炳), born in March 1973, holds a bachelor's degree and is a senior engineer. **At present, he serves as the executive Director**, the secretary of the party committee and the president of the Company, the director of Beijing Benz and Benz Sales, the executive director of Powertrain, BAIC Guangzhou, BEPC, and BAIC Powertrain System (Zhuzhou) Co., Ltd. (北汽動力系統(株洲)有限公司).

Mr. Huang has more than 20 years of experience in the automotive industry. Since 1995, he has served successively in various positions including the technician of quality management department in Yuejin Motor Group (躍進汽車集團公司), the quality supervisor of the assembly plant of Nanjing FIAT, head of the quality management department in Wu Xi Branch of Yuejin Motor Group, the director of quality management of Changsha Zotye Auto Industrial Company Limited (長沙眾泰汽車工業有限公司), the person-in-charge of the quality management department, the director of quality control department and the deputy general manager of Zhuzhou Branch of the Company, the deputy head of quality center of the Company, and the general manager of Zhuzhou Branch of the Company, and the vice president, the director of the production and technology center and the director of the operation center of the Company.

Mr. Huang has acted as an executive Director of the Company since March 24, 2021.

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Mr. Ye Qian (葉芊), born in September 1984, holds a master's degree in business administration. **At present, he acts as the non-executive Director of the Company**, the executive member of the investment and acquisition business group (投資併購事業群執行委員) of Beijing Shougang Fund Co., Ltd. (北京首鋼基金有限公司) ("Shougang Fund"), an executive director of Shougang Concord Century Holdings Limited ("Shougang Concord Century"), and the general manager of Beijing Shouyuan Xinneng Investment Management Co., Ltd., as well as the director of Beijing West Fund Management Co., Ltd. ("Beijing West Fund Management").

Mr. Ye has more than 10 years of experience in investment management. Since 2007, Mr. Ye Qian has served successively as the senior manager of Great Wall Motor Company Limited (長城汽車股份有限公司) and of the office of China Chamber of International Commerce, the deputy representative of Representative Office in Hong Kong & Macao of CCPIT, the deputy director (presiding) of office of China Chamber of International Commerce, the deputy head of PPP department of Shougang Fund, the assistant to the general manager of Beijing West Fund Management as well as the non-executive director of Shougang Concord Century.

Mr. Ye has acted as a non-executive Director of the Company since March 24, 2021.

Mr. Hubertus Troska, born in March 1960, German, holds an MBA degree. **At present, Mr. Troska is a non-executive Director of the Company**, the deputy chairman of the board of directors and director of Beijing Benz. Since December 2012, he has worked as a member of the management committee of Daimler AG, as well as the chairman of the board of directors or a member of the board of directors at a subsidiary or joint venture company of Daimler AG in Greater China, in charge of Greater China (including Hong Kong, Macao and Taiwan) business of Daimler AG, covering passenger vehicles, trucks, new energy vehicles and financial service.

Mr. Hubertus Troska has more than 30 years of experience in the automotive industry and has held many international management positions at Daimler AG. Before the appointment to work in Greater China, he led the marketing of Mercedes-Benz trucks, Mercedes-AMG GmbH and Mercedes-Benz sedans. He was in charge of management in branches of Daimler AG in Turkey, the United States and Mexico.

Mr. Hubertus Troska has served as a non-executive Director of the Company since November 18, 2013.

Mr. Harald Emil Wilhelm, born in April 1966, German, holds an MBA degree. **At present, he is a non-executive Director of the Company**. He has been a member of the management committee of Daimler AG since April 2019, and in charge of finance, control, financial service and mobility departments at Daimler AG since May 2019. Since April 2020, Mr. Harald Emil Wilhelm has also acted as the chief financial officer of Mercedes-Benz AG.

Mr. Harald Emil Wilhelm has nearly 30 years of enterprise management experience since he worked for Deutsche Aerospace AG. He has held many financial management positions at Airbus SE since 2000, and has worked as a chief financial officer of Airbus SE and Airbus Commercial Aircraft since June 2012. Before working for Airbus SE, Mr. Harald Emil Wilhelm acted as the vice president, mergers & acquisitions at Daimler-Benz Aerospace AG.

Mr. Harald Emil Wilhelm has served as a non-executive Director of the Company since June 18, 2019.

Mr. Jin Wei (金偉), born in September 1972, holds a master's degree in management. **He currently serves as a non-executive Director of the Company** and the general manager of No.1 investment management department at Beijing State-owned Capital Operation and Management Center (北京國有資本經營管理中心).

Mr. Jin has over twenty years of enterprise management experience. Since 1998, he has acted successively as a member of Beijing Lingjing and

Section IX Directors, Supervisors and Senior Management

Qianmen Securities Trading Business Departments of China Cinda Trust and Investment Company, the industry research director of Beijing Guofu Investment Management Company Limited (北京國富投資管理有限公司), the capital operation director of the investment banking department and the deputy manager of the planning and finance department at Beijing International Power Development and Investment Company (北京國際電力開發投資公司), the deputy manager of the property right management department at Beijing Energy Investment (Group) Company (北京能源投資(集團)有限公司), the deputy director of the preparatory office and deputy general manager at the asset management branch of Beijing Energy Investment (Group) Company (北京能源投資(集團)有限公司), the deputy general manager of the financing management department and the equity management department, the deputy general manager and the general manager of No.1 investment management department at Beijing State-owned Capital Operation and Management Center.

Mr. Jin has served as a non-executive Director of the Company since June 18, 2019.

Mr. Sun Li (孫力), born in August 1965, holds a master's degree in business administration and is a senior economist. **He currently acts as a non-executive Director of the Company** and a full-time investment director of investment enterprises of Beijing Energy Holding Co., Ltd. (北京能源集團有限責任公司).

Mr. Sun has more than 30 years' experience in business management. Since 1988, he successively served as a cadre of the Economic Information Department of China Public Relations Association, a cadre of the News Department of the General Office of the Ministry of Water Resources, the senior staff member of the News Department, a principal staff member of the News Department, the deputy director of the News Department of the General Office, a cadre of the Office of Preparation for Water Resources Dispatch Building of the Ministry of Water Resources, the head of general manager office of Beijing International Power Development and Investment

Corporation, the head of the office of board of directors, director of human resources department, party branch secretary, and head of the general manager office of Beijing Energy Investment Holding Co., Ltd. (北京能源投資(集團)有限公司), the head of the general manager office, head of human resources department of Beijing Energy Holding Co., Ltd. (北京能源集團有限責任公司), and the secretary of party committee and executive director of Beijing Yuanshen Energy Saving Technology Co., Ltd. (北京源深節能技術有限責任公司).

Mr. Sun has acted as a non-executive Director of the Company since March 24, 2021.

Mr. Ge Songlin (葛松林), born in September 1955, holds a doctoral degree in engineering in Italy and a senior engineer at a professor level. **At present, he serves as an independent non-executive Director of the Company**, the specialized deputy secretary general of Society of Automotive Engineering of China, the secretary general of the working committee of Science and Technology Award of China Automobile Industry (中國汽車工業科技獎勵工作委員會) and an editor-in-chief of the academic journal Automotive Engineering, a distinguished professor at Hefei University of Technology, Jiangsu University and Changsha University of Science and Technology and a member of the academic committee of the key lab of Shanghai Jiaotong University.

Mr. Ge has nearly 40 years of experience in the automobile industry. Since 1982, He has served successively as an assistant lecturer, lecturer, associate professor and professor in Hefei University of Technology. In 1992, he went to University of Florence in Italy for a doctoral degree study and later in 1997 he served as a senior engineer in the automobile industry department of the Ministry of Machine-Building Industry and the deputy secretary general of Society of Automotive Engineering of China after returning China.

Mr. Ge has served as an independent non-executive Director of the Company since April 21, 2017.

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Ms. Yin Yuanping (尹援平), born in March 1956, holds a bachelor's degree in economics. **At present, she acts as the independent non-executive Director of the Company**, and the vice council president of China Enterprise Confederation/China Enterprise Directors Association (中國企業聯合會／中國企業家協會, the "CEC") as well as the president of China Enterprise Management Science Foundation (中國企業管理科學基金會).

Ms. Yin has more than 30 years of experience in corporate management. Since 1989, Ms. Yin Yuanping has acted successively as the vice president and vice general editor, the president and general editor of CEC Enterprise Management Publishing House (中國企聯企業管理出版社), the vice president, the vice chairman, the standing vice chairman and the secretary to the party committee as well as the standing vice president of CEC.

Ms. Yin has acted as an independent non-executive Director of the Company since March 24, 2021.

Mr. Xu Xiangyang (徐向陽), born in May 1965, holds a doctoral degree in engineering. **At present, he serves as an independent non-executive Director of the Company**, a professor in School of Transportation Science and Engineering (交通科學與工程學院), a director of the academic committee (學術委員會) and a doctoral tutor of Beihang University (北京航空航天大學), as well as a standing director and a fellow of Society of Automotive Engineers China (中國汽車工程學會), a standing deputy director of the National Automatic Transmission Engineering Technology Research Center for Passenger Vehicles (國家乘用車自動變速器工程技術研究中心) and an independent non-executive director of Cheshi Holdings Limited.

Mr. Xu has more than 30 years of experience in the automobile industry. Since 1990, Mr. Xu has acted successively as an assistant lecturer, lecturer, associate professor and professor in School of Automotive Engineering (汽車工程學院) of Harbin Institute of Technology (哈爾濱工業大學), a visiting scholar in Daimler AG, a professor and deputy director

in House of Automotive Engineering (汽車工程系) as well as a professor and vice president in School of Transportation Science and Engineering of Beihang University.

Mr. Xu has acted as an independent non-executive Director of the Company since March 24, 2021.

Mr. Tang Jun (唐鈞), born in March 1978, holds a doctoral degree in management. **At present, he acts as an independent non-executive Director of the Company**, a director of the Crisis Management Research Center and a professor and a doctoral tutor in the School of Public Administration and Policy of Renmin University of China. Meanwhile, he serves as the deputy director of the Urban Safety Research Center of People's Public Security University of China, a special researcher of the Fire and Rescue Department under the Ministry of the Emergency Management (應急管理部消防救援局), an expert consultant of www.cpd.com.cn (中國警察網), a member of the National Risk Management and Standardized Technique Committee (全國風險管理標準化技術委員會), the deputy chairman of the City Management Volunteers Association of Beijing (北京市城市管理志願者協會), the deputy director of the School Security Professional Committee of China Society of Emergency Management (中國應急管理學會校園安全專業委員會), the deputy secretary general of the Research Society for China Public Sector Reform Management (中國機構編製管理研究會), a director of the Public Management Research Center of Chinese Public Administration Society and of the Research Society for China Public Sector Reform Management, an editorial board member of the press of the Reform and Management of China Public Sector (《中國機構改革與管理》), a consultant of the press of China Fire (《中國消防》) and an independent non-executive director of BBMG Corporation. Mr. Tang has nearly 20 years of experience in risk management and safety management. Since 2005, he has served as a lecturer and an associate professor in School of Public Administration Policy as well as a deputy director of the Crisis Management Research Center of Renmin University of China, etc.

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Mr. Tang has acted as an independent non-executive Director of the Company since March 24, 2021.

Mr. Edmund Sit (薛立品), born in November 1963, holds a master's degree in business administration and is a fellow of the Association of Chartered Certified Accountants in the United Kingdom, a fellow of the Hong Kong Institute of Certified Public Accountants, a member of Association of International Certified Financial Consultants, an associate member of Society of Chinese Accountants & Auditors and a member of the Hong Kong Business Accountants Association. **He currently acts as an independent non-executive Director of the Company**, an independent non-executive director, the chairman of the audit committee and the chairman of the remuneration committee in First Tractor Company Limited, as well as the director of Alpcorp Ltd. and Alpcorp Trading Services Ltd.

Mr. Sit has more than 30 years of experience in auditing, finance, managing accountant, personnel management, financing, the secretary of companies and listing, etc. He worked for KPMG, Ernst & Young, System Pro Uarco Business Forms Ltd, Logo S.A., Xiang Lu Industries Ltd, Chubb Hong Kong Ltd, Johnson Controls Hong Kong Ltd, C&C Joint Printing Co., (HK) Ltd, Sino Fame International Group (譽中國際集團) and Wanyu Group (萬裕集團). He acted as a senior management member of Tianneng Power International Limited, Beijing Media Corporation Limited, SMI Holdings Group Limited, Wong's International Holdings Limited and Beijing Gas Blue Sky Holdings Limited.

Mr. Sit has acted as an independent non-executive Director of the Company since March 24, 2021.

SUPERVISORS

Ms. Li Chengjun (李承軍), born in April 1968, holds a bachelor's degree, a senior political officer. **At present, she is the chairman of the Board of Supervisors**, an employee representative Supervisor, the deputy secretary of the party committee, a secretary of the

discipline inspection commission and the chairman of the labor union of the Company, as well as a member of the standing committee of the discipline inspection commission of BAIC Group.

Ms. Li has more than 30 years of working experience. Since 1986, she successively served as a worker of Beijing Second Automobile Factory (北京第二汽車製造廠), a promotion officer of Beijing Light Vehicle Co., Ltd. (北京輕型汽車有限公司), the head of the department of party-masses work and the head of the public relation division of Beijing Hyundai, the director of the female workers committee and the vice chairman of the labor union of Beijing Automotive Industry Holding Co., Ltd., a member of the standing committee of the discipline inspection commission and the vice chairman of the labor union of BAIC Group. as well as a committee member of the party committee and a secretary of the discipline inspection commission of the Company.

Ms. Li has acted as an employee representative Supervisor and the chairman of the Board of Supervisors of the Company since March 19, 2019 and March 24, 2021 respectively.

Mr. Sun Zhihua (孫智華), born in July 1981, holds a master's degree in management and is a senior auditor and an accountant. **He currently acts as a non-employee representative Supervisor of the Company** and the head of the audit department of BAIC Group.

Mr. Sun has more than 10 years of experience in auditing and finance. Since 2005, Mr. Sun Zhihua has served successively as an accountant of the financial department of China International Exhibition Centre, a senior manager of the audit department of BAIC Group, a deputy manager and a manager of the audit department of BAIC Finance, as well as a deputy head of the audit department (presiding) of BAIC Group.

Mr. Sun has acted as a non-employee representative Supervisor of the Company since March 24, 2021.

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Mr. Zhou Xuehui (周雪輝), born in December 1966, holds a bachelor's degree and is a senior accountant. **He currently acts as a non-employee representative Supervisor of the Company**, and the deputy head of the financial department of BAIC Group.

Mr. Zhou has more than 30 years of experience in financial management. Since 1988, Mr. Zhou Xuehui has served successively as the person-in-charge of accounting, league branch secretary, the manager of the financial department, the manager of finance and logistic department (財儲運部), a manager and assistant to the general manager of the planning and finance department in Beijing Automotive Industry Imp. & Exp. Co., Ltd., a deputy general manager and general manager of Beijing Yanshenglong Automobile Trade Co., Ltd (北京燕盛隆汽車貿易有限公司), the head of the financial department for capital management in Beijing Automotive Industry Holding Co., Ltd. (the predecessor of BAIC Group), the deputy secretary of the party branch and the head of the labor union of BAIC Finance, the deputy secretary of the party committee, the deputy general manager, a secretary of the discipline inspection commission and the chairman of the labor union of BAIC Finance, the vice president of the Party School, a member of the university council of BAIC Group, the deputy general manager of Beijing Automotive Education Investment Co. Ltd. (北京汽車教育投資有限公司).

Mr. Zhou has acted as a non-employee representative Supervisor of the Company since March 24, 2021.

Mr. Zhang Yanjun (張彥軍), born in November 1972, holds a master's degree in management. **At present, he is an employee representative Supervisor** and the deputy head of the legal and compliance department of the Company.

Mr. Zhang has over 20 years of experience in auditing. Since 1995, he served successively as a researcher of audit research institute of Beijing Audit Bureau,

the head of audit office of Beijing Automotive Holding Co., Ltd., the director of audit and supervision office of BAIC Automotive Asset Operation Management Co., Ltd., the general manager of audit and compliance department of Beijing Benz Automotive Co., Ltd., the head of the audit department of the Company and other positions.

Mr. Zhang has acted as an employee representative Supervisor of the Company since March 24, 2021.

Ms. Qiao Yufei (喬雨菲), born in January 1988, holds a master's degree in finance, chartered financial analyst (CFA). **At present, she acts as a non-employee representative Supervisor of the Company**, the principal of post-investment management and service department of Shougang Fund.

Ms. Qiao has nearly 10 years of experience in investment and post-investment management. She has served successively as a senior manager and the vice president of investment banking department and the vice president of equity investment department of CITIC Securities Company Limited since 2012.

Ms. Qiao has acted as a non-employee representative Supervisor of the Company since March 24, 2021.

SENIOR MANAGEMENT AND COMPANY SECRETARY

See "DIRECTORS" of this Section for the profile of **Mr. Huang Wenbing**.

Mr. Huang has acted as the president of the Company since December 31, 2020.

Mr. Chen Wei (陳巍), born in June 1969, holds a bachelor's degree in engineering and an EMBA degree and is a senior engineer. **At present, he acts as the**

Section IX Directors, Supervisors and Senior Management

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vice president of the Company, the secretary of the party committee and senior executive vice president of Beijing Benz.

Mr. Chen has more than 20 years of experience in the automobile industry. He worked successively as an assistant engineer and an engineer of the product engineering department, an onsite engineer of the U.S. office, the leader of the interior trimming team of the vehicle body engineering section, the head of the vehicle model development section and the production planning section in Beijing Jeep Motor Co., Ltd., the department director and the manager of the assembly workshop, the general manager of the corporate and legal affairs department and the secretary of the general party branch in Beijing Benz-Daimler Chrysler Automotive Co., Ltd., the general manager of the corporate and legal affairs department, the secretary of the general party branch, the member of the party committee and the vice president of production and manufacturing in Beijing Benz.

Mr. Chen has acted as the vice president of the Company since June 15, 2017.

Mr. Du Junbao (杜君保), born in November 1967, holds a bachelor's degree in engineering and is an engineer. **At present, he serves as a vice president of the Company**, the secretary of the party committee and standing deputy general manager of Beijing Hyundai.

Mr. Du has over 30 years of experience in the automobile industry. He acted successively as a technologist, technology section head, deputy factory director of the branch factory of Beijing Light Automobile Co., Ltd. (北京輕型汽車有限公司), the director of painting workshop of sedan factory, the secretary of the general party branch, factory director, director of the party committee office, deputy secretary of the discipline inspection committee, deputy chairman of the labor union of No.1 sedan factory, the head of the construction group of the preparation team in No.3 factory, secretary of the branch party committee, factory director, head of the

production department of Yangzhen factory of Beijing Hyundai, the secretary of the party committee and the general manager of Beijing Branch of the Company, the deputy secretary of the party committee and head of the production department of Beijing Hyundai.

Mr. Du has acted as the vice president of the Company since July 24, 2020.

Mr. Li Deren (李德仁), born in October 1966, holds a bachelor's degree in economics, a master's degree in laws and an MBA degree and is a senior accountant. **At present, he works as the vice president of the Company**, a director of Beijing Hyundai, Beijing Benz and BAIC Finance, a supervisor of Benz Sales and Fujian Benz, and the deputy chairman of Hyundai Top Selection U-Car.

Mr. Li has nearly 30 years of experience in finance, audit and business management. He worked as the deputy secretary of the youth league committee of Hebei Chengde School of Economics and Finance (河北承德財經學校), the deputy chief accountant of Hebei Chengde Iron & Steel Group (河北承德鋼鐵集團), the financial officer of Hebei Chengde Xinxin Vanadium and Titanium Co., Ltd. (河北承德新新鈮鈦股份有限公司) (stock code: 600357.SH), the chief financial officer and the audit director of Beijing Jianlong Steel Group (北京建龍鋼鐵集團), the chief financial officer of Beijing Baiduoan Technology Co., Ltd. (北京百多安科技有限公司), the general manager of Shandong Branch of such company, the deputy leader of the project construction team and the deputy general manager of the Beijing Branch of the Company, the deputy director of the finance and economics center of the Company, the head of the research and development and finance department of the center, a member of the party committee, the chief financial officer and the head of the financial management department of Powertrain, the assistant to president of the Company, the director of the finance and economics center and the investment planning center of the Company.

Mr. Li has acted as the vice president of the Company since June 15, 2017.

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Mr. Yang Xueguang (楊學光), born in September 1972, holds a master's degree in business administration and is an engineer. **He currently acts as the vice president of the Company.**

Mr. Yang has more than 20 years of experience in the automotive industry. Since 1995, he has served successively as an employee of Beijing Light Automobile Co., Ltd., a technical support engineer of Beijing Beizhao Olympus Optical Co., Ltd. (北京北照奧林巴斯光學有限公司), the director of the processing center of the Institute of Electronics, Chinese Academy of Sciences, an employee of the assembly shop in the vehicle factory of Beijing Hyundai, the head of the No.2 assembly inspection section of the quality department of Beijing Hyundai, the head of the quality department of Beijing Branch of the Company, the head of the quality control department of Beijing Branch of the quality center in the Company, the deputy director of the quality center, the head of the quality control department of Beijing Branch, the deputy director of the procurement center and the head of the parts purchase department of the Company, and the head of the quality center and the management center of the Company.

Mr. Yang has acted as the vice president of the Company since January 22, 2018.

Mr. Wu Zhoutao (吳周濤), born in November 1976, holds a master's degree in business administration. **At present, Mr. Wu serves as the vice president of the Company**, and an executive director, the secretary of the party committee and the general manager of BAIC Motor Sales Co., Ltd.

Mr. Wu has approximately twenty years of experience in marketing and enterprise management. Since August 1999, he has acted successively as the regional

manager of the coach chassis factory in FAW Group Corporation (一汽集團公司), the regional manager and network manager of FAW Car Trading Co., Ltd. (一汽轎車貿易有限公司), an employee of the sales department, the chief of the sales logistics section, the head of the north business department, the head of the sales management department and the deputy head of sales in Beijing Hyundai, and the deputy general manager of Beijing Hyundai.

Mr. Wu has acted as the vice president of the Company since March 22, 2018.

Mr. Wang Jianhui (王建輝), born in August 1977, holds a bachelor's degree in metallurgical machinery and a master's degree in business administration. **At present, he serves as the vice president, the secretary to the Board, the company secretary of the Company**, a director of Beijing Hyundai and Fujian Benz, the chairman of the board of directors of Beijing Bai Das Auto System Co., Ltd. (北京北汽佛吉亞汽車系統有限公司), a director of BHAF, a director of BH Leasing, a supervisor of MBLC, a director of Beijing Lear Hyundai Transys Automotive Systems Co., Ltd. (北京李爾現代坦迪斯汽車系統有限公司) and Beijing Shougang Cold-Rolled Sheet Co., Ltd. (北京首鋼冷軋薄板有限公司).

Mr. Wang has approximately twenty years of experience in corporate governance, investment management and capital operations. Since 2007, he has served successively as the manager of the project management department of BAIC Investment, the manager of the investment management department of the Company, the director of production, the director of integrated management and the deputy general manager of Beijing Bai Das Auto System Co., Ltd., and the professional chief officer of the planning center of the Company, and the deputy director (presiding) of the planning center, the deputy director of the investment planning center and director of investment planning of the Company.

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Mr. Wang has served as the secretary to the Board of the Company since January 17, 2019, the company secretary to the Company since January 29, 2019, and the vice president since February 4, 2021.

Mr. Gao Jianjun (高建軍), born in August 1971, holds a bachelor's degree in engineering and is a research-level senior engineer. **He currently acts as the vice president of the Company.**

Mr. Gao has over 20 years of experience in the automobile industry. Since 1995, he has successively served as the employee, the technical section chief, workshop director and plant manager assistant of the assembly plant of NAVECO Ltd., the deputy plant manager of the assembly plant and the executive manager of the manufacturing engineering department of Nanjing Mingjue Automobile Industrial Co., Ltd. (南京名爵汽車實業有限公司), the head of the assembly plant of Zhuzhou branch of the passenger vehicle department in BAIC Holding, the head and manager of the assembly plant, the head of the production management department and the production technology department, deputy general manager, executive deputy general manager and party committee member of Zhuzhou Branch of the Company, the party committee member and executive deputy general manager of Beijing Branch of the Company, the party committee member and deputy general manager of the Wevan department of the Company, and the secretary of the party committee and general manager of Zhuzhou Branch of the Company.

Mr. Gao has acted as the vice president of the Company since March 24, 2021.

Mr. Li Xingxing (李星星), born in November 1961, holds a bachelor's degree in engineering and is an engineer. **At present, he serves as a vice president of the Company**, and the party branch secretary and president of the South African company.

Mr. Li has approximately 40 years of experience in the automobile industry. He has served successively as a technologist, the deputy director and the director of the chief engineer office, deputy chief engineer, assistant to the plant director, and the manager of the sales company of Xi'an Diesel Engine Plant (西安柴油機廠), the deputy director of the sales department of Xi'an Rongxing Machinery Co., Ltd. (西安榮興機械股份有限公司), the manager of the parts depot of Tongda Electromechanical Factory (通達機電工廠) of Xi'an Gear Factory (西安齒輪廠), the manager of marketing branches of Beiqi Foton Vehicle Co., Ltd. (北汽福田車輛股份公司), the brand manager of the OLLIN business and the OLLIN sales branch, the director of overseas passenger vehicle business, deputy general manager of the overseas business department, director of truck business, director of overseas truck business, deputy general manager of AUV passenger bus business of Beiqi Foton Motor Co., Ltd. (北汽福田汽車股份公司), the senior vice president, deputy general manager and standing deputy general manager of BAIC International.

