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北京汽车
BAIC MOTOR

北京汽車股份有限公司

BAIC MOTOR CORPORATION LIMITED*

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

(Stock Code: 1958)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of BAIC Motor Corporation Limited (the “**Company**”) is pleased to announce the audited results of the Company and its subsidiaries (collectively referred to as the “**Group**” or “**we**” or “**our**”) for the year ended December 31, 2023 (“**2023**”) in conjunction with the comparative financial data of the previous year.

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2023

		As at December 31,	
		2023	2022
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		47,086,248	49,086,066
Land use rights		6,606,030	6,787,039
Investment properties		227,093	242,107
Intangible assets		10,938,512	10,474,252
Investments accounted for using equity method		9,304,861	13,113,315
Financial assets at fair value through other comprehensive income		5,400,973	1,597,924
Deferred income tax assets	4	7,763,960	8,739,006
Other receivables and prepayments	7	504,678	880,895
		<u>87,832,355</u>	<u>90,920,604</u>
Current assets			
Inventories		23,867,358	26,092,623
Accounts receivable	5	21,026,946	15,738,853
Advances to suppliers	6	97,269	219,126
Other receivables and prepayments	7	2,761,952	2,312,559
Restricted cash and term deposits with initial term of over three months		2,013,044	864,662
Cash and cash equivalents		31,124,229	37,227,015
		<u>80,890,798</u>	<u>82,454,838</u>
Total assets		<u>168,723,153</u>	<u>173,375,442</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)*AS AT DECEMBER 31, 2023*

		As at December 31,	
		2023	2022
	Note	RMB'000	RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	8	8,015,338	8,015,338
Other reserves		22,556,124	21,711,410
Retained earnings		<u>26,437,757</u>	<u>24,770,018</u>
		57,009,219	54,496,766
Non-controlling interests		<u>22,374,399</u>	<u>24,440,339</u>
Total equity		<u>79,383,618</u>	<u>78,937,105</u>
LIABILITIES			
Non-current liabilities			
Borrowings	9	6,539,268	8,580,404
Lease liabilities		61,511	169,525
Deferred income tax liabilities	4	12,524	16,208
Provisions		3,787,350	3,590,878
Deferred income		2,485,420	2,710,497
Other payables		<u>–</u>	<u>23,534</u>
		<u>12,886,073</u>	<u>15,091,046</u>

CONSOLIDATED BALANCE SHEET (CONTINUED)*AS AT DECEMBER 31, 2023*

		As at December 31,	
		2023	2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Accounts payable	<i>10</i>	35,847,709	29,869,141
Contract liabilities		889,385	1,214,906
Other payables and accruals	<i>11</i>	29,913,089	32,095,423
Current income tax liabilities		95,071	1,772,890
Borrowings	<i>9</i>	6,735,673	11,732,976
Lease liabilities		108,315	105,076
Provisions		2,864,220	2,556,879
		<u>76,453,462</u>	<u>79,347,291</u>
Total liabilities		<u>89,339,535</u>	<u>94,438,337</u>
Total equity and liabilities		<u><u>168,723,153</u></u>	<u><u>173,375,442</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023

		For the year ended	
		December 31,	
		2023	2022
	Note	RMB'000	RMB'000
Revenue	3	197,949,177	190,462,586
Cost of sales	13	<u>(157,878,715)</u>	<u>(148,128,379)</u>
Gross profit		40,070,462	42,334,207
Selling and distribution expenses	13	(11,840,189)	(11,176,768)
General and administrative expenses	13	(5,112,859)	(5,337,959)
Net impairment losses on financial assets		(565,224)	(474,556)
Other gains, net	12	<u>16,923</u>	<u>663,966</u>
Operating profit		22,569,113	26,008,890
Finance income	14	525,834	659,631
Finance costs	14	<u>(495,079)</u>	<u>(658,459)</u>
Finance income, net		30,755	1,172
Share of loss of investments accounted for using equity method		<u>(1,599,907)</u>	<u>(1,280,849)</u>
Profit before income tax		20,999,961	24,729,213
Income tax expense	15	<u>(7,373,652)</u>	<u>(8,393,911)</u>
Profit for the year		<u>13,626,309</u>	<u>16,335,302</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)*FOR THE YEAR ENDED DECEMBER 31, 2023*