Mr. Li has acted as the vice president of the Company since July 24, 2020.

The terms of office of the above senior management expire on the expiry of the term of office for the fourth session of the Board of Directors.

Section X Environmental, Social and Governance Report

NOTES ON REPORT

This Report is based on relevant policies, philosophies and objectives of the Group, and describes the overall environmental and social efforts and performance of the Group in 2020. This Report should be read together with the section entitled “Corporate Governance Report” on pages 61 to 77 of this Annual Report to fully understand the environmental, social and governance performance of the Group.

This Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and by reference to the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) published by the Global Sustainability Standards Board (GSSB).

Financial data in this Report are derived from this Annual Report. Unless otherwise specified, other data cover the Company and its subsidiaries. Unless otherwise specified, all the monetary amounts in this Report are denominated in Renminbi (RMB).

1. IMPROVING OPERATION AND MANAGEMENT

1.1 ESG Management

ESG Management System

In strict compliance with the ESG Guide, the Group has integrated ESG management into the management and decision-making of the Company, has continuously improved its ESG management system, and has clarified its ESG working procedures and responsibilities. The Board of Directors is ultimately responsible for ESG work of the Group. The Board of Directors is responsible for evaluating ESG risks, considering and making decisions on material ESG issues, promoting the integration of ESG philosophy and operation concepts and development strategies. Under the authorization of the Board of Directors, the Group has established an ESG working group responsible for promoting ESG work and reporting to the Board of Directors on a regular basis. At the same time, we have established an applicable ESG index system which defined the ESG performance reporting process, so as to ensure timely and effective disclosure of ESG information.

The Group’s relentless efforts in strengthening ESG management and promoting sustainable development have been recognized by the society and the market. We received MSCI-ESG ratings of A for two consecutive years.

ESG Management System	Responsibilities
Board of Directors	The top decision-making body of the Group in terms of ESG Responsible for daily management of ESG and regular reporting to the Board of Directors on matters of ESG work
ESG working group	According to responsibilities of departments, carry out specific work and regularly report on ESG work performance
All departments and subsidiaries	

Section X Environmental, Social and Governance Report

Stakeholder Communication

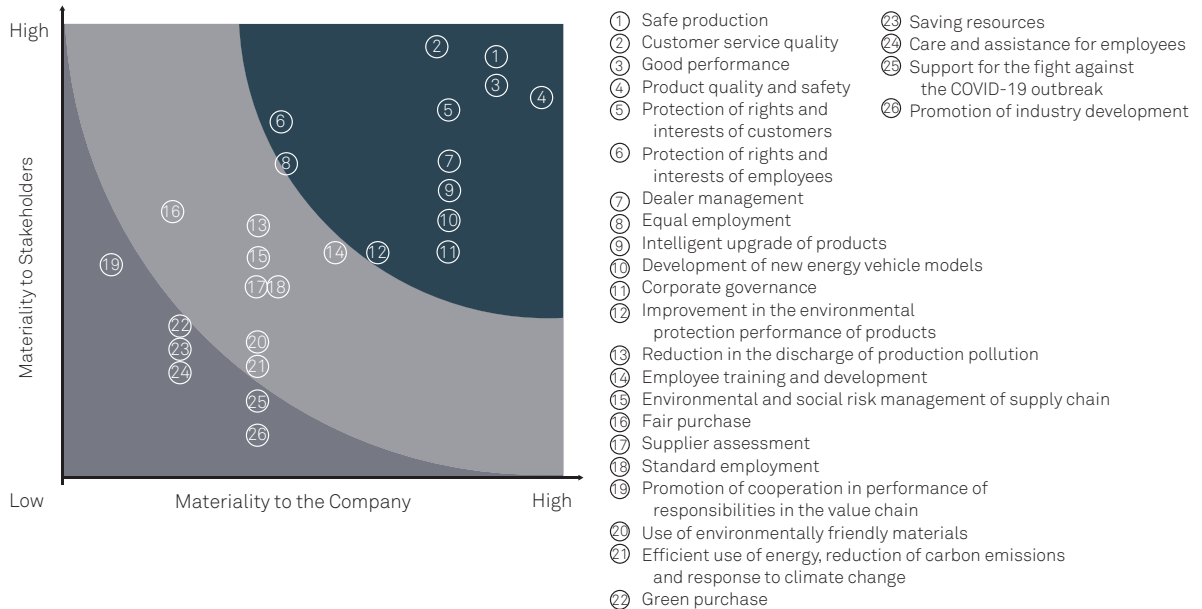
Stakeholder	Communication Mechanism	Stakeholders' Appeals	Response of the Group
Government and regulators	Policies and guidelines Daily communication	Driving economic development Tax payment according to law Honest and legitimate operation Creation of job opportunities Fighting against the COVID-19 outbreak	Active response to national strategies Good operation Compliant operation Creation of jobs Enhanced innovation and R&D Donations to fight against COVID-19
Shareholders	General meeting of shareholders Board of Directors Daily communication	Value enhancement Regulation of corporate governance Transparent operation	Good operating results Continuous improvement in the corporate governance structure Comprehensive, timely, accurate information disclosure
Customers	Company website WeChat official account and Weibo official account Vehicle owner activities Customer satisfaction survey	Good cost performance Safety guarantee Provision of high-quality services	Satisfaction of diversified needs of customers Improvement in the product quality management system Vehicle owner activities Customer satisfaction survey
Employees	Communication with employees Trade Union Staff Council President's communication meeting Bulletin	Sound remuneration and welfare system Smooth career development channel Comfortable working environment	Safeguarding of legitimate rights and interests of employees Continuous reinforcement of safety and health management Diverse training Staff care activities

Section X Environmental, Social and Governance Report

Stakeholder	Communication Mechanism	Stakeholders' Appeals	Response of the Group
Suppliers and partners	Regular communication Business cooperation and exchange Training	Fair and equitable cooperation Cooperation and mutual benefit	Continuous improvement in supplier management Strengthening of internal procurement management Supplier training
Dealers	Sales activities Training Business guidance	Model supply Business help	Strengthening of instruction and help for dealers in sales activities Sharing of market information Dealer training
Public and media	Information disclosure on media Philanthropic events	Open, transparent information disclosure Comprehensive, effective performance of corporate citizen responsibilities	Timely and objective information disclosure
Environment	Insight into trends at home and abroad Mastering advanced technologies Enhancement of environmental awareness Addressing climate change	Reduction in energy consumption and carbon emission Active participation in environmental protection activities	Increasing awareness of environmental protection Strengthening the construction of safety and environmental protection system Green operation Energy saving upgrade
Community	Understanding community needs Development of an action plan	Common community development Harmonious community relations	Support for development of sports Participation in voluntary events Earnest efforts for the public welfare

Identification of Material Issues

The Group has been maintaining communication with stakeholders, responded to the stakeholders' appeals, and enhanced our sustainable development capability. On the basis of the ESG Guide and from the perspectives of the Company and stakeholders, the Group has analyzed, classified, screened and sorted the issues that reflect the extent of impacts on the Company and stakeholders and form a matrix of material issues as a basis for our ESG information management and disclosure.



1.2 Compliant Operation

Anti-corruption

The Group and its employees carry out their work in strict compliance with laws and regulations including the Constitution of the People's Republic of China, the Criminal Law of the People's Republic of China, the Supervision Law of the People's Republic of China, the Law of the People's Republic of China on Administrative Discipline for Public Officials, the Law of the PRC on Anti-Corruption and Anti-Bribery, and the Provisions on Honest Practice of Leaders of State-owned Enterprises as well as basic codes of ethics. The Group has formulated and implemented internal policies including the Compliance Management Measures, the Compliance Reporting Management Measures and the corporate code of business conduct, and resolutely eradicates any kind of illegal acts such as bribery and fraud through establishing anti-corruption mechanism, carrying out anti-corruption education and smoothing reporting channels.

Section X Environmental, Social and Governance Report

During the Reporting Period, the Group was not aware of any lawsuits arising from violation of anti-corruption, anti-bribery, anti-fraud and anti-money laundering and other laws and regulations.

Defining anti-corruption mechanism	The Group integrated its supervision forces, promoted the construction of a joint supervision platform, and carried out special joint inspections and integrity risk investigations of key areas, projects and personnel.
Carrying out anti-corruption education	In order to publicize integrity, the Group organized a total of 35,492 officers and employees to participate in warning and education exhibitions and watch warning and education videos. The Group carried out special activities during the integrity publicity and education season, prepared and issued the Integrity Culture Manual, and conducted 24 series of education and training activities entitled "Practicing Anti-corruption in Grassroots".
Smoothing reporting channels	There are many reporting channels, such as complaint mailbox, tip-off hotline and complaint box. During the inspection of reported cases, the Interim Measures of BAIC Motor Corporation Limited on Real-name Whistle-blowing and other relevant regulations will be strictly implemented to protect the rights, interests and safety of whistleblowers.

Indicators	Unit	2020
Total number of anti-corruption trainings	No.	26
Of which: Number of anti-corruption trainings for employees	No.	24
Of which: Number of anti-corruption trainings for directors	No.	2
Total number of participants in anti-corruption trainings	Participants	22,247
Of which: Number of employees participating in anti-corruption trainings	Participants	22,225
Of which: Number of directors participating in anti-corruption trainings	Participants	22
Total hours of anti-corruption trainings	Hours	15,235
Training hours per person of anti-corruption trainings	Hours/participants	0.68

2. CONTINUOUSLY CREATING VALUE

2.1 Research and development of innovative technologies

With the rapid development of science and technology, business formats have also been undergoing tremendous changes. In line with the trend of times, the Company strove to continuously optimize and upgrade technologies through innovation, capitalize on the Internet, and conduct research on digitization, with a view to developing and producing industry-leading passenger vehicles. We continued to deepen our strategic partnerships with technology companies such as Huawei, Bosch and iFLYTEK, and have promoted the "dual-driver" strategy in a comprehensive and steady manner to cover segments including self-driving, intelligent cabin and networking communication.

Gathering innovative drivers

In accordance with the laws and regulations including the Law of the People's Republic of China on Promoting the Transformation of Scientific and Technological Achievements and the Patent Law of the People's Republic of China, the Company has formulated a sound scientific and technological innovation mechanism, with a focus on the construction of a team of innovative and highly skilled talents, and has continuously strengthened exchanges and cooperation with all walks of life to gather the innovative momentum for transformation and development.

Achievements of Scientific and Technological Innovation

The third prize of 2020 China Automotive Industry Awards for Science and Technology	<ul style="list-style-type: none"> Research on analog verification methods and equipment development relating to air quality in vehicles
China Patent Excellence Award	<ul style="list-style-type: none"> Vehicle control methods and system
2020 Seed Funding Project(Category C) under Golden Bridge Project of Tongzhou District Association for Science and Technology	<ul style="list-style-type: none"> Efficiently integrated new energy electrical bridge NVH performance development and sound quality design for powertrain based on big data analysis

Encouraging technological innovation: The Company has formulated and implemented policies including the Measures of BAIC Motor Corporation Limited for Management of Scientific Research Projects, the Knowledge Management Measures of BAIC Motor Corporation Limited, the Patent Management Measures and the Management Measures for IPR Incentives, providing strong support for the operation and protection of innovative projects. BAIC Research Institute launched the “technology upgrade project” to upgrade the model of technology line management. The Company encouraged employees or departments to apply for/participate in national innovation projects, included the process of projects into the evaluation scope of technological growth indicators, and rewarded excellent individuals or teams in terms of achieving indicators, project application and technology awards.

Promoting the transformation of achievements: The Company encouraged individuals or teams to apply scientific research achievements into production. The Group has applied its innovative achievements in such areas as reducing the weight of vehicle bracket, reducing wind resistance, enhancing power performance and deepening integration with the Internet, thus providing strong support for reducing weight and costs, saving investment, enhancing performance and improving driving experience.

Section X Environmental, Social and Governance Report

Facilitating industry communication: The Company actively carried out communication cooperation with companies in the industry, hold technology forums and seminars, and participated in the discussion and formulation of industry rules. In 2020, the Company participated in the formulation and revision of one international standard, 49 national standards, nine industry standards and 25 group standards, which covers fuel consumption, driver assistance, protection of drivers and passengers, and optimization of power system.

The Company attaches importance to preserve the achievements of employees and strives to protect intellectual property rights. In accordance with the Intellectual Property Protection Law of the People's Republic of China, we continued to optimize the Measures of BAIC Research Institute for Management of New Technology Development, the Measures of BAIC Research Institute for Management of Technology Planning, the Measures of BAIC Motor for Management of Intellectual Property and the Patent Management Measures of BAIC Motor, which provide effective supports for carrying out intellectual property work. At the same time, we applied for patents for technological innovations in a timely manner to provide comprehensive protection for innovation.

Indicators	Unit	2020
R&D investment in 2020	RMB million	2,601.5
Number of patent applications in 2020	No.	567
Number of patents granted in 2020	No.	790
of which: number of invention patents granted	No.	99
Total number of patents granted	No.	6,145
of which: total number of invention patents granted	No.	363

Facilitating transition to new energy vehicles

In order to actively respond to the national ecological civilization construction and environmental protection strategy, the Company has taken practical actions in line with the call for low-carbon development and environmental protection, and is committed to creating a development landscape of "total transition to new energy vehicles". The Company developed a number of pure electric new energy vehicles, and launched a variety of electric vehicle products such as BEIJING-EU5 and BEIJING-EU7.

Intelligent networking

With the acceleration of 5G commercialization, the automobile industry is ushering in all-round changes, enabling automobiles a highly intelligent mobile space with energy and information interactions. Riding on the trend of automobiles networking, the Group has integrated intelligent driving, intelligent networking, intelligent structure, and software engineering technologies guided by the "dolphin+" strategy and the "dual-driver" strategy, so as to comprehensively improve the intelligentization and networking level of a vehicle.

Phased technological achievements

Intelligent driving	<ul style="list-style-type: none"> The L4 self-driving system for the Winter Olympics can realize functions such as the vehicle-road coordination in road scenario, automatic parking, high-speed driving on structured road, and low-to-medium-speed driving on other roads.
Intelligent networking	<ul style="list-style-type: none"> The 2.0 intelligent networking system can realize eight functions including facial recognition, emotional voice, AR navigation, and wireless charging.
Intelligent structure	<ul style="list-style-type: none"> The new EE structure has been iteratively upgraded from 2.0 generation to 3.0 generation, which lays a foundation for the use of L3 self-driving technology in vehicles and supports L4 self-driving.
Software engineering	<ul style="list-style-type: none"> The Company has launched a unified platform for managing software defects, which promoted the continuous optimization of vehicle software development and management and enhanced the software quality control efficiency of suppliers by 50%. The TSP vehicle networking cloud system can integrate the vehicle OTA and the KMX data platform to realize functions such as unified data and open services.

2.2 Improving Product Quality

The Company gives top priority to ensuring the safety of drivers and passengers and improving driving experience. Through the whole-process performance and safety control covering from design, production, putting into use to product feedback, the Company strives to enhance product quality and continues to optimize user experience.

Strengthening quality management

Under the guidance of the quality policy of “making high-quality and intelligent vehicles, exceeding customer expectations; leading in quality, continuous creation of value”, and in strict compliance with requirements of laws and regulations including the Product Quality Law of the People’s Republic of China and the Provisions on the Administration of Compulsory Product Certification, the Company continued to strengthen the product quality certification and the whole-process quality management system, with an aim to ensure that every process of each car from design to putting into use is strictly supervised. In 2020, there were no vehicles recalled due to safety reason.

Section X Environmental, Social and Governance Report

<p>Quality Leadership Strategy</p>	<ul style="list-style-type: none"> In order to ensure product quality, the Company comprehensively intensified management and control efforts in the control of project quality, test and verification, development of parts and components, and hundred-day market operation, from four major aspects namely goals, standards, systems and culture. In 2020, the Company has formulated special management and control plans with focus on eight key projects including establishing the APEAL management system, building an intelligent quality system, and conducting a special SSI research and improvement project and a special BEIJING-X7 project for improving the quality of parts and components.
<p>Certification of Quality System</p>	<ul style="list-style-type: none"> The Company has established, implemented, maintained and continuously improved its quality management system according to the ISO9001 standard, and passed the recertification of ISO9001: 2015 quality management system in October 2020. Meantime, the Company has optimized and upgraded its quality system according to IATF16949 : 2016 automobile quality management standard.
<p>Accreditation of Quality Assessment</p>	<ul style="list-style-type: none"> The Company has established a whole-process quality monitoring system focusing on spare parts quality management, manufacturing quality management, new vehicle quality management and market quality management, and has promoted the implementation of monitoring in three aspects namely “optimization of manufacturing system”, “monitoring of manufacturing process” and “improvement of manufacturing quality”, so as to ensure stable quality in the manufacturing process. At the same time, the Company has strengthened the monitoring of market information and the integrated management of all stages, and has deepened preliminary quality management and prevention of problems, thus enhancing customer satisfaction.
<p>Communication of Quality Concept</p>	<ul style="list-style-type: none"> The Company has carried out quality training for employees at all levels, which aims to enhance quality awareness of employees and quality management capabilities of the management. Trainings were divided into three levels, namely the company level, department level and division level, according to different training contents and trainees. The Company has established a mechanism and resource platform for quality training of all employees, and further improved the quality section in the “palm college (掌上學院)” APP, and conducted trainings on five major quality tools in the automotive industry.

Improving product quality

The Company continued to provide a high-quality vehicle experience and an all-around safety protection, so as to help customers drive forward steadily. With meeting requirements of third-party assessment (C-NCAP/C-IASI) as the basic goal, the Company has extended the safety issue into preliminary safety, active safety, and integrated active and passive safety, which forms a full-cycle safety protection for vehicles. In 2020, the Company completed the development of safety performances for BEIJING-X7 model which adopted an energy-absorbing, high-rigidity cage body. The body can effectively mitigate external impact and protect drivers and passengers in the vehicle. Meantime, the Company adopted the simulation analysis and optimization of restraint system to further protect drivers and passengers in the vehicle.

2.3 Optimizing Service Experience

Improving service standards

The Company insists on user-oriented philosophy, attaches great significance to customers' experience during vehicle purchase, and continues to improve its inspection work. We have established special WeChat groups to actively respond to customer demands, thus further improving customer satisfaction and service efficiency. At the same time, we have further standardized the service behavior of dealers, so as to enhance service quality and level and provide high-quality services for customers.

- Controlling service quality:** The Company has formulated business policies to provide policy guidance for service quality and key tasks of dealers, including after-sales service satisfaction (CSI), on-site inspection, fixed first visit, and back-office complaint. In order to restrain and standardize terminal service behaviors of dealers, the Company has issued a series of policy documents, including the Special Measures for the Management of Dealer Services Incentives, the Measures for the Management of Customer Complaints, the Special Measures for the Management of Using Dealer DMS System, the Rules on the Management of Dealing with Batch Quality Problems of Stocked Vehicles and the Rules on Management of Service Staffing and Service Personnel Training of BAIC Motor Dealers.
- Enhancing sales satisfaction:** The Company enhanced the professional quality and service level of sales consultants as well as customer service experience by optimizing the design of questionnaires; diagnosed the problems and causes in dealers' sales service management through analyzing sales satisfaction data; implemented targeted rectification and improvement through carrying out sales consultant trainings and analogy drills of sales process; and conducted continuous monitoring and collected feedback relying on the monthly rolling check of sales satisfaction and the quarterly analysis of sales satisfaction check.
- Improving aftersales service satisfaction:** In order to improve customer satisfaction, the Company established a special WeChat group to provide services for every original buyer. As at the end of 2020, we have established a total of 58,048 special WeChat groups, covering 70.1% of buyers. At the same time, the Company has improved the PDCA principle for customer satisfaction to include into the key improvement scope the dealer store which decreased by over 50 points in monthly performance or decreased for two consecutive months. As at the end of 2020, the performance of 47 stores were improved.

Indicators	2020
Customer complaint reduction rate	6%
Sales satisfaction	94%
Aftersales service satisfaction	96%

Section X Environmental, Social and Governance Report

Improving communication mechanism

The Company has established comprehensive communication channels, actively carried out two-way communication activities with customers, collected customer complaints and feedback through online platforms and hotlines, and made a rapid response to feedback, so as to improve customer satisfaction. Meantime, the Company continued to improve customer profile which will provide data support for targeted marketing, product upgrades and other businesses.

Online communication platforms	<ul style="list-style-type: none"> The Company has established the “400 Customer Service and Communication Platform” and the “Intelligent Assistant”(智能管家) APP, which facilitate customers’ communication with the Company through multiple channels.
After-sales return visit	<ul style="list-style-type: none"> Through direct telephone communication with customers and on-line survey, the Group has carried out product or after-sales service investigation, to understand the vehicle use by customers and their feelings in a timely manner, so as to ensure prompt response to customer feedback.
Customer service hotline	<ul style="list-style-type: none"> The Group has established a nationwide service hotline 4008108100 (only for users of BAIC Motor’s BEIJING brand vehicles), and disclosed it in product descriptions, quality assurance manuals, official websites and dealer stores. Telephone return visits were conducted for new car sales and aftersales services to follow up customer satisfaction.

Protecting rights and interests of customers

The Group is committed to providing customers with reliable services while continuously improving product safety performance. In accordance with laws and regulations including the Law of the People’s Republic of China on the Protection of Consumer Rights and Interests and the Advertisement Law of the People’s Republic of China, we make effort to protect the rights and interests of our customers, carefully handle every customer feedback, protect the privacy of our customers, and deliver true and reliable advertising information to our customers.

- Handling of customer feedback:** The Group has established the Call Center System to record problems reported by customers and has carried out feedback collection and process control with regard to customer complaint acceptance, distribution and handling results.
- Customer privacy protection:** During customer data maintenance, each department shall submit corresponding customer data according to its data requirements and management requirements, and shall be responsible for the timeliness and correctness of customer data submitted and strictly keep the data confidential. During the use of customer data, the account number and authority for use of customer data and the daily use of customer data shall be subject to application and approval in strict accordance with the requirements of the management system, to avoid disclosure or unintended use of sensitive information of customer data.
- Prevention of false publicity:** During strict implementation of publicity and sales regulations, brand advertisements and other information released by official channels of enterprises shall be subject to the internal review process and can be published after approval.

2.4 Improving Supply Chain Management

Supplier management mechanism

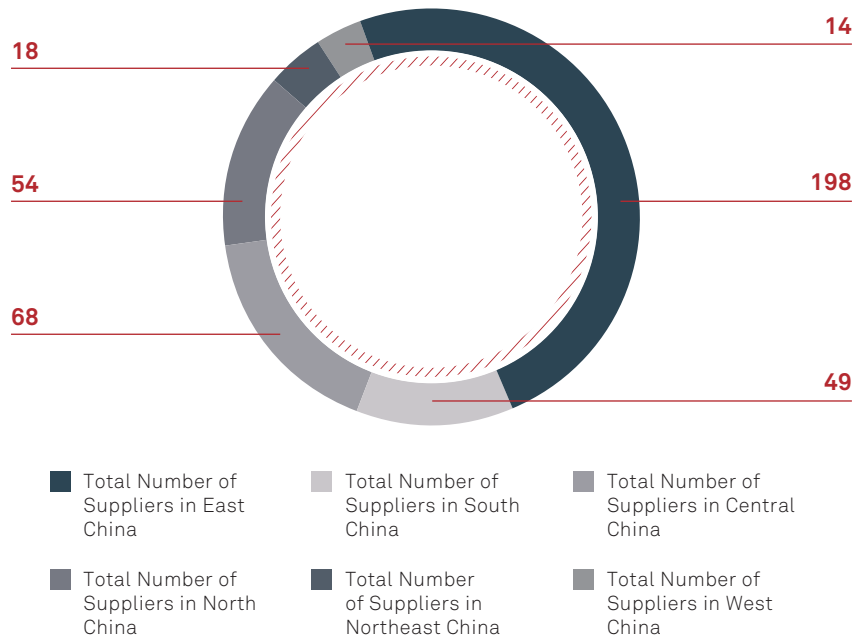
The Company has been committed to building a first-class supplier system with international competitiveness. In order to develop a supplier system in line with the development of the Company's BEIJING brand, we have promoted the in-depth building of supply chain capacity, and continued to deepen our cooperation with world-class suppliers, thereby providing a solid supply chain system for producing competitive and high-quality products. The Group has established and improved the working mechanism for lifecycle management of suppliers, covering key processes such as supplier admission, performance evaluation and assessment, capacity building, incentive and optimization. We continuously optimize the overall structure of the supplier system and promote product quality improvement.

- **Admission management:** The Group has optimized the Measures of BAIC Motor for Admission Management of Supplier Providing Purchased Parts, and has further improved the admission conditions of supplier, so as to ensure that newly suppliers meet the requirements of relevant capabilities.
- **Performance evaluation and assessment:** The Group has improved the Measures of BAIC Motor on Performance Evaluation of Suppliers, and implemented additional performance evaluation of suppliers during the development stage of new projects, with a view to establishing a performance evaluation management system covering the full-life cycle of suppliers.
- **Capacity building:** The Group continued to carry out "improvement" work for the supplier system. The Group has developed targeted improvement plans based on actual performance of suppliers which define specific improvement goals and summarize the implementation of such improvement goals, thus continuously enhancing suppliers' capacities.
- **Incentive and optimization:** For excellent suppliers, the Group will provide proper incentives in such aspects as the development of new projects and the establishment of strategic partnership. Meanwhile, the Group has strictly implemented the Measures of BAIC Motor for Management of Supplier Assessment, and has conducted assessment, as required, of suppliers who may affect quality and delivery. Suppliers that met the removal requirements of the Measures of BAIC Motor for Management of Removal of Suppliers were removed.

Indicators	2020
Number of main cooperative suppliers ^{Note 1} (No.)	401
Of which: number of suppliers where the practices are being implemented (No.)	401
Proportion of suppliers where the practices are being implemented (%)	100

Note 1: The number of suppliers includes suppliers of parts of BEIJING brand of the Company (excluding suppliers of Powertrain).

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Constructing a responsible supply chain

The Company has comprehensively promoted the construction of a responsible supply chain and incorporated environmental and social risks into its supplier management system. We have further optimized and improved the Measures of BAIC Motor on Performance Evaluation of Suppliers. By continuously promoting the assessment and evaluation of environmental protection performance of suppliers, we have strictly carried out supplier behavior control to ensure the compliance of suppliers, and facilitate the healthy and orderly development of the supply chain. At the same time, in order to create a green supply chain, we gave priority to environment-friendly products and services when selecting suppliers. We have formulated and implemented the Measures for Management and Control of Green Supply Chain of BAIC Motor, which provides specific requirements of parts and components on environmental protection and that parts and components failing to meet relevant requirements will not be recognized and produced.

- Setting evaluation of environmental performance:** The Company has included suppliers' compliance with environmental performance into the annual performance evaluation standards. For a supplier who was subject to administrative penalties or failed to submit rectification materials or certificates as required such as environmental assessment acceptance and pollutant discharge permit, they shall submit such rectification materials and be assessed in strict accordance with supplier performance evaluation standards.
- Strengthening admission and behavior management:** When introducing suppliers, the Company will conduct compliance evaluation and require suppliers to provide relevant documents, such as environment management system certificate, evidencing their compliance with environmental and safety regulations. If failed to do so, they will not be included into the Company's supplier system. For existing suppliers who have established cooperation with the Company, we have established an investigation mechanism to verify their compliance with environmental protection and safety

requirements, which will investigate on an irregular basis whether suppliers were subject to administrative penalties due to environmental protection and safety reasons. For new and expanded suppliers, we will require them to submit relevant certificates such as environmental assessment and acceptance certificate and pollutants discharge permit.

- **Optimizing environmentally-friendly products and services:** In the early stage of product development, the Company will require that such products must meet environmental protection requirements, which shall be specified in relevant technical requirements. In the product development approval and batch approval stages, a testing certificate shall be provided to prove its compliance with technical requirements relating to environmental protection. If fail to do so, such products will not be approved or produced. For mass-produced products, we will verify whether the parts and components meet environmental protection requirements. If fail to meet relevant technical requirements, such parts and components must be rectified immediately, and will be subject to assessment and punishment as required.

3. BUILDING A GREEN HOME

3.1 Promoting low-carbon and circular development

As a leading automobile manufacturer in China, we have always been fulfilling our obligations on environmental protection. Through establishing a management system with efficient resources consumption and low-carbon production, we are committed to reducing impacts on the environment during our production process, and spare no effort in promoting low-carbon and circular development.

Emission reduction

In strict compliance with emission management requirements of laws, regulations and standards, including the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on Prevention and Control of Water Pollution and the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste, the Company has formulated the Solid Waste Management Measures, the Air Pollution Management and Control Measures, the Water Pollution Management and Control Measures and the Management Procedure of BAIC Motor on Energy Conservation and Environmental Protection for Product Design. In order to ensure that emissions of all departments of the Company meet national and local requirements, the Company has included the compliance with emission standards in quarterly and annual assessments of all departments. At the same time, the Company has established a series of systems covering the environment management of soil and groundwater, the management of environmental protection equipment and facilities, and the management of monitoring and information disclosure. In order to constantly strengthen management and control of pollutants, the Company has adopted measures including enhancing production efficiency, improving technologies and processes, optimizing emissions management and treatment systems and conducting environmental monitoring, thus reducing the impact of its production on the environment.

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Waste gas treatment

- Strengthening the warning system of factories during heavy air pollution. Constant environment monitoring was conducted to assess the impact of factory emissions on the environment, and to promptly complete emission reduction tasks in cooperation with relevant authorities.
- Establishing a centralized system for treating waste gas. The biochemical pool, sludge dewatering room and sludge storage room were covered and an alkaline liquid absorption tower was installed. The waste gas from paint spraying process was collected, purified and filtered through the Venturi water curtain, while the waste gas from the drying oven was treated with RTO technology. The above waste gas was collected by a special pipeline and was discharged at high altitudes.
- Optimizing the plan of waste gas treatment. The exhaust system was renovated to add a treatment equipment for painting waste gas. We installed low-nitrogen burners for boilers, and planed a special treatment project for volatile organic compounds (VOCs) from painting workshops, so as to enhance the overall VOC treatment efficiency.
- Monitoring waste gas emissions. We have formulated a monitoring plan, and regularly engaged third parties to monitor the emissions of waste gas from boilers and processes, thus ensuring meeting emission standards.

Wastewater treatment

- Strengthening monitoring of equipment and processes. We maintained wastewater treatment facilities and equipment in sewage stations, followed up their operation, and recorded the monitoring data in real time. Moreover, we regularly engaged third parties to monitor the wastewater in factories, kept test reports and publicized relevant information.
- Enhancing the reuse rate of water in sewage stations. We optimized the water treatment facilities in sewage stations to enhance the production rate of recycled water. The water supply pipeline for recycled water was improved to enhance the proportion of recycled water used and to reduce the consumption of water resources.
- Promoting the recycling and utilization of rainwater. The underground sponge collection system and the landscape lake were used to recycle and utilize rainwater.



Landscape lake for collecting rainwater in Beijing Benz

Waste residue treatment

- Setting up a special storage space. The solid waste storage spaces in factories were upgraded and transformed to classify, collect and treat solid wastes. All waste containers were marked with classification tag, and it is strictly forbidden to mix wastes or discard wastes at will. Meantime, dedicated personnel were arranged for storage spaces to ensure regular transfer.
- Treating and recycling solid wastes. Qualified companies have been engaged for harmless disposal of hazardous wastes. Recyclable wastes such as empty solder buckets meeting relevant requirements were handed over to manufacturers for recycling, thus reducing costs and recycling wastes.
- Upgrading treatment equipment. We have transformed sewage stations, planned sludge drying process and installed sludge drying equipment, which can reduce the water content of sludge and unordered discharge of sludge, thus improving the sludge storage environment.
- Recycling emulsion. The emulsified liquid and iron filings were separated through filter screens of iron scrap vehicle and iron filings vehicle. The emulsified liquid was transferred to a vacuum distillation device for minimization treatment and recycle, thereby reducing discharge. In addition, the crushing device was added to clump iron powder, and dry iron powder was handed over to third parties for disposal.

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Case: Beijing Benz enhanced the efficiency of treating waste liquid

In 2020, the Company implemented the special project of in-depth treatment of waste emulsion from engines, with an aim to continuously improve the emission management level of hazardous wastes and reduce hazardous wastes. In addition, a new and advanced wastewater treatment equipment was introduced to retreat concentrated liquid which was treated by the original wastewater treatment system, the re-concentrated waste liquid was reduced significantly following subsequent concentration.

Indicators	Unit	2020 ^{Note 1}	2019	2018
Scope 1: Direct GHG emissions ^{Note 2}	tCO ₂ e	216,661.55	262,747.19	328,386.71
Scope 2: Indirect GHG emissions ^{Note 3}	tCO ₂ e	691,380.66	758,964.00	846,841.29
Total GHG emissions	tCO ₂ e	908,042.21	1,021,711.19	1,175,228.00
GHG emissions intensity	tCO ₂ e per vehicle	0.80	0.72	0.80
Total wastewater discharge ^{Note 4}	Ton	1,978,428.20	2,450,271.00	2,679,115.00
Total COD emissions	Ton	112.53	161.47	270.57
Total ammonia nitrogen emissions	Ton	6.41	7.34	15.41
Total VOC emissions	Ton	1,166.52	1,221.87	1,678.64
Total SO ₂ emissions ^{Note 5}	Ton	7.88	3.73	3.28
Total production of hazardous wastes ^{Note 6}	Ton	16,034.47	20,557.20	18,721.71
Hazardous wastes generation intensity	Kg per vehicle	14.08	14.42	12.43
Total production of non-hazardous wastes	Ton	163,536.64	162,942.41	84,541.34
of which: metal	Ton	120,831.33	140,020.34	54,283.46
of which: paper	Ton	10,644.69	10,374.96	12,227.78
of which: timer	Ton	10,038.99	8,946.73	12,090.95
of which: others ^{Note 7}	Ton	22,021.63	3,600.38	5,939.15
Non-hazardous wastes generation intensity ^{Note 8}	Kg per vehicle	143.62	114.35	57.91

Note 1: Based on the materiality of production and operation to the business of the Group and the environmental influence, the discharge data of the Group for 2020 cover the Company, BAIC Research Institute, BAIC Motor Sales Co., Ltd. ("BAIC Motor Sales"), Beijing Benz Automotive Co., Ltd., Zhuzhou Branch of the Company, BAIC Motor Powertrain Co., Ltd., BAIC Guangzhou Automotive Co., Ltd., Beijing Beinei Engine Parts and Components Co., Ltd., BAIC MB-tech Development Center Co., Ltd. (BAIC MB-tech) and Beijing Hyundai Motor Co., Ltd. The vehicle statistical coverage involved in intensity data includes a total of 1,138,690 vehicles under Beijing Brand, Beijing Benz and Beijing Hyundai.

Note 2 and Note 3: GHG emissions are calculated with reference to the GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition) 2012 published by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), the Fifth Assessment Report issued by the Intergovernmental Panel on Climate Change (IPCC); and the grid emission factors used in the calculation of Scope 2 emissions are determined with reference to the latest emission factors of China's regional power grid for 2019 released by the Department of Climate Change, the Ministry of Ecology and Environment of the PRC.

Note 4: Total wastewater discharge includes total production and office wastewater discharged by the Group.

Note 5: In 2020, the Chongqing factory of Beijing Hyundai increased detection points for sulfur dioxide emissions generated from combustion processes.

Note 6: Hazardous wastes include: waste organic solvent HW06, waste mineral oil/oily waste HW08, waste emulsion HW09, dye and coating waste HW12, organic resin waste HW13, surface treatment waste HW17, lead-containing waste HW31 and other hazardous wastes HW49. In 2020, the generation of lead-containing waste HW31 decreased as compared with the previous year, and the total volume of hazardous wastes declined.

- Note 7: In 2020, other wastes data cover waste rubber and insulation heads disposed of in workshops of Beijing Benz. Therefore, the generation of other wastes increased compared with previous years.
- Note 8: In 2020, there was an increase in the total production of nonhazardous wastes while there was a decline in the sales volume of vehicles as compared with the previous year, leading to the increase in the non-hazardous waste generation intensity.

Reducing Resource Consumption

In adherence to the path of sustainable development and green and low-carbon development, the Group has enhanced energy efficiency and constantly reduced resource consumption, with a view to building “carbon neutral” factories. In order to reduce resource consumption, we have also intensified the management and monitoring of resource consumption and made efforts in transforming our operation model.

Low-energy operation

- We adopted the low-cost and low-energy operation model for non-production periods. In order to further reduce energy consumption, we have taken more economic measures in the use of boilers, air compressors, air conditioning units, lighting system and logistics doors under the premise of meeting basic process requirements of a factory.
- Meantime, we have implemented a special project to improve energy consumption in coating workshops, including optimizing the start and stop time of equipment, adjusting between single-line and double-line operations based on output, closing the cooling tower and heating rod, and recycling the heat generated from hydraulic oil and the cold air from water tank.

Monitoring energy consumption

- An energy management system was established to collect, analyze, assess and monitor data. We have integrated instruments of each factory to collect the energy data of workshops, logistics, power distribution, air pressure, boilers, waste water and air-conditioning spaces, and to monitor the energy consumption of the whole factory through the TV wall in the energy control room.

Energy management

- We have networked existing air compressors for centralized control, which enables status monitoring, remote operation, data collection and analysis, and on-demand loading, thus realizing the efficient management of air compressors and saving energy.
- Through building an EMS/BMS energy management system, we have adopted new energy measurement technologies, including intelligent instrumentation, large-caliber flow meters, heat value measurement technology and multi-functional measurement and testing equipment. When combining advanced data processing and communication technologies such as IoT, database and 4G/5G, we can develop a digital energy measurement system in line with the actual energy consumption data of the Company.

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Saving water

- We have optimized the frequency of cleaning work in the factory ensure the effectiveness of cleaning work.
- The original control model of liquid level of pretreatment surface conditioning slot was adjusted reduce unnecessary consumption of chemicals. Through modifying procedures, the initial water supplement level decreased from 95.5% to 92%, and the pure water consumption declined by 3.5 percentage points.
- In summer model, air conditioners of coating workshops can produce an average of 200 m³ pollution-free condensate water every day, which was supplemented to the cooling tower of the nearby refrigeration station for recycle. As such, the annual water consumption of the cooling tower decreased by 80%.

Case: Beijing Benz adopted photovoltaic power generation in its factory to help save energy and reduce emissions

Adhering to the green development concept of low-carbon and environmental protection, Beijing Benz has been committed to building a carbon-neutral factory and continuously promoting green development through photovoltaic power generation. The company made full use of the roof surface of its factory, and engaged a third party to invest in the construction and installation of photovoltaic power generation facilities, and purchased all power generated at a price lower than the national catalog electricity price. As of December 2020, the total power generated from the photovoltaic power generation facilities of Beijing Benz amounted to 42.39 million kWh, and the carbon dioxide emissions were reduced by 25,605 tons.



Photovoltaic power generation facilities of Beijing Benz

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Indicators	Unit	2020 ^{Note 1}	2019	2018
Total electricity consumption	kWh	988,807,740.44	1,095,689,777	1,203,547,385
Total gasoline consumption ^{Note 2}	L	1,637,187.67	2,142,107.83	2,552,320.50
Total diesel consumption ^{Note 3}	L	90,652.33	171,511.37	334,250.30
Natural gas consumption	m ³	97,258,879.08	117,713,340.10	147,095,916.41
Total purchased heat	million kJ	86,078.88	97,285.53	90,064.92
Total comprehensive energy consumption ^{Note 4}	TCE	255,687.93	297,054.21	346,713.90
Production energy consumption intensity	TCE per vehicle	0.22	0.21	0.24
Total water consumption ^{Note 5}	Ton	6,283,154.26	8,672,771.21	9,456,986.18
Production energy consumption intensity	Ton per vehicle	5.52	6.13	6.57
Total recycled and reused water	Ton	3,163,313.42	2,935,684	3,611,427
Percentage of recycled and reused water	-	50%	33%	38%

Note 1: Based on the materiality of production and operation to the business of the Group and the environmental influence, the discharge data of the Group for 2020 cover the Company, BAIC Research Institute, BAIC Motor Sales Co., Ltd., Beijing Benz Automotive Co., Ltd., Zhuzhou Branch of the Company, BAIC Motor Powertrain Co., Ltd., BAIC Guangzhou Automotive Co., Ltd., Beijing Beinei Engine Parts and Components Co., Ltd., BAIC MB-tech Development Center Co., Ltd. and Beijing Hyundai Motor Co., Ltd. The core business of the Group is research and development, manufacturing, sales and after-sales service of passenger vehicles. The use of packaging materials is not a material aspect for the Group. The vehicle statistical coverage involved in intensity data includes a total of 1,138,690 vehicles under Beijing Brand, Beijing Benz and Beijing Hyundai.

Note 2: In 2020, the gasoline consumption for tests in engine workshops of BAIC Motor Powertrain and Beijing Hyundai declined due to the impact of COVID-19 and the decrease in production and sales.

Note 3: In 2020, the diesel consumption of vehicles in factories of Beijing Hyundai, Zhuzhou Branch and Beijing Benz declined due to the impact of COVID-19 and the adjustment of production structure.

Note 4: The total comprehensive energy consumption is based on electricity and fuel consumption, and relevant conversion factors specified in the General Principles for Calculation of the Comprehensive Energy Consumption (GB/T2589-2008) of the People's Republic of China, including electricity, gasoline, diesel oil, natural gas and purchased heat.

Note 5: In 2020, the production and domestic water consumption of all departments declined to different extent due to the impact of COVID-19 and the decrease in production and sales. In 2020, there was no issue in sourcing water by the Company.

Addressing climate change

In order to mitigate energy and environmental pressures, to cope with challenges of climate change, and to promote the sustainable development of the automobile industry, the Ministry of Industry and Information Technology and other five ministries issued the Notice for Amending the Measures for the Parallel Administration of the Average Fuel Consumption and New Energy Vehicle Points of Enterprises (修訂《企業平均燃料消耗量與新能源汽車積分並行管理辦法》的通知), which provides for energy-saving requirements for automotive companies. The Group attaches great importance to climate change. Based on the comprehensive development of traditional vehicles and new energy vehicles, we have determined its contribution rate of fuel saving during the 14th Five-Year period through the comparison of current status and target of product energy consumption as well as scenario analysis. Meantime, we have formulated a technical energy-saving solution including reducing resistance, reducing energy consumption, enhancing efficiency and promoting lightweight vehicles.

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Promoting green operation

In addition to the low carbon and environmental protection strategy in the vehicle manufacturing process, we also emphasized resource conservation in the office process. We have actively promoted green office measures, including promoting online office model, encouraging employees to conserve resources, and reducing office waste.

Saving electricity

- We posted warning signs on saving electricity in places where electricity is used. Our employees are required to turn off some lights during office hours, use natural light if possible, and close lights in production, office and service places when leaving. Air-conditioning regulators are provided in every office. The office temperature should be not below 26℃ in summer and not above 20℃ in winter.
- We selected environment-friendly, safe and energy-saving office equipment, and reduced the standby energy consumption of office equipment such as computers.

Saving paper

- In order to promote the paperless office, the Company encouraged the use of electronic documents for office work if possible, promoted the unified use of the office automation (OA) system for reporting and approval process, and adopted electronic faxes.
- We controlled the number of office paper used and the permission of color printing. Both sides of the copy and printing paper should be used except for special circumstances. The “waste paper” and “reusable paper” storage boxes are placed near photocopiers and printers, and the use of recycled paper and paper recycling are encouraged.

Saving water

- We posted warning signs on saving water in places where water is used, as well as slogans on saving water in toilet and tea room.
- Our toilets adopted green and environment-friendly design, and water-using equipment, such as stool and faucet, were replaced with auto-sensing, energy-saving ones.

Office supplies

- We advocated the use of pencils, replaceable fountain pens, refillable printer cartridges and other recyclable items, and implemented the old-for-new policy for office supplies.
 - We encouraged the use of staples or paper clips instead of glue, and discouraged the use of correction fluids.
-

In addition, we were also committed to promoting environmental protection concepts to set a good example for the society. In recent years, the Group has organized a number of public welfare activities for our employees to help improve the environment.

Beijing Benz: It provided online trainings on waste classification and management for over 24,000 participants. On the World Environment Day (June 5), the Company organized a series of offline publicity and Q&A activities for all departments.

Beijing Hyundai: It jointly launched the “Control of Saline-alkali Dry Lake Basins in China”(中國鹽鹼干湖盆治理) project together with Hyundai Motor Group (China) and EcoPeace Asia, a non-profit environmental protection organization, which aims to setting sand barriers to block sandstorms and protect the growth of suaeda glauca seeds.

Fujian Benz: During its visit to surrounding villages and towns on the World Environment Day, Fujian Benz introduced the World Environment Day and its environmental protection measures to local residents, and collected opinions and suggestions on its environmental protection work from surrounding residents.

3.2 Innovative Green Solutions

In adherence to the green development, the Group has integrated the environmental protection concept into the design and R&D processes of products, with a view to building resource-saving and environment-friendly green factories. We insisted on reducing the weight of vehicles, and continued to improve powertrain and fuel efficiency and reduce emissions during driving, so as to mitigate the impact of vehicles on the environment.

Reducing weight of vehicles	<ul style="list-style-type: none"> We have formulated a three-year technical plan for lightweight, which provides individualized lightweight technical paths and solutions for different vehicles. Meantime, a college-level inter-departmental lightweight working group was established to promote the building of lightweight capacities of professional departments and to help achieve the weight target of vehicles. We optimized the body structure based on the SFE ^{Note 1} parametric model, with an aim to applying composite materials especially aluminum-magnesium alloy by 2022. We adopted a modularized and integrated design for interior and exterior trims, and promoted the use of low-density and lightweight materials. Moreover, we optimized the performance and structure of electronic components, and upgraded the power units in an integrated, lightweight fashion, with an aim to reduce the weight of vehicles by 70 kg by 2022.
Energy recycle	<ul style="list-style-type: none"> We have conducted the function development and performance optimization of recyclable braking system, and established a technology pool to recycle braking energy. The test of five benchmark models has been completed with recycle rate of 14.5%. We have carried out the preliminary research on energy-saving technologies such as high-efficient air-conditioning, and have enhanced the heat insulation and airtightness of vehicles. At the same time, the energy efficiency of air-conditioning system was improved and the temperature setting of air-conditioning was adjusted, thus reducing the power consumption of air-conditioning.
Emission management	<ul style="list-style-type: none"> We have conducted the preliminary research on the dual-injection engine system, which aims to enhance the production and operation of engines while the fuel consumption remained generally unchanged. The engine emission level was upgraded from China V standard to China VI b standard. The emission level, including CO, THC and PM ^{Note 2}, was reduced, and the fuel consumption of vehicle was improved.

Note 1: It refers to a full-parameter quick optimization tool that is a leading solution designed with the simulation driver concept at the preliminary stage of product development.

Note 2: CO: carbon monoxide, THC: total hydrocarbon organic gas, PM: particulate and soot.

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4. SHARED RESPONSIBILITY VALUE

4.1 People-oriented Philosophy

The Group has regarded employees as its core assets, and has adhered to the principle of equal employment to constantly recruit talents. In strict compliance with the requirements of laws and regulations, including the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China, the Group has prohibited discrimination in employment and prevented child labour, and is committed to safeguarding the legitimate rights and interests of employees and building harmonious labour relations.

Recruitment and employment

The Group has complied with laws and regulations including the Labour Law of the People's Republic of China, has adhered to the principle of equal employment, eradicating any discrimination, and strove to create an atmosphere of diversified employment. It has recruited talents through various channels including campus recruitment, social recruitment and overseas recruitment. It has provided equal employment opportunities for each talent. It has built a diversified working environment, to stimulate the vitality of human resources, and to secure human resources for corporate development.

As at the end of 2020, the total number of employees of the Group was 21,038, with 100% of the employees signing employment contracts.

Indicators	Unit	2020
Total number of employees	Person	21,038
Percentage of full-time employees	%	100
Percentage of part-time employees	%	0
Percentage of male employees	%	88.1
Percentage of female employees	%	11.9
Production worker	Person	14,651
Technical staff	Person	4,022
Sales and marketing personnel	Person	432
Others	Person	1,933
Percentage of employees from ethnic minorities	%	3.8
Percentage of foreign employees	%	0.1
Percentage of female management	%	22.1

Labour Standards

The Group has strictly complied with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Provisions on the Prohibition of Using Child Labor and other relevant laws and regulations, and has formulated the Recruitment Management Policy of BAIC Motor Corporation Limited. We have established procedures for the collection and approval of recruitment information, and require applicants to provide identification certificates during the recruitment process to prevent the use of child and forced labour. During the Reporting Period, the Group did not violate any international, national or local standards and rules in relation to child and forced labour.

Remuneration and Welfare

The Group adheres to the people-oriented philosophy and firmly protects the legitimate rights and interests of employees. We have continuously improved the remuneration system, and controlled overtime hours. The employment contracts were signed through a collective negotiation mechanism, so as to ensure that employees' rights and interests were not infringed.