		For the year ended	
		December 31,	
		2023	2022
	Note	RMB'000	RMB'000
Profit attributable to:			
Equity holders of the Company		3,030,346	4,196,597
Non-controlling interests		<u>10,595,963</u>	<u>12,138,705</u>
		<u>13,626,309</u>	<u>16,335,302</u>
Earnings per share for profit attributable to ordinary shareholders of the Company for the year			
(expressed in RMB)			
Basic and diluted	16	<u>0.38</u>	<u>0.52</u>
Profit for the year		13,626,309	16,335,302
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Gain on cash flow hedges, net of tax		28,987	345,359
Share of other comprehensive (loss)/income of investments accounted for using the equity method		(6,889)	18,905
Currency translation differences		<u>(118,889)</u>	<u>(98,683)</u>
<i>Items that will not be reclassified to profit or loss</i>			
Changes in fair value of financial assets at fair value through other comprehensive income		<u>924,166</u>	<u>(1,090,982)</u>
Other comprehensive income/(loss) for the year		<u>827,375</u>	<u>(825,401)</u>
Total comprehensive income for the year		<u>14,453,684</u>	<u>15,509,901</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2023

		For the year ended	
		December 31,	
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
Attributable to:			
Equity holders of the Company		3,875,060	3,196,461
Non-controlling interests		<u>10,578,624</u>	<u>12,313,440</u>
		<u><u>14,453,684</u></u>	<u><u>15,509,901</u></u>

NOTES:

1 GENERAL INFORMATION

The Group is principally engaged in the manufacturing and sales of passenger vehicles, engines and auto parts in the People's Republic of China (the "PRC").

The address of the Company's registered office is A5-061, Unit 101, 5th Floor, Building No. 1, Courtyard No. 99, Shuanghe Street, Shunyi District, Beijing, the PRC.

The Company was incorporated in the PRC on September 20, 2010 as a joint stock company with limited liability under Company Law of the PRC. The immediate parent company of the Company is Beijing Automotive Group Co., Ltd. ("BAIC Group"), which is beneficially owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. The Company's 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 on March 22, 2024.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards and the disclosure 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.

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, 2023:

- IFRS 17 – Insurance Contracts
- Amendments to International Accounting Standards ("IAS") 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 8 – Definition of Accounting Estimates
- Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 Income Taxes require the recognition of deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities. The Group therefore changed its accounting policies as a result of adopting this amendment to IAS 12. The Group elected to adopt the new rules retrospectively but recognized the cumulative effect of initially applying the new standard on January 1, 2022. There was no impact on retained earnings on January 1, 2022.

The impact of applying these amendments on the consolidated financial information is summarised as follows:

	Amount of adjustment	
	1 January 2022 <i>RMB'000</i>	31 December 2022 <i>RMB'000</i>
Deferred tax assets	31,285	75,590
Deferred tax liabilities	(31,285)	(75,590)

Other than the above impact, the amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

Certain new standards and amendments to standards have been published that are not mandatory for December 31, 2023 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to IFRS 21	Lack of Exchangeability	January 1, 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

3 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:

- Oil-powered vehicles: manufacturing and sales of passenger vehicles of fuel, and providing other businesses and related services;
- New energy vehicles: manufacturing and sales of passenger vehicles of new energy, and providing other businesses and related services.

The Group changes the structure of its internal organization in a manner that causes the composition of its reportable segments to change and the previously reported segment information is restated.