Setting reasonable working hours	<ul style="list-style-type: none"> According to rules and regulations including the Collective Contract and the Measures of BAIC Motor for Attendance Management, the Group has adopted a standard working hour system of 5 days a week and 8 hours a day. We have strictly implemented the vacation arrangements for national statutory holidays, and have paid employees in full during employees' annual leave, marriage leave, funeral leave, and public holidays. Overtime hours are strictly controlled and subject to approval procedures to fully protect employees' rights to rest.
Optimizing employee remuneration system	<ul style="list-style-type: none"> In order to improve the remuneration management system and process, the Group has formulated and implemented the Measures of BAIC Motor for Management of Employee Remuneration. The Group has established a remuneration system centered on the value of post and oriented towards the performance and ability of its employees, and has formulated a remuneration standard that is competitive in the industry.
Seeking for democratic opinions	<ul style="list-style-type: none"> In order to seek for democratic opinions and perform democratic procedures, we have formulated a series of policies including the Measures of BAIC Motor for the Management of Employee Reward and Punishment, the Measures of BAIC Motor for Attendance Management, and the Measures of BAIC Motor for Management of Employee Remuneration. The trade union signed the Collective Contract with the Company through a collective negotiation mechanism, and performed filing procedures, so as to protect the rights and interests of employees.
Caring for rights of female employees	<ul style="list-style-type: none"> The Collective Contract provides for a specific clause on the screening of cervical cancer and breast cancer. Some departments of the Company extended maternity leave and lactation period for female employees, and defined working conditions of female employees during pregnancy and menstruation. During the COVID-19 outbreak, we have intensified the special care for female employees during pregnancy and lactation period, and issued the Notice on Effectively Conducting the Work Relating to the Prevention and Control of COVID-19 for Children and Pregnant and Maternal Women (關於做好兒童和孕產婦新型冠狀病毒感染的肺炎疫情防控工作的通知), so as to understand the demands of female employees and conduct strict management of the use of mother-and-baby room.

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Safety and Health

The Group has strictly complied with laws, regulations and policies on occupational health and safety, including the Law of the People's Republic of China on Work Safety and the Labour Law of the People's Republic of China. We regard the safety operation policy as our top priority, and are committed to creating a safe and healthy working environment for employees. We included the occupational safety management into our management system, and continued to strengthen our safety management system structure. We adopted occupational health and safety system certification and implemented safety management evaluation mechanism to prevent and control accidents. Safety education and training activities were organized to enhance employees' safety awareness. Meantime, we arranged physical examinations for employees and provided necessary labour protection supplies, reflecting our constant care for the physical and mental health of employees.

In 2020, the Group carried out safety education and training for 398 times at the company level, with 158,952 trainees. The lost days due to work injury was 626 days. No work-related deaths occurred.

Strengthening the safety management structure

- In order to establish a hierarchical safety management model and to strengthen the safety management policy of the Company, we have formulated and implemented 31 management policies on occupational health and safety, including the Measures of BAIC Motor for the Management of Assessing and Reviewing Safety and Environmental Protection Risks of New/Transformation/Expansion Projects (北汽股份新/改/擴建項目安全環保風險評估及審核管理辦法) and the Policies of BAIC Motor on the Assessment, Accountability and Reward for Safety and Environmental Protection Work (北汽股份安全環保工作考核問責和獎勵制度).
- We have adopted an internal audit mechanism, and carried out the first internal self-audit according to ISO45001 standard for occupational health and safety.
- To implement the safety management evaluation system, we have conducted the quarterly assessment of responsibilities of part-time safety management personnel in all departments, and provided positive incentives to excellent safety management personnel.
- We have adopted innovative media to convey safety culture, and posted a total of 601 publicity articles on our Wechat official account on safety and environmental protection.

Paying attention to the health and safety of employees

- We arranged physical examinations for all employees by way of visiting service and on-site service appointment, so that employees can choose a physical examination plan as needed. In order to help employees better understand their own health conditions, we also organized a one-to-one Q&A activity relating to the results of physical examinations.
- Differentiated physical examinations were provided for different groups of employees. We integrated the welfare items of physical examination with the compulsory items of the occupational health examination for employees exposed to occupational hazards, set up special gynecological items for female employees, and provided targeted items for employees above 40 years old.

- In face of the sudden outbreak of COVID-19, we have formulated the pandemic prevention and disinfection standards for office parks, the deployment and distribution procedure for disinfection supplies, and the treatment plan for employees with fever, and have purchased large numbers of protective supplies to distribute to our employees for free.
- We provided our employees with labour protection supplies, including disposable masks, earplugs, safety helmets, cut-resistant gloves and dust masks, according to the Classification and Catalogue of Protective Equipment Against Occupational Diseases (職業病防護用品分類與目錄) and the Standards for Use of Protective Equipment Against Occupational Diseases (職業病防護用品配備標準).

**Intensifying safety
education and training**

- We have formulated and implemented an annual safety training plan, and provided high-quality training courses on safety and environmental protection.
 - Publicity and education activities on labour protection and trainings on labour protection knowledge were carried out to improve labour safety knowledge of employees, promote the safety building of grassroots teams, and identify and control hidden hazards. In order to enhance the safety awareness of all employees, we have adopted online and offline safety trainings for all employees.
 - The training method for new employees was adjusted, and new employees were subject to safety training and assessment immediately following recruitment.
 - We organized special training for safety personnel, major safety production trainings for dedicated safety management personnel, and knowledge trainings on safety responsibility, risk prevention and control, emergency rescue and safety culture for members of the safety committee, so as to enhance the safety management level and professional skills of safety management personnel.
-

Case 1: Beijing Benz carried out an occupational health activity

Beijing Benz organized the 2020 Occupational Health Activity from October 29, 2020 to November 1, 2020, which was attended by 120 employees exposed to occupational hazards. In the four-day activity, we carried out various outdoor fitness activities including outdoor extension, mountain climbing and cycling, which enabled employees to relax their minds and bodies in a fulfilling and happy environment.

Case 2: Safety Competition and Daily Education

In 2020, the Company carried out safety competitions and safety educations from the perspectives of front-line safety competition, 3D safety education and key safety items. We also enhanced the safety awareness of our employees through a series of activities including “Ankang Cup” (安康杯) safety competition, “Cooling Summer, Warm care and Prioritizing Safety”(送清涼、送溫暖、送安全) activity and safety education videos. In 2020, the Company has put forward a total of 133 reasonable proposals on production safety.

Section X Environmental, Social and Governance Report

Caring and Communication

The Group insists on safeguarding employees' rights of being informed, participation, express themselves and supervision. We held the employee representative congress on a regular basis to listen to employees' voices, and enhanced their sense of happiness and belonging. The trade union of the Group has set up a caring and pair-assistance fund to exemplify our care and assistance for employees in need.

Case: Caring for Employees during the COVID-19 Pandemic

Since the outbreak of the COVID-19 pandemic, the Company has set up a special fund for the prevention and control of COVID-19, which provided financial support for fighting against the COVID-19 outbreak. We have raised various anti-epidemic supplies and daily necessities, and distributed them to employees in a timely manner. Meantime, the Company has provided special courses on pandemic prevention for employees at the very beginning to promote knowledge on prevention and control of COVID-19. In order to showcase our all-round care for every employee, we have also organized online Q&A competitions on anti-epidemic knowledge, and set up a hotline to provide psychological counseling for our employees. Moreover, we have also provide special care for female employees, with a view to helping employees cope with inconvenience in life due to the COVID-19 outbreak.

4.2 Shared Growth with Employees

In line with the philosophy of talent first and win-win cooperation, the Group is committed to providing a platform for the all-round development of employees, thus fully invigorating the enthusiasm of employees and giving full play to their strengths. In 2020, we have further upgraded and optimized our training and management system, and revised and improved systems including the Training Management Measures of BAIC Motor and the Special Training Management Measures of BAIC Motor. Relying on a three-level skills competition platform that integrated on-the-job training, skills competition by work type and comprehensive skills competition, we provided diversified training courses to help employees develop themselves and realize their self-worth, which helps secure human resources for corporate transformation and development.

Indicators	2020
Percentage of trained employees (%)	100
Of which: percentage of male employees completing the training (%)	100
Of which: percentage of female employees completing the training (%)	100
Of which: percentage of senior management members completing the training (%)	100
Of which: percentage of middle management members completing the training (%)	100
Total hours of employee training* (hour)	780,367
Average training hours per employee completed (hour/person)	37.1
Of which: average training hours of male employee completed (hour/person)	37.1
Of which: average training hours of female employee completed (hour/person)	37.1
Of which: average training hours of senior management employee completed (hour/person)	110
Of which: average training hours of middle management employee completed (hour/person)	16

* Due to the impact of the COVID-19 outbreak, some trainings have been transferred from offline channels to online channels. Online trainings adopted the credit system, and were not included in the scope of training hours.

Training and Development

The Group has actively carried out quality education for employees, and established a number of training mechanisms. In 2020, we have taken innovative measures in employee training in line with the prevention and control of COVID-19, including promoting online training courses, and have upgraded and optimized our management and training system to develop a high-quality training platform for all employees.

Case: Online Training Courses

In 2020, the Group launched online training courses and special courses on the prevention and control of COVID-19, including the Q&A on Key Labour Laws Related to the COVID-19 Outbreak (疫情相關勞動法律焦點問題解答) and the Special Regulations on Trade Union Funds for Fighting against COVID-19 (戰疫·工會經費有新規), thus providing professional guidance for employees to effectively prevent and control the outbreak. We have established the “Light Lecture”(輕學堂) online learning platform for trade union cadres with over 500 courses, which provided more choices and conveniences for them to learn. As at the end of 2020, more than 94% of trade union cadres participated online learning, with the total learning time of 2,100 hours and the average learning time per person of over 30 class periods.

Construction of Talent Team

The Group continued to smooth the career development channels of employees, and has established an employee promotion mechanism based on the value of positions. Through a hierarchical and sequential promotion mechanism, we continuously invigorated our employees, guided employees to create value, and promoted their personal growth.

Rank of employees	Training Target	Training measures
Recent graduate employees	Helping recent graduate employees rapidly integrate into the Company, and strengthening the innovation capacity and creativity of the Company.	<ul style="list-style-type: none"> There was a face-to-face communication with the President in the welcome party for recent graduate employees. The President answered questions for new employees through live-streaming dialogue and interview, so as to enhance their experience and recognition of the Company's culture and values.
Ordinary staff	Emphasizing the exploration and training of internal employees, and helping enhance personal capabilities of employees.	<ul style="list-style-type: none"> In the first live-streaming lecturer competition, we have trained 39 live-streaming lecturers through three-session empowerment trainings, and produced 19 high-quality live-streaming courses. Online Teacher's Day activity was organized to offer our internal lecturers a sense of role and honor. Four empowerment trainings for review and on innovation workshops were provided to analyze and build an empowerment tool library.
Middle and senior management	Training core employees and forces that can promote and implement organizational changes.	<ul style="list-style-type: none"> We launched the CEO growth plan 2.0 for middle and senior management, with a total of 152 trainees.

4.3 Devotion to Public Good

The Group has always insisted on the value of openness and sharing to realize the integration and common progress of enterprises and the society. In active response to the call of the government, we have participated in public welfare activities including targeted poverty alleviation, charitable donations, and fighting against COVID-19. Relying on our platform resources, we have participated in multi-dimensional voluntary service work, and contribute our part to build a better future. During the Reporting Period, the Group donated a total of RMB2.1 million.

Section X Environmental, Social and Governance Report

Fighting against COVID-19

During the COVID-19 outbreak, the Company has actively carried out donation activities, and provided anti-epidemic supplies to pandemic-hit areas relying on our advantages in production. We were concerned about the pandemic-hit areas, and donated RMB2 million to the China Charity Federation. Meantime, the Company organized a “Donating Blood to Fight against COVID-19”(血暖情深·戰疫有我) voluntary blood donation activity, and more than 1,000 employees participated in the blood donation activity to support the people in affected areas nationwide.

As one of the few enterprises in China that are capable to produce negative pressure ambulances, Fujian Benz donated 2 Mercedes-Benz Vito negative pressure ambulances to Leishenshan Hospital and Huoshenshan Hospital in Wuhan, showcasing our devotion to contributing our part to the medical cause of the society.

Supporting targeted poverty alleviation

To respond to the national call on poverty alleviation, the Group has taken a number of measures including industrial poverty alleviation, employment poverty alleviation, intellectual poverty alleviation, and public welfare poverty alleviation, so as to deepen the assistance work and make greater contributions to prevailing over the battle of poverty alleviation.

Case: Fujian Benz launched the Morning Star Program (啟明星計劃) to Inspire Dreams and Lighten Future

In 2020, Fujian Benz launched the “Morning Star Program” with an aim to “Inspire Dreams and Lighten Future”. It donated books and library cabinets to Nanyang Central Primary School, Tuoxi Central Primary School, and Fengyang Middle School in Shouning County, so as to enable children there to have the opportunity to read more and better books, and to help children know about the world, inspire dreams and change their future.

Volunteer Service

As a responsible enterprise, the Group inherits and carries forward the volunteer spirit of “dedication, friendship, mutual assistance and progress”. We encourage and organize all grass-roots employees to participate in front-line volunteer activities to fulfill their responsibilities as social citizens, which contributes to the construction of a better society while enhancing the cohesion of employees.

Indicators	2020	2019	2018
Terms of volunteer activities (term)	370	364	345
Number of participants in employee volunteer activities (person)	9,257	9,120	8,910
Hours of volunteer activities during the Reporting Period (hour)	43,566	42,150	39,566
Number of beneficiaries in volunteer activities during the Reporting Period (person)	96,580	92,400	88,563

Case: Fujian Benz set up a volunteer team

During the COVID-19 outbreak, youth volunteers from Fujian Benz have set up a volunteer team to provide caring services. The team assisted employees residing outside the province in the registration of work resumption, prepared a love supply package for each employee in quarantine, provided living supplies for employees in the dormitory quarantine area, and delivered lunch and supper every day, thus showing their care for every front-line employee.

ESG INDICATOR INDEX

Aspects	Description	Page
A1 Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Notes: (1) Air emissions include NO _x , SO _x , and other pollutants regulated under national laws and regulations. (2) Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. (3) Hazardous wastes are those defined by national regulations.	101
	A1.1 The types of emissions and respective emissions data.	104
	A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	104
	A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	104
	A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	104
	A1.5 Description of measures to mitigate emissions and results achieved.	101-103
	A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	101-103

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Aspects	Description	Page
	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	105-108
A2 Use of Resources	A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	107
	A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	107
	A2.3 Description of energy use efficiency initiatives and results achieved.	105-106
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	107
	A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	107
A3 The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	94-95,109
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	94-95,109
B1 Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	110
	B1.1 Total workforce by gender, employment type (i.e. full-time or part-time), age group and geographical region.	110
	B1.2 Employee turnover rate by gender, age group and geographical region.	Planned to be disclosed in the future

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Environmental, Social and
Governance Report

Aspects	Description	Page
B2 Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	112
	B2.1 Number and rate of work-related fatalities.	112
	B2.2 Lost days due to work injury.	112
	B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	112-113
B3 Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	114-115
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	114
	B3.2 The average training hours completed per employee by gender and employee category.	114
B4 Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	110
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	110
	B4.2 Description of steps taken to eliminate violations when discovered.	No violations occurred during the reporting period
B5 Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	99
	B5.1 Number of suppliers by geographical region.	100
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	100-101

Section X Environmental, Social and Governance Report

Aspects	Description	Page
	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	97-98
B6 Product Responsibility	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	95
	B6.2 Number of products and service related complaints received and how they are dealt with.	98
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	94
	B6.4 Description of quality assurance process and recall procedures.	95-96
	B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	98
B7 Anti-Corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	91
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	92
	B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	92
B8 Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	115-116
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	116
	B8.2 Resources contributed (e.g. money or time) to the focus area.	115-116



羅兵咸永道

TO THE SHAREHOLDERS OF BAIC MOTOR CORPORATION LIMITED
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of BAIC Motor Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 127 to 203, which comprise:

- the consolidated balance sheet as at December 31, 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Capitalization of internal development costs;
- Impairment assessment of the property, plant and equipment, land use rights and the intangible assets related to the Beijing Brand passenger vehicle business;
- Provision for warranties.

Section XI Independent Auditor's Report

Key Audit Matter

Capitalization of internal development costs

Refer to Note 5 (Critical accounting estimates and judgements) and Note 9 (Intangible assets) of the consolidated financial statements.

The Group launches new vehicle models which require expenditure on the internal research and development projects. Management capitalizes the costs on development projects when the criteria set out in the accounting standard for capitalization of such costs have been met. RMB1,877 million of internal development costs have been capitalized and recorded as addition to intangible assets for the year ended December 31, 2020.

We focused on this area due to the higher inherent risk in relation to the capitalization of internal development costs and significant judgements involved in assessing whether the criteria set out in the accounting standard for capitalization of expenditure on the internal research and development projects have been met, particularly:

- The timing to start capitalization;
- The technical feasibility of the projects; and
- The likelihood of the projects that will deliver sufficient future economic benefits.

How our audit addressed the Key Audit Matter

We have understood and evaluated the design of the controls identified by the management surrounding the capitalization of internal development costs and subsequent measurement which we considered as key, and assessed the inherent risk of material misstatements by considering the complexity and susceptibility to management bias or fraud.

We tested such controls and performed substantive test of details on the projects with significant expenditure on the internal development as follows:

- We obtained the bases of considerations from management to determine the projects which were considered under development stage, in terms of how the specific requirements of the relevant accounting standards were met and whether it is appropriate to start the capitalization of the costs attributable to the projects.
- We also conducted interviews with individual project development managers responsible for the projects selected to obtain corroborative evidence such as project progress reports to support the explanations provided by the management.
- We tested samples of cost incurred by selected individual project and through our understanding of the projects and assessing the nature and necessity of such costs to evaluate whether such cost items selected for testing were directly attributable to the projects.

Based on above, we found that the judgement applied by management in assessing the criteria for capitalization of internal development costs were supported by the evidence we gathered and consistent with our understanding.

Key Audit Matter

Impairment assessment of property, plant and equipment, land use rights and intangible assets related to Beijing Brand passenger vehicle business

Refer to Note 5 (Critical accounting estimates and judgements), Note 7 (Property, plant and equipment), Note 8 (Land use rights) and Note 9 (Intangible assets) of the consolidated financial statements.

The Group has material balances of property, plant and equipment, land use rights and intangible assets related to Beijing Brand passenger vehicle business, a separate cash generating unit (“CGU”) with operating losses for the year ended December 31, 2020.

Management has engaged an independent valuer to determine the recoverable amount of this CGU, being the value in use. Such assessment involved judgements and assumptions, such as future cash flow projections using revenue, gross margin and other operating costs forecasts, long-term growth rate of revenue and discount rate.

Based on above management’s assessment, the value in use of this CGU is larger than its net carrying value as of December 31, 2020.

We focused on this area due to the material balances of those long-lived assets related to Beijing Brand passenger vehicle business, and the fact that judgement and assumptions involved to determine the recoverable amount of this CGU are subject to high degree of estimation uncertainty. The inherent risk is considered significant due to the complexity of valuation model and subjectivity of assumptions used.

How our audit addressed the Key Audit Matter

We obtained an understanding of management’s internal control and assessment process of recoverable amount and assessed the inherent risk of material misstatements by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity and subjectivity.

The recoverable amount of the Beijing Brand passenger business was determined based on value in use, which is the present value of the future cash flows expected to be derived from this CGU, and we performed the following major audit procedures:

1. We assessed the competence, independence and integrity of the valuer. We read the valuer’s report and assessed the valuation methodology.
2. We tested the consistency and assessed the reasonableness of the data used and evaluated the management’s key assumptions adopted in the discounted cash flow projections, mainly in relation to:
 - the budgeted sales, gross margin and other operating costs, by comparing them with actual performance and historical financial data of this CGU. For the budgeted sales, we also compared to the Group’s strategic plan; and
 - discount rate, by comparing it with the cost of capital of comparable companies and historical weighted average cost of capital, as well as considering territory specific factors.

Based on available evidence, we found the data used and the key assumptions adopted in management’s discounted cash flow projection were supported by the evidence we gathered.

Section XI Independent Auditor's Report

Key Audit Matter

Provision for warranties

Refer to Note 5 (Critical accounting estimates and judgements) and Note 25 (Provisions) of the consolidated financial statements.

The Group recognizes estimated warranty costs for vehicles sold principally at the time of sale of the vehicles or when it is determined that such obligations are probable and can be reasonably estimated. As disclosed in Note 25, the Group's warranties provision balance is RMB4,801 million as at December 31, 2020. The key judgement adopted by management as part of this process includes determining the estimated warranty cost per unit of vehicle sold.

We focused on this area given the higher inherent risk as estimates are adjusted from time to time with the actual outcome of claims subject to high estimation uncertainty.

How our audit addressed the Key Audit Matter

In assessing the inherent risk of material misstatements by estimation uncertainty in provision for warranties, we obtained an understanding on the management's control and process to identify and quantify the provisions and tested related controls.

We also tested the provision for warranties attributable to vehicles with significant sales volume as follows:

- We tested the mathematical accuracy of the management's calculation of the provision for warranties which is based on the cost-per-unit and sales volume, and traced the volume data in current period to related sales records for each type of vehicle.
- We assessed the reasonableness of the cost-per-unit provision estimates of vehicles sold in the year with the Group's data sources that reported warranty costs in the past.
- In respect of the provision for warranties previously recorded and subsequently settled during the year, we compared the provision amount with the settlement amount and investigated if significant variance exists and the reasonableness of the reassessment of the adequacy of the provision for warranties previously made by the management. We also discussed with management the existence of any indicators of significant product defect occurred during the year and subsequent to the year-end that would significantly affect the estimates of the year end warranty provision.

We found the assumptions adopted and judgement applied by management were supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Section XI Independent Auditor's Report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Peter Man Kam Tsang.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 24, 2021

		As at December 31,	
	Note	2020 RMB' 000	2019 RMB' 000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	7	50,428,891	48,758,070
Land use rights	8	7,158,525	7,339,955
Intangible assets	9	12,459,098	13,047,095
Investments accounted for using equity method	11,12	14,296,379	15,938,613
Financial assets at fair value through other comprehensive income	13	1,896,816	1,278,650
Deferred income tax assets	14	9,763,971	10,540,458
Other receivables and prepayments	18	2,700,167	662,081
		98,703,847	97,564,922
Current assets			
Inventories	15	20,341,991	20,192,070
Accounts receivable	16	20,553,050	21,094,943
Advances to suppliers	17	340,313	390,990
Other receivables and prepayments	18	4,412,051	5,040,559
Restricted cash and term deposits with initial term of over three months	19	1,205,578	1,878,230
Cash and cash equivalents	20	48,146,250	50,231,353
		94,999,233	98,828,145
Total assets		193,703,080	196,393,067
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	8,015,338	8,015,338
Perpetual bond	22	1,998,160	1,998,160
Other reserves	23	22,120,796	20,667,653
Retained earnings		18,953,206	19,325,921
		51,087,500	50,007,072
Non-controlling interests		22,506,443	22,367,709
Total equity		73,593,943	72,374,781

Consolidated Balance Sheet

As at December 31, 2020

	Note	As at December 31,	
		2020 RMB' 000	2019 RMB' 000 (Restated)
LIABILITIES			
Non-current liabilities			
Borrowings	24	8,721,150	9,815,277
Lease liabilities	7(c)(i)	59,220	77,045
Deferred income tax liabilities	14	26,423	731,315
Provisions	25	2,352,624	2,562,269
Deferred income	26	3,570,884	3,867,752
Other payables		105,865	174,676
		14,836,166	17,228,334
Current liabilities			
Accounts payable	27	48,017,125	45,443,866
Contract liabilities	28	1,291,797	1,007,754
Other payables and accruals	29	40,360,838	39,416,198
Current income tax liabilities		1,324,900	4,442,695
Borrowings	24	11,736,216	14,319,995
Lease liabilities	7(c)(i)	93,990	33,195
Provisions	25	2,448,105	2,126,249
		105,272,971	106,789,952
Total liabilities		120,109,137	124,018,286
Total equity and liabilities		193,703,080	196,393,067

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 127 to 203 were approved by the Board of Directors on March 24, 2021 and were signed on its behalf.

Jiang Deyi, Director

Huang Wenbing, Director

 Consolidated Statement of
Comprehensive Income

For the year ended December 31, 2020

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	Note	For the year ended December 31,	
		2020 RMB' 000	2019 RMB' 000 (Restated)
Revenue	6	176,973,004	175,410,209
Cost of sales	31	(134,833,061)	(137,776,461)
Gross profit		42,139,943	37,633,748
Selling and distribution expenses	31	(11,309,353)	(10,414,184)
General and administrative expenses	31	(7,984,162)	(7,194,521)
Net impairment losses on financial assets		(400,619)	(255,742)
Other (losses)/gains, net	30	(101,145)	2,861,847
Operating profit		22,344,664	22,631,148
Finance income	33	952,947	894,270
Finance costs	33	(852,801)	(1,056,401)
Finance income/(costs), net		100,146	(162,131)
Share of loss of investments accounted for using equity method		(2,014,904)	(313,791)
Profit before income tax		20,429,906	22,155,226
Income tax expense	34	(7,474,755)	(6,997,917)
Profit for the year		12,955,151	15,157,309
Profit attributable to:			
Equity holders of the Company		2,028,811	4,996,279
Non-controlling interests		10,926,340	10,161,030
		12,955,151	15,157,309
Earnings per share for profit attributable to ordinary shareholders of the Company for the year (expressed in RMB)			
Basic and diluted	35	0.24	0.61

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2020

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Profit for the year	12,955,151	15,157,309
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Gain/(loss) on cash flow hedges, net of tax	24,175	(37,780)
Share of other comprehensive income of investments accounted for using the equity method	2,663	8,029
Currency translation differences	(51,774)	57,258
<i>Items that will not be reclassified to profit or loss</i>		
Changes in fair values of financial assets at fair value through other comprehensive income	618,166	(825,449)
Other comprehensive income/(loss) for the year	593,230	(797,942)
Total comprehensive income for the year	13,548,381	14,359,367
Attributable to:		
Equity holders of the Company	2,635,629	4,208,660
Non-controlling interests	10,912,752	10,150,707
	13,548,381	14,359,367

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

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Attributable to equity holders of the Company

	Share capital RMB' 000 (Note 21)	Perpetual bond RMB' 000 (Note 22)	Other reserves RMB' 000 (Note 23)	Retained earnings RMB' 000	Sub-total RMB' 000	Non-controlling interests RMB' 000	Total RMB' 000
Balance at January 1, 2020, as previously reported	8,015,338	1,998,160	21,008,386	19,381,328	50,403,212	22,223,988	72,627,200
Effect of business combinations under common control (Note 2(b)(i))	-	-	(340,733)	(55,407)	(396,140)	143,721	(252,419)
Balance at January 1, 2020, as restated	8,015,338	1,998,160	20,667,653	19,325,921	50,007,072	22,367,709	72,374,781
Profit for the year	-	112,000	-	1,916,811	2,028,811	10,926,340	12,955,151
Other comprehensive income/(loss)	-	-	606,818	-	606,818	(13,588)	593,230
Total comprehensive income for the year	-	112,000	606,818	1,916,811	2,635,629	10,912,752	13,548,381
Transactions with owners							
Consideration for business combinations under common control (Note 2(b))	-	-	(80,594)	-	(80,594)	-	(80,594)
Interest of perpetual bond	-	(112,000)	-	-	(112,000)	-	(112,000)
Appropriation to reserve fund	-	-	926,919	(926,919)	-	-	-
2019 final dividends	-	-	-	(1,362,607)	(1,362,607)	-	(1,362,607)
Dividends to non-controlling interest holders of a subsidiary	-	-	-	-	-	(13,622,000)	(13,622,000)
Contribution from non-controlling interest holders of a subsidiary	-	-	-	-	-	2,873,593	2,873,593
Acquisition of non-controlling interests of a subsidiary	-	-	-	-	-	(6,658)	(6,658)
Disposal of a subsidiary	-	-	-	-	-	(18,953)	(18,953)
	-	(112,000)	846,325	(2,289,526)	(1,555,201)	(10,774,018)	(12,329,219)
Balance at December 31, 2020	8,015,338	1,998,160	22,120,796	18,953,206	51,087,500	22,506,443	73,593,943

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Attributable to equity holders of the Company						Non-controlling interests RMB' 000	Total RMB' 000
	Share capital RMB' 000 (Note 21)	Perpetual bond RMB' 000 (Note 22)	Other reserves RMB' 000 (Note 23)	Retained earnings RMB' 000	Sub-total RMB' 000			
Balance at January 1, 2019, as previously reported	8,015,338	1,998,160	21,041,578	17,360,387	48,415,463	20,822,318	69,237,781	
Effect of business combinations under common control (Note 2(b))	-	-	(205,727)	(968,988)	(1,174,715)	41,811	(1,132,904)	
Balance at January 1, 2019, as restated	8,015,338	1,998,160	20,835,851	16,391,399	47,240,748	20,864,129	68,104,877	
Profit for the year	-	112,000	-	4,884,279	4,996,279	10,161,030	15,157,309	
Other comprehensive loss	-	-	(787,619)	-	(787,619)	(10,323)	(797,942)	
Total comprehensive income/(loss) for the year, as restated	-	112,000	(787,619)	4,884,279	4,208,660	10,150,707	14,359,367	
Transactions with owners								
Interest of perpetual bond	-	(112,000)	-	-	(112,000)	-	(112,000)	
Appropriation to reserve fund	-	-	426,588	(426,588)	-	-	-	
2018 final dividends	-	-	-	(1,522,914)	(1,522,914)	-	(1,522,914)	
Dividends to non-controlling interest holders of subsidiaries	-	-	-	-	-	(8,827,146)	(8,827,146)	
Contribution from non-controlling interest holder of a subsidiary	-	-	-	-	-	185,782	185,782	
Disposal of subsidiaries	-	-	177,894	-	177,894	(5,763)	172,131	
Others	-	-	14,939	(255)	14,684	-	14,684	
	-	(112,000)	619,421	(1,949,757)	(1,442,336)	(8,647,127)	(10,089,463)	
Balance at December 31, 2019, as restated	8,015,338	1,998,160	20,667,653	19,325,921	50,007,072	22,367,709	72,374,781	

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended December 31, 2020

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	Note	For the year ended December 31,	
		2020 RMB' 000	2019 RMB' 000 (Restated)
Cash flows from operating activities			
Cash generated from operations	37(a)	36,286,459	43,434,821
Interest paid		(702,806)	(783,262)
Interest received		952,947	894,981
Income tax paid		(10,529,012)	(7,722,629)
Net cash generated from operating activities		26,007,588	35,823,911
Cash flows from investing activities			
Purchase of property, plant and equipment		(9,778,149)	(9,053,287)
Purchase of land use rights		–	(1,330)
Addition of intangible assets		(1,817,596)	(2,362,384)
Acquisition of subsidiaries	2(b)	(80,594)	–
Addition of investments accounted for using equity method		(190,000)	(522,000)
Prepayment for an investment		–	(50,000)
Receipt of government grants for capital expenditures		17,955	153,208
Proceeds from disposals of property, plant and equipment and intangible assets	37(b)	23,561	71,904
Cash disposed on disposal of subsidiaries, net of proceeds received	37(c)	(35,626)	(13,400,564)
Proceeds from disposal of financial assets at fair value through other comprehensive income		–	745
Dividends received from investments accounted for using equity method		319,993	408,422
Purchase of financial assets		–	(5,417,920)
Dividends received from financial assets		–	968,323
Changes of restricted cash and term deposits with initial term of over three months		–	(800,000)
Net cash used in investing activities		(11,540,456)	(30,004,883)
Cash flows from financing activities			
Proceeds from borrowings		19,876,097	34,526,471
Repayments of borrowings		(23,727,224)	(17,850,195)
Loans from immediate parent company		46,768	1,046,330
Repayment of loans from immediate parent company		(18,371)	–
Repayment of loans from a fellow subsidiary		–	(78,884)
Contribution from non-controlling interest holder of a subsidiary		2,513,659	185,782
Principal elements of lease payments		(103,554)	(18,460)
Interests paid to perpetual bondholders		(112,000)	(112,000)
Dividends paid by the Company		(1,362,607)	(1,522,914)
Dividends paid to non-controlling interest holders of subsidiaries		(13,752,066)	(8,479,161)
Acquisition of non-controlling interests of a subsidiary		(6,658)	–
Net cash (used in)/generated from financing activities		(16,645,956)	7,696,969
Net (decrease)/increase in cash and cash equivalents		(2,178,824)	13,515,997
Cash and cash equivalents at January 1		50,231,353	36,642,588
Exchange differences on cash and cash equivalents		93,721	72,768
Cash and cash equivalents at December 31		48,146,250	50,231,353

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

1 GENERAL INFORMATION

BAIC Motor Corporation Limited (the “Company”), 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 (“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.

These financial statements are presented in Renminbi thousand Yuan (“RMB’000”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on March 24, 2021.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) which are measured at fair value.

(a) Going concern

As at December 31, 2020, the current liabilities of the Group exceeded its current assets by approximately RMB10,274 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 RMB29,080 million and RMB1,300 million respectively as at December 31, 2020.

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.

2 BASIS OF PREPARATION (CONTINUED)

(b) Restatement of prior year's financial statements due to business combinations under common control

In April 2020, the Company acquired from BAIC Group its entire 100% equity interest in BAIC International Development Co., Ltd. ("BAIC International") and 24.78% equity interest in BAIC Yunnan Ruili Motor Co., Ltd. ("BAIC Ruili") at a total cash consideration of approximately RMB80 million.

The acquisitions were business combinations under common control given that the Company, BAIC International and BAIC Ruili are under common control of BAIC Group immediately before and after the business combinations, the Company applies the principles of merger accounting in preparing these consolidated financial statements.

By applying the principles of merger accounting, these consolidated financial statements also include the financial positions, results and cash flows of BAIC International and BAIC Ruili as if they had been combined with the Group throughout the year ended December 31, 2020. Comparative figures as at December 31, 2019 and for the year then ended have been restated as a result of such.

The followings are reconciliations of the effects arising from the abovementioned common control combinations on the consolidated balance sheet as at December 31, 2019, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2019.

(i) The consolidated balance sheet as at December 31, 2019:

	Balances as previously reported RMB' 000	Merger of BAIC International RMB' 000	Merger of BAIC Ruili RMB' 000	Adjustments RMB' 000	Balance as restated RMB' 000
Assets					
Non-current assets	95,152,366	1,006,342	1,571,749	(165,535)	97,564,922
Current assets	98,059,620	2,597,753	165,363	(1,994,591)	98,828,145
Equity					
Share capital	8,015,338	1,252,442	296,655	(1,549,097)	8,015,338
Perpetual bond	1,998,160	–	–	–	1,998,160
Other reserves	21,008,386	(1,673,330)	39,466	1,293,131	20,667,653
Retained earnings/ (accumulated losses)	19,381,328	51,544	(578,114)	471,163	19,325,921
Non-controlling interests	22,223,988	432,292	–	(288,571)	22,367,709
Liabilities					
Non-current liabilities	16,286,964	391,801	549,569	–	17,228,334
Current liabilities	104,297,822	3,149,346	1,429,536	(2,086,752)	106,789,952

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

2 BASIS OF PREPARATION (CONTINUED)

(b) Restatement of prior year's financial statements due to business combinations under common control (Continued)

(ii) The consolidated statement of comprehensive income for the year ended December 31, 2019:

	Amounts as previously reported RMB' 000	Merger of BAIC International RMB' 000	Merger of BAIC Ruili RMB' 000	Adjustments RMB' 000	Amounts as restated RMB' 000
Revenue	174,632,722	1,018,355	34,517	(275,385)	175,410,209
Profit/(loss) for the year	14,323,107	900,774	(151,756)	85,184	15,157,309

(iii) The consolidated statement of cash flows for the year ended December 31, 2019:

	Amounts as previously reported RMB' 000	Merger of BAIC International RMB' 000	Merger of BAIC Ruili RMB' 000	Adjustments RMB' 000	Amounts as restated RMB' 000
Net cash generated from/(used in) operating activities	35,952,781	(11,535)	(117,335)	–	35,823,911
Net cash used in investing activities	(11,614,557)	(18,562,458)	(286,533)	458,665	(30,004,883)
Net cash (used in)/ generated from financing activities	(10,428,524)	18,150,975	435,387	(460,869)	7,696,969

(c) New standards, amendments to standards and interpretations

The Group has applied the following for the first time for their annual reporting period commencing January 1, 2020:

- Amendments to IAS 1 and IAS 8
 - Amendments to IFRS 3
 - Amendments to IFRS 7, IFRS 9 and IAS 39
 - Revised Conceptual Framework for Financial Reporting
- Definition of Material
Definition of a Business
Interest Rate Benchmark Reform

The above did not have any material impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

2 BASIS OF PREPARATION (CONTINUED)

(c) New standards, amendments to standards and interpretations (Continued)

Certain new standard and amendments to standards have been published that are not mandatory for December 31, 2020 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to IFRS 16	Covid-19-related Rent Concessions	June 1, 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Annual Improvements 2018 – 2020 cycle		January 1, 2022
IFRS 17	Insurance Contracts	January 1, 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023

These are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Subsidiaries

(a) Consolidation

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

For business combinations involving enterprises under common control, the consideration paid and net assets obtained by the acquirer are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combinations and the carrying amount of the consideration paid is treated as an adjustment to capital reserve.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Subsidiaries (Continued)

(a) Consolidation (Continued)

The Group applies the acquisition method to account for business combinations except for business combinations under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses, and movements in other comprehensive income, in profit or loss and other comprehensive income respectively. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of joint ventures and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill.

Where the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which include any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of the joint ventures have been aligned where necessary, to ensure consistency with the policies adopted by the Group.

3.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Associates (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount to “Share of profit/(loss) of investments accounted for using equity method” in the profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group’s financial statements only to the extent of unrelated investor’s interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been aligned where necessary to ensure consistency with the policies adopted by the Group.

3.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee led by Chief Executive Officer that makes strategic decisions.

3.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in RMB, which is the Company’s functional currency and the Group’s presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the profit or loss on a net basis within “Other gains/(losses), net”.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognized in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items, as well as right-of-use assets (Note 3.26) within the same line item as that within which the corresponding underlying assets would be presented if they were owned.

Subsequent costs are included in the asset's carrying amount or as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings	30 years
Machinery	10 years
Vehicles	4-10 years
Furniture and office equipment	3-5 years
Mouldings	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.9).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains/(losses), net" in the profit or loss.

3.7 Land use rights

Land use rights are stated at cost less accumulated amortization and accumulated impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated. Amortization of land use rights is calculated on a straight-line basis over the period of the land use rights.

Land use rights are right-of-use assets upon adoption of IFRS 16 effective for annual period commencing January 1, 2019 (Note 3.26).

3.8 Intangible assets

(a) Intellectual rights

Separately acquired intellectual rights are shown at historical cost. Intellectual rights have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of intellectual rights over their estimated useful lives of 5 to 10 years.

(b) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 5 years.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Intangible assets (Continued)

(c) Research and development costs

Research cost is recognized in profit or loss in the period in which it is incurred. Development cost is capitalized only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset, and use or sell it;
- management ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

The development cost of an internally generated intangible asset is the sum of the expenditure incurred from the date the asset meets the recognition criteria above to the date when it is available for use. The development costs capitalized in connection with the intangible asset include costs of materials and services used or consumed and employee costs incurred in the creation of the asset.

Capitalized development costs are amortized using the straight-line method over their estimated useful lives.

Development costs not satisfying the above criteria are recognized in the profit or loss as incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period.

(d) Goodwill

Goodwill arises on the acquisition of subsidiaries, joint ventures and associates and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment and whenever there is an indication of impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and
- those to be measured at amortized 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 fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Investments and other financial assets (Continued)

(c) 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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the profit or loss.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(ii) 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 fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized 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 recognized 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Investments and other financial assets (Continued)

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized 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 recognized from initial recognition of the receivables.

3.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

3.12 Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value 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 the cash flows of recognized assets and liabilities and highly probable forecast transactions ("cash flow hedges").

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 29. Movements in the hedging reserve in equity are shown in Note 23. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified 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 hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other gains/(losses).

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss. Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), the deferred hedging gains and losses are included within the initial cost of the asset. The deferred amounts are ultimately recognized in profit or loss as the hedged item affects profit or loss (for example through cost of sales).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging 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 the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

3.14 Accounts and other receivables

Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of accounts and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Except for notes receivable measured at FVOCI, accounts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

3.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

3.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3.17 Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3.18 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss as finance cost over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

3.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

(i) Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(ii) Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Current and deferred income tax (Continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.21 Employee benefits

(a) Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organized by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans. The contributions are recognized as employee benefit expense when they are due.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plans. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceilings. The Group's liability in respect of these funds is limited to the contributions payable in each period.

3.22 Provision

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as financial costs.

3.23 Revenue recognition

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:

(a) Products

Revenue from sales of products is recognized when the performance obligation for promises to transfer goods to customers is satisfied which is at a point in time when control of the products has transferred, being when the risk and reward have been transferred, 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Revenue recognition (Continued)

(b) Services

Revenue from providing services of aftersales, transportation, research and development, technical consultancy, etc is recognized upon satisfaction of the performance obligations over time in the accounting period during which the services are rendered.

(c) 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.

3.24 Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognized as other gains in profit or loss when the right to receive payment is established.

3.25 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in the profit or loss.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other gains.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3.26 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Group under residual value guarantees,

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.26 Leases (Continued)

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that termination option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.27 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

3.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's risk management and treasury department focuses on minimizing potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group has international purchase transactions and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

	As at December 31,			
	2020		2019	
	Euro RMB' 000	Other foreign currencies RMB' 000	Euro RMB' 000	Other foreign currencies RMB' 000 (Restated)
Accounts receivable	1,242,671	144,163	605,093	287,382
Other receivables and prepayments	–	20,603	–	72,948
Cash and cash equivalents	1,055,241	307,707	352,197	415,625
Accounts payable	14,818,990	931	10,725,085	163,815
Other payables and accruals	3,209,681	88,141	2,031,865	54,069
Borrowings	2,010,263	400,123	1,856,780	422,639

To manage the impact of exchange rate fluctuations, the Group continually assesses its exposure to foreign exchange risks, and a portion of those risks will be mitigated by using derivative financial instruments when management considers necessary.

Management has set up a policy to manage their foreign exchange risk against their functional currency. The Group uses forward foreign exchange contracts to hedge anticipate cash flows (mainly purchase of inventories) in major foreign currencies for the subsequent periods.

As at December 31, 2020, the carrying value of the forward foreign exchange contracts was RMB64,097,000 (December 31, 2019: RMB48,950,000) (Note 29(a)). The foreign exchange forwards are denominated in the same currency as the highly probable future inventory purchases (both in Euro) and therefore the hedge ratio is 1:1.

As at each year end, if Euro weakened by 10% against RMB with all other variables held constant, the post-tax profit and other comprehensive income/(loss) for each year would have changed mainly as a result of foreign exchange differences on translation of Euro denominated assets and liabilities as well as forward foreign exchange contracts:

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Profit for the year	946,231	396,677
Other comprehensive income/(loss)	(508,983)	(417,721)

A weakening of the RMB against the Euro would have had equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

As at December 31, 2020, if the interest rates on borrowings had been 100 basis points higher/lower than the prevailing rate, with all other variables held constant, net profit for the year ended December 31, 2020 would have been approximately RMB61,810,000 (2019: RMB46,212,000 as restated) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

(i) Risk management

As at December 31, 2020, 100% (December 31, 2019: 100%) of the Group's restricted cash, short-term deposits and cash at banks are held in reputable local joint-stock commercial banks, state-owned banks, other financial institutions and world-wide reputable banks, which management believes are of high credit quality. Management does not expect any losses from non-performance by these counterparties.

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. Normally, the Group does not require collaterals from trade debtors. Management makes periodic collective assessment as well as individual assessment on the recoverability of accounts and other receivables based on historical payment records, the length of the ageing period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. The Group's historical experience in collection of accounts and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

Impairment of financial assets are determined on the basis outlined in Note 3.10(d). To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the ageing. As at December 31, 2020 the provision for impairment in respect of those collectively assessed trade receivables was approximately RMB465,630,000 (December 31, 2019: RMB261,565,000 as restated) based on expected loss rates applied on different groupings as follows.

	Current RMB'000	More than 30 days RMB'000	More than 1 year RMB'000	More than 2 years RMB'000	More than 3 years RMB'000	More than 4 years RMB'000	Total RMB'000
As at December 31, 2020							
Expected loss rate	0.2%	0.2%	1.6%	5.9%	6.1%	7.0%	2.6%
Trade receivables, gross	5,540,587	1,815,916	4,463,765	2,941,248	1,245,407	1,842,608	17,849,531
Provision for impairment	11,569	3,792	71,015	174,643	75,931	128,680	465,630
As at December 31, 2019 (restated)							
Expected loss rate	0.3%	0.1%	2.4%	2.6%	4.2%	91.4%	1.4%
Trade receivables, gross	8,052,507	3,843,578	3,789,377	1,362,293	2,078,549	21,744	19,148,048
Provision for impairment	22,005	5,254	91,492	35,624	87,314	19,876	261,565

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities at all times as not to breach borrowing limits or covenants (where applicable) on any of its facilities. The Group's forecasting takes into consideration debt financing plans, covenant compliance, and if applicable, external regulatory or legal requirements.

The Group's primary cash requirements have been for additions of and upgrades on property, plant and equipment, expenditure on research and development payment on related debts and payment for purchases and operating expenses. The Group finances its working capital requirements through a combination of internal resources and long-term and short-term borrowings.

As at December 31, 2020, the Group has net current liabilities of approximately RMB10,274 million (December 31, 2019: RMB7,962 million as restated). Management regularly monitors the Group's current and expected liquidity requirements to ensure that it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed banking facilities to meet its capital commitments and working capital requirements. The amount of undrawn credit facilities at the balance sheet dates are disclosed in Note 24 to these financial statements.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The tables below analyze the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 1 year RMB' 000	1-2 years RMB' 000	2-5 years RMB' 000	Over 5 years RMB' 000 (Note)
At December 31, 2020				
Borrowings	12,075,285	1,675,535	7,802,702	–
Lease liabilities	95,701	1,542	2,815	13,992,694
Accounts payable	48,017,125	–	–	–
Other payables	35,527,885	55,114	78,424	–
At December 31, 2019 (restated)				
Borrowings	14,666,598	4,041,468	6,682,370	–
Lease liabilities	34,564	19,066	3,617	15,450,277
Accounts payable	45,443,866	–	–	–
Other payables	34,506,287	56,794	132,335	–

Note: This is mainly related to a long-term lease with significant discounting impact by which the present value of its lease payments is calculated and recognized in the consolidated balance sheet.

4.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "total equity" as shown in the consolidated balance sheet plus net debt.

As of December 31, 2020 and 2019, the balance of total cash and cash equivalents exceeded the balance of borrowings.

4.3 Fair value estimation

The carrying amounts of the Group's current financial assets and liabilities, including cash and cash equivalents, restricted cash, accounts and other receivables, accounts and other payables and borrowings approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The table below analyzed financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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For the year ended December 31, 2020

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (Continued)

	Level 1 RMB' 000	Level 2 RMB' 000	Level 3 RMB' 000	Total RMB' 000
Assets				
Financial assets at FVOCI (Notes 13, 16)				
At December 31, 2020	1,893,816	3,107,009	–	5,000,825
At December 31, 2019	1,275,650	1,950,357	–	3,226,007
Liabilities				
Derivative financial instruments (Note 29)				
At December 31, 2020	–	64,097	–	64,097
At December 31, 2019	–	48,950	–	48,950

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Capitalization of internal development costs

Only internal development costs directly attributable to projects which are considered under development stage and when it is probable that the projects will be successful considering the criteria set out in Note 3.8(c) are capitalized and recognized as intangible assets. The Group's development activities are tracked by its technical department and documented to support the basis of determining if and when the criteria were met, particularly (i) the timing to start capitalization; (ii) the technical feasibility of the projects; and (iii) the likelihood of the projects that will deliver sufficient future economic benefits.

(b) Impairment of long-lived assets

The Group is required to test goodwill and intangible assets not ready for use on an annual basis. Other non-financial assets are tested whenever events or changes in circumstances indicate that the carrying amount of those assets exceeds its recoverable amount. The recoverable amount is determined based on the higher of fair value less costs to sell and value in use.

Determination of the value in use is an area involving management judgement in order to assess whether the carrying value of the long-lived assets can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain areas including management's expectations of (i) future unlevered free cash flows; (ii) long-term sales growth rates; and (iii) the selection of discount rates to reflect the risks involved.

The property, plant and equipment, land use right and intangible assets related to Beijing Brand passenger vehicle business are tested for impairment based on the recoverable amount of the CGU to which these assets are related. The recoverable amount of the CGU was determined based upon value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Management determines annual sales growth rate to be a key assumption as it is the main driver for revenue and costs in each period. The annual sales growth rate is based on past performance and management's expectations of market development. The discount rate used is pre-tax and reflects specific risks relating to the relevant business.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Impairment of long-lived assets (Continued)

For impairment testing, cash flows beyond the five-year period are extrapolated using the estimated annual sales growth rate of 3%. The discount rate applied to the cash flow projections used for value-in-use calculations is 15.43% (2019: 15.50%).

(c) Provisions

The Group recognizes a provision when there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where these criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognized or disclosed in the financial statements could have a material effect on the Group's financial position.

The Group recognizes expected warranty costs for products sold principally at the time of sale of the product and when it is determined that such obligations are probable and can be reasonably estimated. Amounts recorded are based on the Group's estimates of the amount that will eventually be required to settle such obligations. These accruals are based on factors such as past experience, production changes, industry developments and various other considerations. The Group's estimates are adjusted from time to time based on facts and circumstances that impact the status of existing claims.

(d) Income taxes

The Group is subject to income taxes in the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognized only if it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. This determination requires significant judgement regarding the realizability of deferred tax assets. For entities with a recent history of losses, there would need to be convincing other evidence that sufficient taxable profits would be available in the future. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

6 SEGMENT INFORMATION

(a) Description of segments and principal activities

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 BAIC brands, and providing other businesses and related services;
- Passenger vehicles of Beijing Benz Automotive Co., Ltd. ("Beijing Benz"): manufacturing and sales of passenger vehicles of Beijing Benz brand, and providing other related services.

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6 SEGMENT INFORMATION (CONTINUED)

(b) Profit and loss disclosures, segment assets and segment liabilities

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	Elimination RMB' 000	Total RMB' 000
For the year ended December 31, 2020				
Total revenue	7,579,273	169,695,489	(301,758)	176,973,004
Inter-segment revenue	(301,758)	–	301,758	–
Revenue from external customers	7,277,515	169,695,489	–	176,973,004
Timing of revenue recognition				
– At a point in time	6,934,055	168,051,655	–	174,985,710
– Over time	343,460	1,643,834	–	1,987,294
	7,277,515	169,695,489	–	176,973,004
Segment gross (loss)/profit	(3,666,223)	45,976,854	(170,688)	42,139,943
Other profit & loss disclosures:				
Selling and distribution expenses				(11,309,353)
General and administrative expenses				(7,984,162)
Net impairment losses on financial assets				(400,619)
Other losses, net				(101,145)
Finance income, net				100,146
Share of loss of investments accounted for using equity method				(2,014,904)
Profit before income tax				20,429,906
Income tax expense				(7,474,755)
Profit for the year				12,955,151
Other information:				
Significant non-cash expenses				
Depreciation and amortization	(4,156,588)	(4,907,647)	–	(9,064,235)
Provisions for impairments on assets	(722,963)	(221,123)	–	(944,086)
As at December 31, 2020				
Total assets	83,981,040	124,908,717	(15,186,677)	193,703,080
Including:				
Investments accounted for using equity method	14,296,379	–	–	14,296,379
Total liabilities	(41,365,162)	(78,771,072)	27,097	(120,109,137)

6 SEGMENT INFORMATION (CONTINUED)

(b) Profit and loss disclosures, segment assets and segment liabilities (Continued)

	Passenger vehicles – Beijing Brand RMB' 000 (Restated)	Passenger vehicles – Beijing Benz RMB' 000	Elimination RMB' 000	Total RMB' 000 (Restated)
For the year ended December 31, 2019				
Total revenue	20,384,735	155,153,705	(128,231)	175,410,209
Inter-segment revenue	(128,231)	–	128,231	–
Revenue from external customers	20,256,504	155,153,705	–	175,410,209
Timing of revenue recognition				
– At a point in time	20,090,586	153,660,188	–	173,750,774
– Over time	165,918	1,493,517	–	1,659,435
	20,256,504	155,153,705	–	175,410,209
Segment gross (loss)/profit	(4,581,684)	42,215,432	–	37,633,748
Other profit & loss disclosures:				
Selling and distribution expenses				(10,414,184)
General and administrative expenses				(7,194,521)
Net impairment losses on financial assets				(255,742)
Other gains, net				2,861,847
Finance costs, net				(162,131)
Share of loss of investments accounted for using equity method				(313,791)
Profit before income tax				22,155,226
Income tax expense				(6,997,917)
Profit for the year				15,157,309
Other information:				
Significant non-cash expenses				
Depreciation and amortization	(3,374,948)	(4,082,323)	–	(7,457,271)
Provisions for impairments on assets	(291,053)	(314,285)	–	(605,338)
As at December 31, 2019				
Total assets	86,490,516	122,639,923	(12,737,372)	196,393,067
Including:				
Investments accounted for using equity method	15,938,613	–	–	15,938,613
Total liabilities	(47,493,661)	(77,050,212)	525,587	(124,018,286)

There is no customer accounting for 10 percent or more of the Group's revenue for each of the years ended December 31, 2020 and 2019.

The Group is domiciled in the PRC. The percentage of its revenue from external customers residing in the PRC is approximately 99.7% for the year ended December 31, 2020 (2019: 99.3% as restated).

As at December 31, 2020, 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% (December 31, 2019: 98.5% as restated).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB' 000	Machinery RMB' 000	Vehicles RMB' 000	Furniture and office equipment RMB' 000	Mouldings RMB' 000	Construction in progress RMB' 000	Total RMB' 000
Net book amount at January 1, 2020 (previously reported)	15,578,322	15,080,714	335,953	1,915,777	3,579,126	9,839,248	46,329,140
Effect of business combinations under common control (Note 2(b))	141,532	27,833	3,943	6,572	–	2,249,050	2,428,930
Net book amount at January 1, 2020 (restated)	15,719,854	15,108,547	339,896	1,922,349	3,579,126	12,088,298	48,758,070
Additions	140,651	158,892	3,667	19,466	394	7,839,538	8,162,608
Transfers upon completion	2,317,100	2,877,436	149,860	1,133,329	1,516,934	(7,994,659)	–
Disposals	(360)	(34,672)	(6,418)	(6,026)	(8,397)	–	(55,873)
Disposal of a subsidiary	(1,755)	–	–	(69)	–	–	(1,824)
Depreciation	(1,054,044)	(2,762,818)	(107,242)	(953,745)	(1,514,791)	–	(6,392,640)
Impairment	–	(991)	(4,236)	(35,857)	(366)	–	(41,450)
Net book amount at December 31, 2020	17,121,446	15,346,394	375,527	2,079,447	3,572,900	11,933,177	50,428,891
At December 31, 2020							
Cost	22,156,516	28,931,629	944,594	6,657,221	9,538,373	11,933,177	80,161,510
Accumulated depreciation and impairment	(5,035,070)	(13,585,235)	(569,067)	(4,577,774)	(5,965,473)	–	(29,732,619)
Net book amount	17,121,446	15,346,394	375,527	2,079,447	3,572,900	11,933,177	50,428,891
Net book amount at January 1, 2019 (previously reported)	15,991,152	13,940,719	326,787	1,645,886	2,756,069	8,570,353	43,230,966
Effect of business combinations under common control (Note 2(b))	122,381	22,595	6,610	7,355	–	1,921,287	2,080,228
Net book amount at January 1, 2019 (restated)	16,113,533	13,963,314	333,397	1,653,241	2,756,069	10,491,640	45,311,194
Additions	62,474	71,180	4,133	13,318	–	8,471,901	8,623,006
Transfers upon completion	439,329	3,430,732	102,835	1,095,067	1,748,887	(6,816,850)	–
Disposals	(8,619)	(178,026)	(8,165)	(11,894)	(6,252)	–	(212,956)
Disposal of subsidiaries	(8,163)	–	(497)	(1,318)	–	–	(9,978)
Depreciation	(878,700)	(2,174,144)	(91,716)	(802,176)	(918,649)	–	(4,865,385)
Impairment	–	(4,509)	(91)	(23,889)	(929)	(58,393)	(87,811)
Net book amount at December 31, 2019 (restated)	15,719,854	15,108,547	339,896	1,922,349	3,579,126	12,088,298	48,758,070
At December 31, 2019 (restated)							
Cost	19,726,347	25,953,137	805,303	5,563,815	8,033,888	12,088,298	72,170,788
Accumulated depreciation and impairment	(4,006,493)	(10,844,590)	(465,407)	(3,641,466)	(4,454,762)	–	(23,412,718)
Net book amount	15,719,854	15,108,547	339,896	1,922,349	3,579,126	12,088,298	48,758,070

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

- (a) As at December 31, 2020 the Group pledged property, plant and equipment amounting to RMB623,201,000 as security for borrowings (2019: Nil).
- (b) The Group has capitalized borrowing costs amounting to RMB27,664,000 on qualifying assets of property, plant and equipment for the year ended December 31, 2020 (2019: RMB20,858,000 as restated). Borrowing costs were capitalized at the weighted average of its borrowing rate of 5.32% during the year (2019: 7.15% as restated).
- (c) This note provides information for leases where the Group is a lessee.
- (i) Amounts recognized in the balance sheet

	As at	
	December 31, 2020 RMB'000	December 31, 2019 RMB'000 (Restated)
Right-of-use assets		
Included in property, plant and equipment		
– Buildings	194,203	160,304
– Machinery	277	525
– Vehicles	122	1,002
	194,602	161,831
Included in land-use rights (Note 8)	7,158,525	7,339,955
Lease liabilities		
Non-current	59,220	77,045
Current	93,990	33,195
	153,210	110,240

Additions to the right-of-use assets included in property, plant and equipment during the 2020 financial year were RMB175,058,000 (2019: RMB57,198,000 as restated).

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7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: (Continued)

(c) This note provides information for leases where the Group is a lessee. (Continued)

(ii) Amounts recognized in the profit or loss

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Depreciation/amortization charge of right-of-use assets		
Included in property, plant and equipment		
– Buildings	106,578	19,181
– Machinery	249	262
– Vehicles	879	1,197
	107,706	20,640
Included in land-use rights (Note 8)	181,430	181,513
Interest expense (included in finance costs) (Note 33)	13,305	6,186
Expenses relating to short-term leases (included in cost of sales, selling and distribution expenses and general and administrative expenses)	62,220	185,940

(iii) Amounts recognized in the statement of cash flows

The total cash outflow for leases in 2020 was RMB154,398,000 (2019: RMB120,345,000 as restated).

(d) Depreciation on property, plant and equipment of the Group is analyzed as follows:

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Cost of sales	5,268,303	4,207,821
Selling and distribution expenses	4,428	5,396
General and administrative expenses	972,363	585,192
	6,245,094	4,798,409
Capitalized in intangible assets – development costs	147,546	66,976
	6,392,640	4,865,385

(e) As at December 31, 2020, the Group has not obtained the formal ownership certificates for certain buildings with carrying values of approximately RMB669,897,000 (December 31, 2019: RMB648,063,000). In the opinion of the directors, the absence of formal title to these buildings does not impair their values to the Group as the probability of the Group being evicted on the ground of absence of formal title is remote.

8 LAND USE RIGHTS

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Cost		
At January 1 (previously reported)	8,176,285	8,174,955
Effect of business combinations under common control (Note 2(b))	151,608	170,524
At January 1 (restated)	8,327,893	8,345,479
Additions	—	1,330
Disposal of subsidiaries	—	(18,916)
At December 31	8,327,893	8,327,893
Accumulated amortization		
At January 1 (previously reported)	(974,736)	(796,575)
Effect of business combinations under common control (Note 2(b))	(13,202)	(13,982)
At January 1 (restated)	(987,938)	(810,557)
Amortization	(181,430)	(181,513)
Disposal of subsidiaries	—	4,132
At December 31	(1,169,368)	(987,938)
Net book amount		
At December 31	7,158,525	7,339,955

Notes:

- (a) The Group's land use rights are held under leases for periods of 31.5 to 50 years.
- (b) As at December 31, 2020, the Group has not obtained the formal land use rights for certain land use rights with carrying values of approximately RMB1,792,000 (December 31, 2019: RMB1,836,000). In the opinion of the directors, the absence of formal title to these land use rights does not impair their values to the Group as the probability of the Group being evicted on the ground of absence of formal title is remote.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

9 INTANGIBLE ASSETS

	Development costs (note (b)) RMB' 000	Computer software RMB' 000	Goodwill (note (a)) RMB' 000	Total RMB' 000
Net book amount at January 1, 2020 (previously reported)	11,939,301	197,914	901,945	13,039,160
Effect of business combinations under common control (Note 2(b))	946	6,989	–	7,935
Net book amount at January 1, 2020 (restated)	11,940,247	204,903	901,945	13,047,095
Additions	1,877,026	195,502	–	2,072,528
Disposals	–	(199)	–	(199)
Amortization	(2,477,196)	(183,130)	–	(2,660,326)
Net book amount at December 31, 2020	11,340,077	217,076	901,945	12,459,098
At December 31, 2020				
Cost	21,736,128	1,012,112	901,945	23,650,185
Accumulated amortization	(10,396,051)	(795,036)	–	(11,191,087)
Net book amount	11,340,077	217,076	901,945	12,459,098
Net book amount at January 1, 2019 (previously reported)	11,983,663	237,744	901,945	13,123,352
Effect of business combinations under common control (Note 2(b))	170	8,584	–	8,754
Net book amount at January 1, 2019 (restated)	11,983,833	246,328	901,945	13,132,106
Additions	2,402,701	76,170	–	2,478,871
Disposals	(32,264)	(29,993)	–	(62,257)
Disposal of subsidiaries	–	(485)	–	(485)
Amortization	(2,414,023)	(87,117)	–	(2,501,140)
Net book amount at December 31, 2019 (restated)	11,940,247	204,903	901,945	13,047,095
At December 31, 2019 (restated)				
Cost	19,883,340	818,475	901,945	21,603,760
Accumulated amortization	(7,943,093)	(613,572)	–	(8,556,665)
Net book amount	11,940,247	204,903	901,945	13,047,095

9 INTANGIBLE ASSETS (CONTINUED)

Notes:

- (a) Goodwill is monitored by management at the level of the two operating segments identified in Note 6.

A segment-level summary of the goodwill allocation is presented below.

	As at December 31,	
	2020 RMB'000	2019 RMB'000
Passenger vehicles of Beijing Benz (i)	807,505	807,505
Passenger vehicles of Beijing Brand (ii)	94,440	94,440
	901,945	901,945

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the business combinations in which the goodwill arose. The units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 6).

The recoverable amount of each CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Management determines annual sales growth rate to be a key assumption as it is the main driver for revenue and costs in each period. The annual sales growth rate is based on past performance and management's expectations of market development. The discount rate used is pre-tax and reflects specific risks relating to the relevant business.

- (i) This arises from the acquisition of Beijing Benz in 2013 and is fully allocated to the CGU of passenger vehicles of Beijing Benz. For impairment testing, the estimated annual sales growth rate covering the five-year forecast period is 3% beyond which is extrapolated at 3%. The discount rate applied to the cash flow projections used for value-in-use calculations is 16.32% (2019: 16.10%).
- (ii) This arises from the acquisition of China Automobile Development United (Beijing) Technology Investment Co., Ltd. in September 2016 and is fully allocated to the CGU of passenger vehicles of Beijing Brand. For impairment testing, the estimated annual sales growth rate covering the five-year forecast period is 12% – 35% beyond which is extrapolated at 3%. The discount rate applied to the cash flow projections used for value-in-use calculations is 17.88% (2019: 17.20%).
- (b) The Group has capitalized borrowing costs amounting to RMB186,703,000 on qualifying intangible assets for the year ended December 31, 2020 (2019: RMB246,335,000). Borrowing costs were capitalized at the weighted average of its borrowing rate of 3.52% during the year (2019: 4.03%).
- (c) Amortization on intangible assets of the Group is analyzed as follows:

	For the year ended December 31,	
	2020 RMB'000	2019 RMB'000 (Restated)
Cost of sales	2,162,188	1,884,128
General and administrative expenses	475,523	593,221
	2,637,711	2,477,349
Capitalized in intangible assets – development costs	22,615	23,791
	2,660,326	2,501,140

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10 SUBSIDIARIES

(a) Material non-controlling interests

Set out below is the summarized financial information for a 51% owned subsidiary, Beijing Benz, which has non-controlling interests that are material to the Group. The amounts disclosed below are before inter-company eliminations, and are stated at the basis upon the Group acquired 51% interests in Beijing Benz as according to IFRS 3 “Business Combinations”.

(i) Summarized balance sheet

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000
Non-current assets	54,430,411	52,942,548
Current assets	70,478,306	69,697,375
Total assets	124,908,717	122,639,923
Non-current liabilities	4,665,975	5,887,226
Current liabilities	74,105,097	71,162,986
Total liabilities	78,771,072	77,050,212
Net assets	46,137,645	45,589,711
Less: goodwill	(807,505)	(807,505)
	45,330,140	44,782,206
The Group's non-controlling interests in Beijing Benz	22,211,769	21,943,281

(ii) Summarized statement of comprehensive income

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Revenue	169,695,489	155,153,705
Net profit	22,459,284	20,949,798
Other comprehensive income/(loss)	24,175	(37,780)
Total comprehensive income	22,483,459	20,912,018

10 SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (Continued)

(ii) Summarized statement of comprehensive income (Continued)

Below sets out the amounts attributable to non-controlling interests in Beijing Benz in the Group's consolidated statements of comprehensive income:

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Net profit attributable to non-controlling interests	11,005,049	10,265,401
Other comprehensive income/(loss) attributable to non-controlling interests	11,846	(18,512)
Total comprehensive income attributable to non-controlling interests	11,016,895	10,246,889
Dividends to non-controlling interest holders	13,622,000	8,820,000

(iii) Summarized statement of cash flows

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Net cash flows generated from operating activities	31,017,417	36,411,188
Net cash flows used in investing activities	(8,174,527)	(6,507,217)
Net cash flows used in financing activities	(22,935,524)	(17,652,015)
Exchange differences on cash and cash equivalents	75,299	(1,463)
Net (decrease)/increase in cash and cash equivalents	(17,335)	12,250,493

- (b) The list of the principal subsidiaries at December 31, 2020 is disclosed in Note 40. All of the subsidiaries established in the PRC are limited liability companies.

Notes to the Consolidated Financial Statements

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11 INVESTMENTS IN JOINT VENTURES

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
At January 1 (previously reported)	10,807,438	11,873,994
Effect of business combinations under common control (Note 2(b))	–	190,283
At January 1 (restated)	10,807,438	12,064,277
New investments	20,000	85,000
Additional investments	65,000	–
Disposals	–	(10)
Decrease due to disposal of subsidiaries	–	(181,061)
Share of loss for the year	(2,730,934)	(778,833)
Share of other comprehensive income for the year	1,508	4,115
Share of total comprehensive loss for the year	(2,729,426)	(774,718)
Dividends received or receivable	(319,993)	(386,050)
At December 31	7,843,019	10,807,438

Notes:

- (a) None of the joint ventures are considered individually material as at December 31, 2020.
 (b) Individually immaterial joint ventures

The information below reflects the amounts presented in the financial statements of the joint ventures after alignment with accounting policies of the Group.

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000
Aggregate carrying amount of the net assets	16,632,908	22,459,321
Aggregate amount of the Group's share thereon	7,843,019	10,807,438

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Aggregate total comprehensive loss	(5,049,365)	(1,209,607)
Aggregate amount of the Group's share of total comprehensive loss	(2,729,426)	(774,718)

- (c) The list of the principal joint ventures at December 31, 2020 is disclosed in Note 40.

12 INVESTMENTS IN ASSOCIATES

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
At January 1 (previously reported)	5,296,710	4,311,654
Effect of business combinations under common control (Note 2(b))	(165,535)	101,637
At January 1 (restated)	5,131,175	4,413,291
New investments	–	16,769
Additional investments (note (a), (b))	605,000	437,000
Disposals	–	(2,085)
Decrease due to disposal of subsidiaries	–	(166,384)
Share of profit for the year	716,030	465,042
Share of other comprehensive income for the year	1,155	3,914
Share of total comprehensive income for the year	717,185	468,956
Dividends received	–	(36,372)
At December 31	6,453,360	5,131,175

Notes:

- (a) In March and December 2019, Mercedes-Benz Leasing Co., Ltd. (“MBLC”) increased its registered capital by RMB700,000,000 and RMB500,000,000, with RMB245,000,000 and RMB175,000,000 contributed by the Group, respectively.
- In March 2020 MBLC further increased its registered capital by RMB300,000,000 with RMB105,000,000 contributed by the Group. The Group continues to hold 35% of equity interests in MBLC upon completion of above capital increases.
- (b) In February 2020, BAIC Group Finance Co., Ltd. (“BAIC Finance”) increased its registered capital by RMB2,500,000,000 with RMB500,000,000 contributed by BAIC Investment Co., Ltd. (“BAIC Investment”), a subsidiary of the Company. BAIC Investment continued to hold 20% of equity interests in BAIC Finance upon completion of this capital increase.
- (c) None of the associates are considered individually material as at December 31, 2020.

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12 INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes: (Continued)

(d) Individually immaterial associates

The information below reflects the amounts presented in the financial statements of the associates after alignment with accounting policies of the Group.

	As at December 31,	
	2020 RMB'000	2019 RMB'000 (Restated)
Aggregate carrying amount of the net assets	21,644,432	15,011,731
Aggregate amount of the Group's share thereon	6,453,360	5,131,175
	For the year ended December 31,	
	2020 RMB'000	2019 RMB'000 (Restated)
Aggregate total comprehensive income	2,154,941	1,349,357
Aggregate amount of the Group's share of total comprehensive income	717,185	468,956

(e) The list of the principal associates at December 31, 2020 is disclosed in Note 40.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the year ended December 31,	
	2020 RMB'000	2019 RMB'000 (Restated)
At January 1 (previously reported)	1,278,650	1,742,729
Effect of business combinations under common control (Note 2(b))	–	6,466,219
At January 1 (restated)	1,278,650	8,208,948
Additional investments	–	5,417,920
Changes in fair values	618,166	(825,449)
Disposals	–	(745)
Decrease due to disposal of subsidiaries	–	(11,522,024)
At December 31	1,896,816	1,278,650

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Notes:

Balance at December 31, 2020 represents 6.25% (December 31, 2019: 6.25%) equity interests in BAIC BluePark New Energy Technology Co., Ltd. ("BAIC BluePark") being held by BAIC Guangzhou Automotive Co., Ltd. ("BAIC Guangzhou"), a wholly-owned subsidiary of the Company. BAIC BluePark is an A-share listed subsidiary of BAIC Group and listed on Shanghai Stock Exchange.

On August 3, 2020, BAIC Guangzhou and BAIC BluePark entered into a share subscription agreement, pursuant to which BAIC BluePark agrees to issue to BAIC Guangzhou, and BAIC Guangzhou agrees to subscribe for, not less than 6.25% of the total number of new A shares to be issued by BAIC BluePark, up to a maximum subscription amount of approximately RMB344 million.

In accordance with the share subscription agreement, the minimum shareholding of BAIC Guangzhou in BAIC BluePark will remain at 6.25% and the maximum shareholding will not exceed 7.32% upon completion of the subscription.

The abovementioned share issuance of BAIC BluePark was approved by China Securities Regulatory Commission on February 5, 2021.

14 DEFERRED INCOME TAXES

Movements of deferred tax asset balances comprising temporary differences attributable to:

	Provisions for impairment losses RMB' 000	Accruals RMB' 000	Others RMB' 000	Total RMB' 000
At January 1, 2020	381,871	8,986,480	1,172,107	10,540,458
(Charged)/credited to statement of comprehensive income	(487)	324,682	(421,204)	(97,009)
At December 31, 2020	381,384	9,311,162	750,903	10,443,449
At January 1, 2019	327,006	6,300,307	1,298,288	7,925,601
Credited/(charged) to statement of comprehensive income	54,865	2,686,173	(126,181)	2,614,857
At December 31, 2019	381,871	8,986,480	1,172,107	10,540,458

Movements of deferred tax liability balances comprising temporary differences attributable to:

	Capitalized interest RMB' 000	Valuation surplus upon acquisition of a subsidiary RMB' 000	Total RMB' 000
At January 1, 2020	(31,509)	(699,806)	(731,315)
Credited to statement of comprehensive income	5,086	20,328	25,414
At December 31, 2020	(26,423)	(679,478)	(705,901)
At January 1, 2019	(37,820)	(720,186)	(758,006)
Credited to statement of comprehensive income	6,311	20,380	26,691
At December 31, 2019	(31,509)	(699,806)	(731,315)

Notes to the Consolidated Financial Statements

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14 DEFERRED INCOME TAXES (CONTINUED)

Note:

Deferred income tax assets and liabilities are presented net to the consolidated balance sheet through setting-off of RMB679,478,000 as at December 31, 2020 pursuant to set-off provisions as set out in Note 3.20(c).

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 approximately RMB35 billion (December 31, 2019: RMB29 billion as restated) that can be carried forward against future taxable income as at December 31, 2020.

The unrecognized tax loss amounting to approximately RMB29 billion (December 31, 2019: RMB26 billion as restated) can be carried forward for utilization in future included in which approximately RMB2 billion, RMB3 billion, RMB6 billion and RMB18 billion being expired in less than 1 year, 1-2 years, 2-5 years and 5-10 years respectively.

15 INVENTORIES

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Raw materials	11,581,870	8,027,394
Work in progress	751,893	822,571
Finished goods	8,701,102	11,875,385
	21,034,865	20,725,350
Less: provision for impairment (note (a))	(692,874)	(533,280)
	20,341,991	20,192,070

Notes:

- Provision for impairment is recognized for the amount by which the carrying amount of the inventories exceeds the recoverable amount, and is recorded in cost of sales in the profit or loss.
- The cost of inventories recognized as cost of sales for the year ended December 31, 2020 amounted to RMB111,580 million (2019: RMB120,053 million as restated).
- As at December 31, 2020 and 2019, no inventories were pledged as collaterals.

16 ACCOUNTS RECEIVABLE

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000
Trade receivables, gross (note (a))	17,849,531	19,148,048
Less: provision for impairment	(465,630)	(261,565)
	17,383,901	18,886,483
Notes receivable (note (b)) measured at		
– FVOCI	3,104,009	1,947,357
– amortized cost	65,140	261,103
	20,553,050	21,094,943

16 ACCOUNTS RECEIVABLE (CONTINUED)

Notes:

- (a) The majority of the Group's sales are on credit. A credit period 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 based on invoice date is as follows:

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Current to 1 year	7,356,503	11,896,085
1 to 2 years	4,463,765	3,789,377
2 to 3 years	2,941,248	1,362,293
Over 3 years	3,088,015	2,100,293
	17,849,531	19,148,048

Movements on the provision for impairment on trade receivables are as follows:

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
As at January 1	261,565	109,741
Provision for impairment recognized during the year	204,065	151,824
As at December 31	465,630	261,565

- (b) Substantially all notes receivable are with maturity period of within six months.
- (c) Most accounts receivable are denominated in RMB and their carrying amounts approximate fair values.
- (d) There is no trade receivable pledged as collateral.
- (e) The amounts of notes receivable pledged as collateral for notes payable issued by banks as at respective balance sheet dates are as follows:

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000
Pledged notes receivable	1,808,208	1,655,008

17 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.

Notes to the Consolidated Financial Statements

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18 OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Deductible value-added tax and prepaid consumption tax	4,930,403	4,144,652
Contracts fulfillment costs	582,493	450,319
Receivable from disposals of property, plant and equipment	749,775	453,997
Receivable from sales of raw materials	331,538	444,594
Receivable from sales of emission credits	322,466	–
Prepayments for property, plant and equipment	138,848	12,416
Service fees	78,384	80,379
Deposits	7,378	13,482
Dividend receivable from a joint venture	14,000	14,000
Others	441,422	376,736
	7,596,707	5,990,575
Less: non-current portion	(2,700,167)	(662,081)
Less: provision for impairment	(484,489)	(287,935)
	4,412,051	5,040,559

Movements on the provision for impairment on other receivables are as follows:

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
As at January 1	287,935	184,017
Provision for impairment recognized during the year	196,554	103,918
As at December 31	484,489	287,935

19 RESTRICTED CASH AND TERM DEPOSITS WITH INITIAL TERM OF OVER THREE MONTHS

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Pledged deposits (note (a))	905,578	1,578,230
Term deposits with initial term of over three months (note (b))	300,000	300,000
	1,205,578	1,878,230

Notes:

- Pledged deposits are maintained with banks mainly for issuance of notes payable. They earn interests at annual rates ranging from 0.30% to 1.75% in 2020 (2019: 0.30% to 1.38%).
- These term deposits earn interests at annual rate of 4.12% (2019: 4.12%).

20 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Cash at bank and on hand	12,552,455	17,636,789
Short-term deposits	35,593,795	32,594,564
	48,146,250	50,231,353

Notes:

- (a) As at December 31, 2020, cash and cash equivalents of RMB15,185,063,000 (December 31, 2019: RMB15,872,433,000) were deposited in BAIC Finance (a 20% owned associate of a subsidiary of the Company) which was approved by the China Banking Regulatory Commission as a non-bank financial institution. The remaining 80% equity interests of this associate is owned by BAIC Group.
- (b) As at December 31, 2020, approximately 97% (December 31, 2019: 98% as restated) of the Group's cash and cash equivalents are denominated in RMB. The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

21 SHARE CAPITAL

	Number of ordinary shares of RMB1 each (thousands)	RMB' 000
At January 1, 2020 and December 31, 2020	8,015,338	8,015,338
At January 1, 2019 and December 31, 2019	8,015,338	8,015,338

22 PERPETUAL BOND

On April 10, 2018, the Company issued perpetual bond with par value of RMB2 billion to qualified investors with direct issuance costs of RMB1,840,000 which are deducted from equity.

The perpetual bond holders are entitled to an interest of 5.6% per annum in the first three years after issuance, and the interest rate will be reset once every three years thereafter. The principal amount has a repayment term of once every three years. Upon each maturity the Company can elect to extend repayment of the bond for another three years indefinitely. The interest payments fall due annually. Unless the Company declares dividend to shareholders or reduces the registered capital within 12 months before the interest due date ("mandatory interest payment event"), the Company can elect to defer the payment of all current or deferred interests to the next anniversary.

In February 2021, the Company elected not to extend repayment of the bond and made full repayment on March 23, 2021.

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23 OTHER RESERVES

	Capital reserve RMB' 000 (note (a))	Statutory reserve RMB' 000 (note (b))	Financial assets at FVOCI RMB' 000	Cash flow hedges RMB' 000	Currency translation differences RMB' 000	Others RMB' 000	Total RMB' 000
At January 1, 2020 (previously reported)	17,989,907	3,450,053	(441,910)	7,541	3,950	(1,155)	21,008,386
Effect of business combinations under common control (Note 2(b))	(365,953)	-	-	-	25,220	-	(340,733)
At January 1, 2020 (restated)	17,623,954	3,450,053	(441,910)	7,541	29,170	(1,155)	20,667,653
Other comprehensive income/(loss)							
Gain on cash flow hedges	-	-	-	12,329	-	-	12,329
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	1,508	-	1,155	2,663
Currency translation differences	-	-	-	-	(26,340)	-	(26,340)
Changes in fair value of financial assets at FVOCI	-	-	618,166	-	-	-	618,166
Transactions with owners							
Consideration for business combinations under common control (Note 2(b))	(80,594)	-	-	-	-	-	(80,594)
Appropriation to reserve fund	-	926,919	-	-	-	-	926,919
At December 31, 2020	17,543,360	4,376,972	176,256	21,378	2,830	-	22,120,796
At January 1, 2019 (previously reported)	17,975,223	3,023,465	21,169	27,303	(5,582)	-	21,041,578
Effect of business combinations under common control (Note 2(b))	1,418,725	-	(1,603,611)	-	(20,841)	-	(205,727)
At January 1, 2019 (restated)	19,393,948	3,023,465	(1,582,442)	27,303	(26,423)	-	20,835,851
Other comprehensive income/(loss)							
Loss on cash flow hedges	-	-	-	(19,267)	-	-	(19,267)
Share of other comprehensive (loss)/income of investments accounted for using the equity method	-	-	-	(495)	9,679	(1,155)	8,029
Currency translation differences	-	-	-	-	49,068	-	49,068
Changes in fair values of financial assets at FVOCI	-	-	(825,449)	-	-	-	(825,449)
Transactions with owners							
Appropriation to reserve fund	-	426,588	-	-	-	-	426,588
Disposal of subsidiaries	(1,784,678)	-	1,965,726	-	(3,154)	-	177,894
Others	14,684	-	255	-	-	-	14,939
At December 31, 2019 (restated)	17,623,954	3,450,053	(441,910)	7,541	29,170	(1,155)	20,667,653

23 OTHER RESERVES (CONTINUED)

Notes:

(a) Capital reserve

Capital reserve includes share premium and reserves arising from capital contributions from equity holders. Share premium represents the difference between the fair value of shares issued and their respective par value. Incremental costs directly attributable to the issue of new shares are shown as a deduction.

(b) Statutory reserve

In accordance with the relevant PRC laws and financial regulations, every year the Company is required to transfer 10% of the profit after taxation determined in accordance with the PRC accounting standards to the statutory surplus reserve until the balance reaches 50% of the paid-up share capital. Such reserve can be used to reduce any losses incurred and to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

24 BORROWINGS

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Non-current		
Borrowings from financial institutions (note (a))	2,523,924	1,720,662
Corporate bonds (note (b))	6,197,226	8,094,615
	8,721,150	9,815,277
Current		
Borrowings from financial institutions (note (a))	8,985,831	4,853,866
Add: current portion of non-current borrowings from financial institutions	251,587	3,967,892
Corporate bonds (note (b))	2,498,798	5,498,237
	11,736,216	14,319,995
Total borrowings	20,457,366	24,135,272

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24 BORROWINGS (CONTINUED)

Maturity of borrowings

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Current to 1 year	11,736,216	14,319,995
1 to 2 years	1,343,164	3,690,547
2 to 5 years	7,377,986	6,124,730
	20,457,366	24,135,272

Contractual repricing dates upon interest rate changes

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Within 6 months	8,512,479	4,999,391
6 to 12 months	279,967	1,348,790
	8,792,446	6,348,181

Weighted average annual interest rates

	As at December 31,	
	2020	2019 (Restated)
Borrowings from financial institutions	4.29%	5.01%
Corporate bonds	3.66%	3.87%

Currency denomination

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
RMB	18,046,980	21,855,853
Euro	2,010,263	1,856,780
US\$	290,370	311,114
South African Rand	109,753	111,525
	20,457,366	24,135,272

24 BORROWINGS (CONTINUED)

Undrawn facilities at floating rates

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Within 1 year	29,080,169	10,364,111
Over 1 year	1,300,000	5,148,240
	30,380,169	15,512,351

Notes:

- (a) Balances at December 31, 2020 include borrowings of RMB2,459 million (December 31, 2019: RMB2,120 million) obtained from BAIC Finance, an associate of the Group. The remaining balances were obtained from banks.
- (b) Corporate bonds are analyzed as follows:

Issuer	Issue date	Interest rate per annum	Par value RMB' 000	Carrying value RMB' 000	Maturity
At December 31, 2020					
BAIC Investment	March 17, 2016	3.15%	1,500,000	1,499,867	5 years
BAIC Investment	January 20, 2017	4.29%	800,000	799,726	7 years
The Company	September 10, 2014	5.74%	400,000	399,584	7 years
The Company	September 22, 2014	5.54%	300,000	299,673	7 years
The Company	September 22, 2014	5.54%	300,000	299,673	7 years
The Company	April 22, 2016	3.45%	2,500,000	2,499,130	7 years
The Company	July 4, 2017	4.72%	2,300,000	2,298,781	7 years
The Company	January 8, 2020	3.39%	600,000	599,590	3 years
				8,696,024	
At December 31, 2019					
BAIC Investment	December 10, 2015	3.60%	1,500,000	1,499,391	5 years
BAIC Investment	March 17, 2016	3.15%	1,500,000	1,499,232	5 years
BAIC Investment	January 20, 2017	4.29%	800,000	799,643	7 years
The Company	September 10, 2014	5.74%	400,000	399,400	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	7 years
The Company	February 12, 2015	4.68%	500,000	499,941	5 years
The Company	April 22, 2016	3.45%	2,500,000	2,498,773	7 years
The Company	July 4, 2017	4.72%	2,300,000	2,298,467	7 years
The Company	May 10, 2019	3.30%	2,000,000	1,999,786	270 days
The Company	October 11, 2019	2.40%	1,000,000	999,423	270 days
The Company	October 21, 2019	2.79%	500,000	499,696	270 days
				13,592,852	

- (c) As at December 31, 2020, bank borrowings of RMB400,000,000 were secured by the Group's property, plant and equipment (December 31, 2019: Nil).
- (d) The fair values of the borrowings are not materially different to their carrying amounts, since the interests payable on these borrowings is either close to that calculated by current interest rate or the borrowings are of a short-term nature.

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For the year ended December 31, 2020

25 PROVISIONS

Balances represent warranty provisions for vehicles sold.

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Current	2,448,105	2,126,249
Non-current	2,352,624	2,562,269
Total	4,800,729	4,688,518

Movements of warranty provisions are as follows:

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
At January 1 (previously reported)	4,633,884	4,441,868
Effect of business combinations under common control (Note 2(b))	54,634	54,973
At January 1 (restated)	4,688,518	4,496,841
Additions	1,761,162	1,706,337
Amortization of discount on non-current provisions (Note 33)	176,512	236,633
Payments	(1,825,463)	(1,751,293)
At December 31	4,800,729	4,688,518

26 DEFERRED INCOME

Balances mainly include supports from local government to compensate for purchases of assets and development of new technologies.

Movements of deferred income are as follows:

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
At January 1 (previously reported)	3,487,262	4,084,833
Effect of business combinations under common control (Note 2(b))	380,490	380,490
At January 1 (restated)	3,867,752	4,465,323
Additions	10,630	930,685
Decreases	(307,498)	(1,528,256)
At December 31	3,570,884	3,867,752

27 ACCOUNTS PAYABLE

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Trade payables	45,096,832	37,954,869
Notes payable	2,920,293	7,488,997
	48,017,125	45,443,866

Ageing analysis of trade payables based on invoice date is as follows:

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Current to 1 year	41,313,474	37,059,486
1 to 2 years	3,251,420	841,132
2 to 3 years	520,981	44,812
Over 3 years	10,957	9,439
	45,096,832	37,954,869

28 CONTRACT LIABILITIES

The balance represents unsatisfied performance obligations at the end of the year which include advances from customers consisting primarily of prepayment received from the dealers for sale of vehicles.

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	992,964	229,435

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For the year ended December 31, 2020

29 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Sales discounts and rebates	17,001,881	17,658,968
Payable for general operations	4,260,949	2,897,599
Payable for services	4,269,878	3,325,398
Payables for property, plant and equipment and intangible assets	3,495,610	3,928,651
Advertising and promotion	2,228,745	2,606,674
Wages, salaries and other employee benefits	1,548,074	1,338,258
Payables for transportation and warehouse expenses	1,079,767	1,258,608
Other taxes payable	3,342,256	3,571,654
Dividends payable	43,596	533,596
Interests payable		
– perpetual bond	112,000	112,000
– other borrowings and loans	300,167	318,820
Derivative financial instruments (note (a))	64,097	48,950
Deposits	44,493	64,416
Others	2,569,325	1,752,606
	40,360,838	39,416,198

Note:

- (a) Derivative financial instruments represented forward foreign exchange contracts entered by the Group to hedge against the relative currency movements for settlement of Euro denominated trade payables (the hedged forecast transactions).

30 OTHER (LOSSES)/GAINS, NET

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Government grants (note (a))	631,910	2,361,622
Gain from sales of scrap materials	134,833	199,357
Loss on disposals of property, plant and equipment and intangible assets	(36,166)	(88,355)
Loss on forward foreign exchange contracts with fair value		
through profit or loss	(294,332)	(591,450)
Foreign exchange losses	(531,203)	(35,849)
Dividends from financial assets	–	1,023,863
Others	(6,187)	(7,341)
	(101,145)	2,861,847

Note:

- (a) In December 2019, the Company received government grants amounting to RMB2,000,000,000 relating to certain strategic restructure project within the Group for product improvements.

31 EXPENSES BY NATURE

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Changes in inventories of finished goods and work in progress	3,244,961	817,387
Raw materials and consumables used	111,579,706	120,052,634
Service fees and charges	8,734,976	7,996,404
Depreciation and amortization (Notes 7, 8, 9)	9,064,235	7,457,271
Employee benefit costs (Note 32)	5,363,909	5,329,368
Other taxes and levies	4,637,560	4,738,117
Advertising and promotion	1,780,686	2,143,067
Transportation and warehouse expenses	4,051,780	3,634,408
Daily operating expenses	1,999,363	1,625,935
Provision for impairment on non-financial assets	543,467	349,596
Warranty expenses (note (a))	1,226,718	490,116
Auditor's remuneration- audit services	8,375	8,038
Others	1,890,840	742,825
Total cost of sales, selling and distribution expenses, and general and administrative expenses	154,126,576	155,385,166

Note:

(a) This is presented net of recharges to other related companies of approximately RMB411,966,000 (2019: RMB1,136,942,000).

32 EMPLOYEE BENEFIT COSTS

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Wages and salaries	3,910,231	3,819,960
Pension scheme and other social security costs	417,081	508,842
Welfare, medical and other expenses	689,562	686,495
Housing benefits	347,035	314,071
	5,363,909	5,329,368

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group did not include any director (2019: Nil) or supervisor (2019: Nil) for the year ended December 31, 2020. The directors' and supervisors' emoluments are reflected in the analysis shown in Note 42. The emoluments payable to the five (2019: five) highest individuals are as follows:

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Salaries, allowances and other benefits	16,511	15,921
Employer's contribution to pension scheme	393	374
	16,904	16,295

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32 EMPLOYEE BENEFIT COSTS (CONTINUED)

Five highest paid individuals (Continued)

The emoluments of the individuals fell within the following bands:

	For the year ended December 31,	
	2020 Number of individuals	2019 Number of individuals
Emolument band (in HK dollar) HK\$3,000,001 – HK\$3,500,000	5	5

During the year, there was no emolument paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

33 FINANCE INCOME/(COSTS), NET

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Finance income		
Interest income on deposits in financial institutions	952,947	894,270
Finance costs		
Interest expense on borrowings from financial institutions	407,373	495,775
Interest expense on corporate bonds	421,668	562,032
Interest expense on loans from immediate parent company and fellow subsidiaries	48,310	22,968
Interest expense on lease liabilities (Note 7(c)(ii))	13,305	6,186
Amortization of discount on non-current provisions (Note 25)	176,512	236,633
	1,067,168	1,323,594
Less: amounts capitalized in qualifying assets (Notes 7(b), 9(b))	(214,367)	(267,193)
	852,801	1,056,401
Finance income/(costs), net	100,146	(162,131)

34 INCOME TAX EXPENSE

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Current income tax expense	7,411,218	9,626,873
Deferred income tax expense/(credit)	63,537	(2,628,956)
	7,474,755	6,997,917

According to the New and High-Technology Enterprise Certificate issued by relevant government regulatory bodies, certain entities of the Group in the PRC were recognized as new and high-technology enterprises with preferential income tax rate of 15%. Further some Group entities in the PRC are recognized as small and low-profit enterprises with preferential income tax treatments effective from 2019.

34 INCOME TAX EXPENSE (CONTINUED)

Except for the aforementioned companies and certain overseas subsidiaries which are subject to statutory income tax rates in respective tax jurisdictions, provision for income tax is calculated based on the statutory income tax rate of 25% for each of the years ended December 31, 2020 and 2019 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,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Profit before income tax	20,429,906	22,155,226
Tax calculated at the statutory tax rate of 25%	5,107,477	5,538,806
Effects of preferential tax rates and different tax rates in other jurisdictions	571,084	520,637
Impact on share of results of investments accounted for using equity method	595,389	155,193
Income not subject to tax	(3,784)	(259,436)
Expenses not deductible for tax purposes	16,320	13,846
Additional deduction on research and development expenses	(90,575)	(69,344)
Tax losses/deductible temporary differences for which no deferred tax was recognized	1,278,844	1,098,215
Tax charge	7,474,755	6,997,917

Notes to the Consolidated Financial Statements

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35 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 in issue during the year.

	For the year ended December 31,	
	2020	2019 (Restated)
Profit attributable to ordinary shareholders of the Company (note (a)) (RMB'000)	1,916,811	4,884,279
Weighted average number of ordinary shares in issue (thousands)	8,015,338	8,015,338
Earnings per share for profit attributable to ordinary shareholders of the Company for the year (RMB)	0.24	0.61

Notes:

- (a) For the year ended December 31, 2020, the profit attributable to equity holders of the Company amounted to RMB2,028,811,000 (2019: RMB4,996,279,000 as restated), including the profit attributable to ordinary shareholders and perpetual bond holders of approximately RMB1,916,811,000 and RMB112,000,000 (2019: RMB4,884,279,000 as restated and RMB112,000,000), respectively.
- (b) During the years ended December 31, 2020 and 2019, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.

36 DIVIDENDS

	For the year ended December 31,	
	2020 RMB'000	2019 RMB'000
Proposed final dividend of RMB0.08 per share (2019: RMB0.17 per share) (note (a))	641,227	1,362,607

Note:

- (a) The Board of Directors proposes that the Company distributes a final dividend for the year 2020 of RMB0.08 per share (tax inclusive). The proposal will be submitted to the Company's 2020 annual general meeting for consideration and approval. This 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, 2021.

The final dividend of approximately RMB1,362,607,000 (RMB0.17 per share) relating to the year ended December 31, 2019 was approved by the shareholders at the annual general meeting held in June 2020 and paid in September 2020.

37 CASH FLOW INFORMATION

(a) Cash generated from operations

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Profit before income tax	20,429,906	22,155,226
Adjustments for:		
Share of loss of investments accounted for using equity method	2,014,904	313,791
Dividends from financial assets	—	(1,023,863)
Loss on disposals of non-current assets	37,600	88,365
Depreciation and amortization	9,064,235	7,457,271
Provision for impairment on non-financial assets	543,467	349,596
Net impairment losses on financial assets	400,619	255,742
Foreign exchange losses/(gains)	66,411	(70,346)
Finance (income)/costs, net	(100,146)	162,131
Amortization of deferred income	(307,498)	(303,004)
	32,149,498	29,384,909
Changes in working capital:		
– Inventories	(652,024)	(1,157,386)
– Accounts receivable	333,605	379,178
– Advances to suppliers, other receivables and prepayments	(1,100,044)	(365,994)
– Accounts payable	2,635,786	6,170,394
– Contract liabilities, other payables and accruals	2,807,426	8,832,043
– Provisions	112,212	191,677
Cash generated from operations	36,286,459	43,434,821

(b) Proceeds from disposals of property, plant and equipment and intangible assets

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Net book amounts disposed	56,072	275,213
Loss on disposals	(36,166)	(88,355)
Change in related receivables	3,655	(114,954)
Cash proceeds	23,561	71,904

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37 CASH FLOW INFORMATION (CONTINUED)

(c) Disposal of subsidiaries

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000
Assets/(liabilities) disposed of:		
– Property, plant and equipment	1,824	9,978
– Land use rights	–	14,784
– Intangible assets	–	485
– Investments accounted for using equity method	–	347,445
– Financial assets	–	11,522,024
– Inventories	–	485,544
– Accounts receivable	4,223	354,995
– Advances to suppliers, other receivables and prepayments	20,309	1,183,370
– Restricted cash	–	33,287
– Cash and cash equivalents	35,626	13,400,564
– Accounts payable	(5,273)	(586,797)
– Contract liabilities, other payables and accruals	(20,447)	(843,836)
– Current income tax liabilities	(26)	–
– Borrowings	–	(26,093,974)
Non-controlling interests	(18,953)	(5,763)
	17,283	(177,894)
(Loss)/gain on disposal of subsidiaries	(4,983)	177,894
Cash consideration receivable	12,300	–
Analysis of net cashflow in respect of disposal of subsidiaries:		
Cash and cash equivalents disposed of	(35,626)	(13,400,564)
Cash consideration received	–	–
Cash disposed on disposal of subsidiaries, net of proceeds received	(35,626)	(13,400,564)

37 CASH FLOW INFORMATION (CONTINUED)

(d) Debt reconciliation

The following sets out an analysis and the movements in cash and cash equivalents and liabilities arising from financing activities for each of the periods presented.

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Cash and cash equivalents	48,146,250	50,231,353
Borrowings – repayable within one year	(11,736,216)	(14,319,995)
Borrowings – repayable after one year	(8,721,150)	(9,815,277)
Loans from immediate parent company and fellow subsidiaries	(1,240,053)	(1,221,006)
Lease liabilities	(153,210)	(110,240)
	26,295,621	24,764,835
Cash and cash equivalents	48,146,250	50,231,353
Gross debt – fixed interest rates	(13,058,183)	(19,118,337)
Gross debt – variable interest rates	(8,792,446)	(6,348,181)
	26,295,621	24,764,835

Notes to the Consolidated Financial Statements

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37 CASH FLOW INFORMATION (CONTINUED)

(d) Debt reconciliation (Continued)

	Liabilities arising from financing activities					
	Cash and cash equivalents RMB' 000	Borrowings due within 1 year RMB' 000	Borrowings due after 1 year RMB' 000	Loans from immediate parent company and fellow subsidiaries RMB' 000	Lease liabilities RMB' 000	Total RMB' 000
As at January 1, 2020 (previously reported)	49,322,499	(14,019,499)	(9,542,718)	–	(49,591)	25,710,691
Effect of business combinations under common control (Note 2(b))	908,854	(300,496)	(272,559)	(1,221,006)	(60,649)	(945,856)
As at January 1, 2020 (restated)	50,231,353	(14,319,995)	(9,815,277)	(1,221,006)	(110,240)	24,764,835
Cash flows	(2,178,824)	2,821,527	1,029,600	(28,397)	116,859	1,760,765
Addition of leases and interest on lease liabilities	–	–	–	–	(159,829)	(159,829)
Foreign exchange adjustments	93,721	(237,748)	64,527	9,350	–	(70,150)
As at December 31, 2020	48,146,250	(11,736,216)	(8,721,150)	(1,240,053)	(153,210)	26,295,621
As at January 1, 2019 (previously reported)	35,389,883	(8,955,960)	(14,907,282)	–	(13,144)	11,513,497
Effect of business combinations under common control (Note 2(b))	1,252,705	(548,002)	(9,168,958)	(78,884)	(55,066)	(8,598,205)
As at January 1, 2019 (restated)	36,642,588	(9,503,962)	(24,076,240)	(78,884)	(68,210)	2,915,292
Cash flows	13,515,997	(4,985,234)	(11,691,042)	(967,446)	19,865	(4,107,860)
Addition of leases and interest on lease liabilities	–	–	–	–	(61,895)	(61,895)
Foreign exchange adjustments	72,768	(6,915)	34,147	–	–	100,000
Disposal of subsidiaries	–	176,116	25,917,858	(174,676)	–	25,919,298
As at December 31, 2019 (restated)	50,231,353	(14,319,995)	(9,815,277)	(1,221,006)	(110,240)	24,764,835

38 COMMITMENTS

The Group has the following capital commitments for property, plant and equipment not provided for as at December 31, 2020 and 2019 respectively.

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Contracted but not provided for	14,254,089	14,470,950
Authorized but not contracted for	18,418,707	21,255,505

39 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The immediate parent company of the Company is BAIC Group and as a result related parties of the Group include BAIC Group, other entities and corporations in which BAIC Group is able to control or exercise significant influence, and key management personnels of the Company and BAIC Group, as well as their close family members.

BAIC Group is a company beneficially owned by SASAC Beijing which also owns a significant portion of the productive assets and entities in the PRC (collectively referred as the “government-related entities”). Apart from transactions with abovementioned related parties, the Group has transactions with other government-related entities which are conducted in the ordinary course of the Group’s business on terms comparable to those with non-government-related entities. For the purpose of the related party transaction disclosures, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the information disclosed elsewhere in the financial statements, the following transactions were carried out in the ordinary course of the Group’s business and were determined based on mutually agreed terms for each of the years ended December 31, 2020 and 2019.

Notes to the Consolidated Financial Statements

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39 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties

	For the year ended December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Sale of goods and materials, property, plant and equipment and intangible assets to		
– immediate parent company	–	750
– fellow subsidiaries	15,223,597	23,307,316
– joint ventures	1,236,968	939,645
– an associate	303	–
– other related companies	1,401,773	1,693,401
Services provided to		
– fellow subsidiaries	45,893	75,152
– a joint venture	21,698	1,085
– other related companies	323,145	327,845
Purchases of goods and materials from		
– fellow subsidiaries	10,650,118	15,861,061
– joint ventures	39,834	187,031
– other related companies	56,280,246	56,214,578
Services received from		
– immediate parent company	772,835	675,836
– fellow subsidiaries	2,790,726	2,436,893
– joint ventures	1,165,649	1,360,164
– other related companies	8,068,801	5,383,858
Lease income from		
– fellow subsidiaries	106,220	–
Lease expenses to		
– fellow subsidiaries	160,977	149,159
Interest income from		
– an associate	292,413	276,349
– an other related company	3,310	106
Interest expenses to		
– immediate parent company	40,071	16,309
– fellow subsidiaries	8,239	6,659
– an associate	72,857	51,195
Key management compensations		
– salaries, allowances and other benefits	8,255	8,708
– employer's contributions to pension schemes	258	728
– discretionary bonuses	6,551	8,266

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Assets		
Financial assets at FVOCI		
– a fellow subsidiary	1,893,816	1,275,650
Trade receivables		
– fellow subsidiaries	1,168,519	1,924,207
– joint ventures	129,336	103,504
– other related companies	1,460,804	1,578,239
Notes receivables		
– fellow subsidiaries	113,146	261,989
– a joint venture	23,000	–
Advances to suppliers		
– fellow subsidiaries	182,892	232,856
– other related companies	750	739
Other receivables		
– fellow subsidiaries	593,142	470,111
– joint ventures	336,637	14,192
– an associate	–	3,706
– other related companies	262,491	367,093
Cash and cash equivalents		
– an associate (Note 20(a))	15,185,063	15,872,433
– an other related company	125,850	437

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39 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties (Continued)

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000 (Restated)
Liabilities		
Trade payables		
– fellow subsidiaries	11,368,264	9,263,703
– joint ventures	5,487	40,992
– other related companies	20,171,790	14,465,672
Notes payable		
– fellow subsidiaries	265,787	2,922,592
– a joint venture	376	198
– other related companies	117,400	445,330
Contract liabilities		
– fellow subsidiaries	15,304	7,568
– an associate	–	327
– other related companies	–	205
Other payables (excluding dividends payable)		
– immediate parent company	1,538,288	1,162,784
– fellow subsidiaries	1,195,611	1,555,228
– joint ventures	295,785	269,272
– other related companies	4,183,609	2,918,222
Dividends payable to		
– other related companies	43,596	533,596
Borrowings from		
– an associate (Note 24(a))	2,459,010	2,120,210

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Company name	Place and date of establishment/ incorporation	Issued and paid-up capital (million)	Attributable equity interests	Principal activities
Subsidiaries				
BAIC Guangzhou Automotive Co., Ltd.	The PRC August 18, 2000	RMB1,360	100%	Manufacture of passenger vehicles
BAIC Investment Co., Ltd.	The PRC June 28, 2002	RMB3,500	97.95%	Investment holding
Beijing Beinei Engine Parts and Components Co., Ltd.	The PRC September 2, 2003	RMB471	98.98%	Manufacture of auto parts
Beijing Benz Automotive Co., Ltd.*	The PRC August 8, 2005	USD2,320	51%	Manufacture and sales of passenger vehicles
BAIC Hong Kong Investment Corp. Limited	Hong Kong Oct 21, 2009	RMB60	100%	Investment holding
BAIC Motor Powertrain Co., Ltd.	The PRC February 9, 2010	RMB1,476	100%	Manufacture of auto engine
Beijing Motor Sales Co., Ltd.	The PRC May 3, 2012	RMB100	100%	Sale of passenger vehicles
Zhuzhou (BAIC) Motor Sales Co., Ltd.	The PRC August 5, 2013	RMB8	100%	Sale of passenger vehicles
China Automobile Development United (Beijing) Technology Investment Co., Ltd.	The PRC December 18, 2013	RMB104	54.0865%	Investment management
BAIC International Development Co., Ltd.	The PRC April 16, 2013	RMB1,252	100%	Project investment, investment management and vehicle export
BAIC Yunnan Ruili Motor Co., Ltd.	The PRC December 20, 2013	RMB297	42.91%	Manufacture and sales of passenger vehicles
Joint Ventures				
Beijing Hyundai Motor Company	The PRC October 16, 2002	USD2,036	50%	Manufacture and sales of passenger vehicles
Beijing Mercedes-Benz Sales Service Co., Ltd.	The PRC December 7, 2012	RMB102	49%	Marketing and sales of vehicles
Fujian Benz Automotive Co., Ltd.	The PRC June 8, 2007	Euro 287	35%	Manufacture and sales of passenger vehicles
Beijing BAIC Faurecia Automotive Systems Co., Ltd. (formerly Beijing Bai Das Auto System Co., Ltd.)	The PRC June 27, 2011	USD41	50%	Manufacture and sales of automobile interior decoration parts
Associates				
BAIC Group Finance Co., Ltd.	The PRC November 9, 2011	RMB2,500	20%	Auto financing and currency settlement
Beijing Hyundai Auto Finance Co., Ltd.	The PRC June 26, 2012	RMB4,000	33%	Automobile financing services
Mercedes-Benz Leasing Co., Ltd.	The PRC January 9, 2012	RMB3,598	35%	Finance lease services

* registered as a sino-foreign equity joint venture under the PRC law

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000
ASSETS		
Non-current assets		
Property, plant and equipment	5,204,239	5,993,135
Land use rights	518,034	529,979
Intangible assets	8,543,821	9,034,796
Investments in subsidiaries	26,317,932	23,239,798
Investments accounted for using equity method	2,181,691	2,310,176
Financial assets at fair value through other comprehensive income	3,000	3,000
Other receivables and prepayments	1,926,413	51,873
	44,695,130	41,162,757
Current assets		
Inventories	2,321,209	2,758,643
Accounts receivable	18,924,590	17,795,507
Advances to suppliers	75,646	76,188
Other receivables and prepayments	17,428,192	21,940,396
Restricted cash	530,337	458,366
Cash and cash equivalents	2,164,483	3,648,831
	41,444,457	46,677,931
Total assets	86,139,587	87,840,688

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (Continued)

	As at December 31,	
	2020 RMB' 000	2019 RMB' 000
EQUITY		
Capital and reserves attributable to equity holders		
Share capital	8,015,338	8,015,338
Perpetual bond	1,998,160	1,998,160
Other reserves (note (a))	26,528,416	25,599,990
Retained earnings (note (a))	16,995,754	11,044,720
Total equity	53,537,668	46,658,208
LIABILITIES		
Non-current liabilities		
Borrowings	7,773,511	7,166,750
Provisions	30,984	28,838
Deferred income	381,844	388,064
	8,186,339	7,583,652
Current liabilities		
Accounts payable	12,189,012	16,683,034
Contract liabilities	–	942
Other payables and accruals	5,254,377	6,652,355
Borrowings	6,858,931	10,226,346
Lease liabilities	88,484	–
Provisions	24,776	36,151
	24,415,580	33,598,828
Total liabilities	32,601,919	41,182,480
Total equity and liabilities	86,139,587	87,840,688

The balance sheet of the Company was approved by the Board of Directors on March 24, 2021 and was signed on its behalf.

Jiang Deyi, Director

Huang Wenbing, Director

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note:

(a) Reserve movement of the Company is as set out below:

	Capital reserve RMB' 000 (Note 23(a))	Statutory reserve RMB' 000 (Note 23(b))	Financial assets at FVOCI RMB' 000	Cash flow hedges RMB' 000	Retained earnings RMB' 000	Total RMB' 000
At January 1, 2020	22,834,012	2,766,473	–	(495)	11,044,720	36,644,710
Profit for the year	–	–	–	–	8,240,560	8,240,560
Share of other comprehensive income of investments accounted for using the equity method	–	–	–	1,507	–	1,507
Appropriation to reserve fund	–	926,919	–	–	(926,919)	–
2019 final dividends	–	–	–	–	(1,362,607)	(1,362,607)
At December 31, 2020	22,834,012	3,693,392	–	1,012	16,995,754	43,524,170
At January 1, 2019	22,819,328	2,339,885	–	–	9,582,381	34,741,594
Profit for the year	–	–	–	–	3,412,096	3,412,096
Changes in fair value of financial assets at FVOCI	–	–	(255)	–	–	(255)
Share of other comprehensive loss of investments accounted for using the equity method	–	–	–	(495)	–	(495)
Appropriation to reserve fund	–	426,588	–	–	(426,588)	–
2018 final dividends	–	–	–	–	(1,522,914)	(1,522,914)
Others	14,684	–	255	–	(255)	14,684
At December 31, 2019	22,834,012	2,766,473	–	(495)	11,044,720	36,644,710

42 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

(a) Directors', supervisors' and chief executive's emoluments

For the year ended December 31, 2020

Emoluments paid to or receivable by director/supervisor in respect of services
as a director/supervisor

	Salaries, allowances and estimated money value of other benefits RMB' 000	Employer's contribution to a retirement benefit scheme RMB' 000	Discretionary bonus ⁽¹⁾ RMB' 000	Housing allowance RMB' 000	Remunerations paid or receivable in respect of accepting office as director RMB' 000	Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings RMB' 000	Total RMB' 000
Executive director							
(Chief Executive)							
Chen Hongliang (陳宏良) ⁽²⁾	732	29	740	-	-	-	1,501
Huang Wenbing (黃文炳) ⁽³⁾	-	-	-	-	-	-	-
Non-executive director							
Xu Heyi (徐和誼) ⁽⁴⁾	-	-	-	-	-	-	-
Jiang Deyi (姜德義) ⁽⁵⁾	-	-	-	-	-	-	-
Shang Yuanxian (尚元賢)	-	-	-	-	-	-	-
Yan Xiaolei (閻小雷) ⁽⁶⁾	-	-	-	-	-	-	-
Liao Zhenbo (廖振波) ⁽⁷⁾	-	-	-	-	-	-	-
Xie Wei (謝偉)	-	-	-	-	-	-	-
Qiu Yinfu (邱銀富)	-	-	-	-	-	-	-
Hubertus Troska (唐仕凱)	-	-	-	-	-	-	-
Harald Emil Wilhelm	-	-	-	-	-	-	-
Jin Wei (金偉)	-	-	-	-	-	-	-
Lei Hai (雷海)	-	-	-	-	-	-	-
Chen Hongliang (陳宏良) ⁽⁸⁾	-	-	-	-	-	-	-

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

42 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Directors', supervisors' and chief executive's emoluments (Continued)

For the year ended December 31, 2020 (Continued)

Emoluments paid to or receivable by director/supervisor in respect of services as a director/supervisor

	Salaries, allowances and estimated money value of other benefits RMB' 000	Employer's contribution to a retirement benefit scheme RMB' 000	Discretionary bonus ⁽¹⁾ RMB' 000	Housing allowance RMB' 000	Remunerations paid or receivable in respect of accepting office as director RMB' 000	Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings RMB' 000	Total RMB' 000
Independent non-executive director							
Wong Lung Tak Patrick (黃龍德)	-	-	-	-	120	-	120
Bao Robert Xiaochen (包曉晨)	-	-	-	-	120	-	120
Zhao Fuquan (趙福全)	-	-	-	-	120	-	120
Liu Kaixiang (劉凱湘)	-	-	-	-	120	-	120
Ge Songlin (葛松林)	-	-	-	-	120	-	120
Supervisor							
Pang Mingjing (龐民京)	-	-	-	-	120	-	120
Zhan Zhaohui (詹朝輝)	-	-	-	-	120	-	120
Wang Min (王敏)	-	-	-	-	-	-	-
Gu Zhangfei (顧章飛)	-	-	-	-	-	-	-
Meng Meng (孟猛)	-	-	-	-	-	-	-
Li Shuangshuang (李雙雙)	440	39	1,044	-	-	-	1,523
Wang Bin (王彬)	637	4	552	-	-	-	1,193
Li Chengjun (李承軍)	574	29	555	-	-	-	1,158
Qi Chunyu (齊春雨)	-	-	-	-	-	-	-

Notes:

- (1) Discretionary bonuses are determined based on the performance of the Group.
- (2) Resigned in December 2020.
- (3) Appointed in December 2020.
- (4) Resigned in September 2020.
- (5) Appointed in October 2020.
- (6) Resigned in July 2020.
- (7) Appointed in October 2020.
- (8) Appointed in December 2020.

42 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Directors', supervisors' and chief executive's emoluments (Continued)

For the year ended December 31, 2019

Emoluments paid to or receivable by director/supervisor in respect of services
as a director/supervisor

	Salaries, allowances and estimated money value of other benefits RMB' 000	Employer's contribution to a retirement benefit scheme RMB' 000	Discretionary bonus ⁽¹⁾ RMB' 000	Housing allowance RMB' 000	Remunerations paid or receivable in respect of accepting office as director RMB' 000	Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings RMB' 000	Total RMB' 000
Executive director							
(Chief Executive)							
Chen Hongliang (陳宏良)	837	75	698	-	-	-	1,610
Non-executive director							
Xu Heyi (徐和誼)	-	-	-	-	-	-	-
Shang Yuanxian (尚元賢)	-	-	-	-	-	-	-
Yan Xiaolei (閻小雷)	-	-	-	-	-	-	-
Xie Wei (謝偉)	-	-	-	-	-	-	-
Qiu Yinfu (邱銀喜)	-	-	-	-	-	-	-
Hubertus Troska (唐仕凱)	-	-	-	-	-	-	-
Bodo Uebber (于博) ⁽²⁾	-	-	-	-	-	-	-
Jiao Ruifang (焦瑞芳) ⁽³⁾	-	-	-	-	-	-	-
Jin Wei (金偉) ⁽⁴⁾	-	-	-	-	-	-	-
Lei Hai (雷海)	-	-	-	-	-	-	-
Harald Emil Wilhelm ⁽⁵⁾	-	-	-	-	-	-	-

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

42 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Directors', supervisors' and chief executive's emoluments (Continued)

For the year ended December 31, 2019 (Continued)

Emoluments paid to or receivable by director/supervisor in respect of services as a director/supervisor

	Salaries, allowances and estimated money value of other benefits RMB' 000	Employer's contribution to a retirement benefit scheme RMB' 000	Discretionary bonus ⁽¹⁾ RMB' 000	Housing allowance RMB' 000	Remunerations paid or receivable in respect of accepting office as director RMB' 000	Emoluments paid or receivable in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings RMB' 000	Total RMB' 000
Independent non-executive director							
Wong Lung Tak Patrick (黃龍德)	-	-	-	-	120	-	120
Bao Robert Xiaochen (包曉晨)	-	-	-	-	120	-	120
Zhao Fuquan (趙福全)	-	-	-	-	120	-	120
Liu Kaixiang (劉凱湘)	-	-	-	-	120	-	120
Ge Songlin (葛松林)	-	-	-	-	120	-	120
Supervisor							
Zhang Guofu (張國富) ⁽⁶⁾	-	-	361	-	-	-	361
Pang Minjing (龐民京)	-	-	-	-	120	-	120
Zhan Zhaohui (詹朝輝)	-	-	-	-	120	-	120
Wang Min (王敏)	-	-	-	-	-	-	-
Gu Zhangfei (顧章飛)	-	-	-	-	-	-	-
Yao Shun (姚舜) ⁽⁷⁾	-	-	-	-	-	-	-
Meng Meng (孟猛)	-	-	-	-	-	-	-
Li Shuangshuang (李雙雙)	546	50	974	-	-	-	1,570
Wang Bin (王彬)	733	67	470	-	-	-	1,270
Li Chengjun (李承軍) ⁽⁸⁾	680	75	506	-	-	-	1,261
Qi Chunyu (齊春雨) ⁽⁹⁾	-	-	-	-	-	-	-

42 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Directors', supervisors' and chief executive's emoluments (Continued)

For the year ended December 31, 2019 (Continued)

Notes:

- (1) Discretionary bonuses are determined based on the performance of the Group.
 - (2) Resigned in May 2019.
 - (3) Resigned in June 2019.
 - (4) Appointed in June 2019.
 - (5) Appointed in June 2019.
 - (6) Resigned in March 2019.
 - (7) Resigned in August 2019.
 - (8) Appointed in March 2019.
 - (9) Appointed in August 2019.
- (b) During the year ended December 31, 2020, no retirement benefits by a defined benefit pension plan operated by the Group were paid or made, directly or indirectly, to or receivable by a director/supervisor in respect of his services as a director/supervisor or other services in connection with the management of the affairs of the Company or its subsidiaries (2019: Nil).
- (c) During the year ended December 31, 2020, no payments or benefits in respect of termination of director/supervisor's services were paid or made, directly or indirectly, to or receivable by a director/supervisor; nor are any payable (2019: Nil).
- (d) During the year ended December 31, 2020, no consideration was provided to or receivable by third parties for making available director/supervisor's services (2019: Nil).
- (e) There are no loans, quasi-loans or other dealings in favour of the director/supervisor, his controlled bodies corporate and connected entities (2019: Nil).
- (f) Save as disclosed elsewhere in these financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director/supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: Nil).

43 EVENT AFTER THE REPORTING PERIOD

On March 17, 2021, BAIC Finance Investment Co., Ltd., an indirect wholly-owned subsidiary of the Company, issued corporate notes in an amount of US\$350 million with annual interest rate of 2%. The notes are guaranteed by the Company and will become due in March 2024.

Section XII Definitions

“2019” or “the year 2019”	the year ended December 31, 2019
“2020” or “the year 2020” or “the year”	the year ended December 31, 2020
“2021” or “the year 2021”	the year ended December 31, 2021
“Articles of Association”	the Articles of Association of BAIC Motor Corporation Limited considered and amended at the first extraordinary general meeting of the Company for 2021 held on March 24, 2021
“Audit Committee”	audit committee of the Board of the Company
“BAIC ROCAR”	BAIC ROCAR Automobile Service & Trade Co., Ltd.
“BAIC BluePark”	BAIC BluePark New Energy Technology Co., Ltd.
“BAIC Finance”	BAIC Group Finance Co., Ltd.
“BAIC Group”	Beijing Automotive Group Co., Ltd.
“BAIC Investment”	BAIC Investment Co., Ltd.
“BAIC International”	BAIC International Development Co., Ltd. (北京汽車國際發展有限公司)
“BAIC Ruili”	BAIC Yunnan Ruili Motor Co., Ltd.
“BAIC Guangzhou”	BAIC Guangzhou Automotive Co., Ltd.
“Beijing Benz”	Beijing Benz Automotive Co., Ltd. (formerly known as Beijing Jeep Motor Co., Ltd. and Beijing Benz-Daimler Chrysler Automotive Co., Ltd.)
“Beijing Brand”	When referring to a brand, “Beijing Brand” means the passenger vehicle business of our proprietary brand; When referring to a business segment, means the consolidated business of our Company and its subsidiaries (excluding Beijing Benz). Segment profits of Beijing Brand included the share of profits of Beijing Hyundai and other invested enterprises
“Beijing Hyundai”	Beijing Hyundai Motor Co., Ltd.
“Benz Sales”	Beijing Mercedes-Benz Sales Service Co., Ltd.
“BH Leasing”	BH Leasing Co., Ltd.
“BHAF”	Beijing Hyundai Auto Finance Co., Ltd.
“COVID-19 Outbreak”	outbreak of Global Coronavirus Disease 2019 (COVID-19)

“Board of Directors” or “Board”	the Board of Directors of the Company
“Board of Supervisors”	the Board of Supervisors of the Company
“Powertrain”	BAIC Motor Powertrain Co., Ltd.
“Bohai Automotive”	Bohai Automotive Systems Co., Ltd.
“CAAM”	China Association of Automobile Manufacturers
“China Accounting Standards” or “PRC Accounting Standards”	Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC
“Company”	BAIC MOTOR CORPORATION LIMITED
“Company Law”	the Company Law of the People’s Republic of China, as amended and adopted by the Standing Committee of the Thirteenth National People’s Congress on October 26, 2018 and effective from October 26, 2018, as amended, supplemented or otherwise modified from time to time
“connected transaction(s)”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Corporate Governance Code”	the Code on Corporate Governance as set forth in Appendix 14 to the Listing Rules
“Daimler AG”	Daimler AG
“Daimler Greater China”	Daimler Greater China Ltd.
“Date of Issue of the Report”	March 24, 2021, i.e. the date on which the annual report is submitted to the Board of Directors for approval
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary shares in the Company’s share capital, with a nominal value of RMB1.0 each, which are subscribed for and paid up in Renminbi
“end of 2019”	December 31, 2019
“end of 2020”	December 31, 2020

Section XII Definitions

“FJMOTOR”	Fujian Motor Industry Group Co.
“Fujian Benz”	Fujian Benz Automotive Co., Ltd.
“2020 Annual General Meeting”	the Shareholder’s general meeting of the Company for the year of 2020
“general meeting”	the Shareholder’s general meeting of the Company
“Group”, “our Group” or “We” or “our”	the Company and its subsidiaries
“H share(s)”	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.0 each, to be subscribed for and traded in HK dollars and listed and traded on the Stock Exchange
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hyundai Motor”	Hyundai Motor Company
“IFRSs”	International Financial Reporting Standards issued by the International Accounting Standards Board
“Latest Practicable Date”	April 9, 2021, being the latest practicable date prior to the printing of the annual report for the purpose of ascertaining the relevant information contained in the annual report
“Listing”	Listing of the H Shares on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Main Board”	the stock market operated by the Stock Exchange (excluding options market), independent of the growth enterprise market of the Stock Exchange and under parallel operation with the growth enterprise market
“MBLC”	Mercedes-Benz Leasing Co., Ltd.
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 to the Listing Rules
“Nomination Committee”	nomination committee of the Board of the Company

“PBOC”	the People’s Bank of China
“Prospectus”	the prospectus of the Company dated December 9, 2014
“PwC”	PricewaterhouseCoopers
“PwC Zhong Tian”	PricewaterhouseCoopers Zhong Tian LLP
“Remuneration Committee”	remuneration committee of the Board of the Company
“Renminbi” or “RMB”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Rules of Procedure of the Board of Supervisors”	the Rules of Procedure of the Board of Supervisors of BAIC Motor Corporation Limited
“Share(s)”	Domestic share(s) and H share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Special Committees”	collectively, Strategy Committee, Audit Committee, Remuneration Committee and Nomination Committee of the Board
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“CBIRC”	China Banking and Insurance Regulatory Commission
“Strategy Committee”	strategy committee of the Board of the Company
“Subsidiary(ies)”	has the meaning ascribed thereto in section 2 of the Company Ordinance
“Supervisor(s)”	Supervisor of the Company
“Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and BAIC Group Finance Co., Ltd. on December 2, 2014
“Licensed Trademarks”	a non-exclusive license for the use of certain registered trademarks owned by Beijing Automotive Group Co., Ltd. granted by Beijing Automotive Group Co., Ltd. to the Group (excluding Beijing Benz Automotive Co., Ltd.) on a royalty-free basis

Section XII Definitions

“Trademark Licensing Agreement”	the trademark licensing agreement entered into between Beijing Benz Automotive Co., Ltd., a non-wholly owned subsidiary of the Company and Beijing Automotive Group Co., Ltd. on February 28, 2013 with regard to its company name of “Beijing Benz”, and the production and assembly of its existing vehicle models
“Property and Facility Leasing Framework Agreement”	the property and facility leasing framework agreement entered into between the Company and Beijing Automotive Group Co., Ltd. on December 2, 2014
“Property and Facility Leasing Supplemental Agreement”	the property and facility leasing supplemental agreement entered into between the Company and Beijing Automotive Group Co., Ltd. on March 27, 2019
“Products and Services Purchasing Framework Agreement”	the products and services purchasing framework agreement entered into between the Company and Beijing Automotive Group Co., Ltd. on December 2, 2014
“Purchased Products and Comprehensive Services”	services including labor services, logistics services, transportation services and consultancy services
“Provision of Products and Services Framework Agreement”	the provision of products and services framework agreement entered into between the Company and Beijing Automotive Group Co., Ltd. on December 2, 2014
“Provision of Products”	including facilities, raw materials, components and parts, and vehicles
“Provision of Services”	including sales agency, processing agency, labor, logistics, transportation and consultancy services
“BEPC”	Beijing Beinei Engine Parts and Components Co., Ltd.
“BAIC Motor Sales”	BAIC Motor Sales Co., Ltd.
“BAIC MBtech”	BAIC MB-tech Development Center Co., Ltd.
“ESG Guide”	the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

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北京汽车股份有限公司
BAIC MOTOR CORPORATION LIMITED*