(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 – Oil-powered vehicles RMB'000	Passenger vehicles – New energy vehicles RMB'000	Total RMB'000
For the year ended December 31, 2023			
Total revenue	<u>182,697,179</u>	<u>15,251,998</u>	<u>197,949,177</u>
Timing of revenue recognition			
– At a point in time	180,842,243	15,038,719	195,880,962
– Over time	<u>1,854,936</u>	<u>213,279</u>	<u>2,068,215</u>
	<u>182,697,179</u>	<u>15,251,998</u>	<u>197,949,177</u>
Segment gross profit/(loss)	<u>43,369,825</u>	<u>(3,299,363)</u>	<u>40,070,462</u>
Other profit & loss disclosures:			
Selling and distribution expenses			(11,840,189)
General and administrative expenses			(5,112,859)
Net impairment losses on financial assets			(565,224)
Other gains, net			16,923
Finance income, net			30,755
Share of loss of investments accounted for using equity method			<u>(1,599,907)</u>
Profit before income tax			20,999,961
Income tax expense			<u>(7,373,652)</u>
Profit for the year			<u>13,626,309</u>
Other information:			
Significant non-cash expenses			
Depreciation and amortization	(7,097,557)	(1,731,911)	(8,829,468)
Provisions for impairments on assets	<u>(1,142,928)</u>	<u>(78,338)</u>	<u>(1,221,266)</u>
As at December 31, 2023			
Total assets	<u>136,853,428</u>	<u>31,869,725</u>	<u>168,723,153</u>
Total liabilities	<u>(81,359,842)</u>	<u>(7,979,693)</u>	<u>(89,339,535)</u>

	Passenger vehicles – Oil-powered vehicles RMB'000	Passenger vehicles – New energy vehicles RMB'000	Total RMB'000
For the year ended December 31, 2022			
Total revenue	<u>182,499,415</u>	<u>7,963,171</u>	<u>190,462,586</u>
Timing of revenue recognition			
– At a point in time	180,598,734	7,852,507	188,451,241
– Over time	<u>1,900,681</u>	<u>110,664</u>	<u>2,011,345</u>
	<u>182,499,415</u>	<u>7,963,171</u>	<u>190,462,586</u>
Segment gross profit/(loss)	<u>44,549,887</u>	<u>(2,215,680)</u>	<u>42,334,207</u>
Other profit & loss disclosures:			
Selling and distribution expenses			(11,176,768)
General and administrative expenses			(5,337,959)
Net impairment losses on financial assets			(474,556)
Other gains, net			663,966
Finance income, net			1,172
Share of loss of investments accounted for using equity method			<u>(1,280,849)</u>
Profit before income tax			24,729,213
Income tax expense			<u>(8,393,911)</u>
Profit for the year			<u>16,335,302</u>
Other information:			
Significant non-cash expenses			
Depreciation and amortization	(7,573,380)	(1,383,091)	(8,956,471)
Provisions for impairments on assets	<u>(1,393,928)</u>	<u>(90,923)</u>	<u>(1,484,851)</u>
As at December 31, 2022			
Total assets	<u>146,669,639</u>	<u>26,705,803</u>	<u>173,375,442</u>
Total liabilities	<u>(84,780,000)</u>	<u>(9,658,337)</u>	<u>(94,438,337)</u>

There is no customer accounting for 10 percent or more of the Group's revenue for each of the years ended December 31, 2023 and 2022.

The Group is domiciled in the PRC. The percentage of its revenue from external customers residing in the PRC is approximately 98.2% for the year ended December 31, 2023 (2022: 99.2%).

As at December 31, 2023, 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 98.5% (December 31, 2022: 98.4%).

4 DEFERRED INCOME TAXES

Movements of deferred tax asset balances comprising temporary differences attributable to:

	Provisions for impairment losses	Accruals	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2023	228,947	8,493,460	1,284,404	10,006,811
Credited/(charged) to statement of comprehensive income	<u>68,278</u>	<u>(639,973)</u>	<u>(298,072)</u>	<u>(869,767)</u>
As at December 31, 2023	<u><u>297,225</u></u>	<u><u>7,853,487</u></u>	<u><u>986,332</u></u>	<u><u>9,137,044</u></u>
Balance at January 1, 2022	310,815	7,034,710	1,566,796	8,912,321
(Charged)/credited to statement of comprehensive income	<u>(81,868)</u>	<u>1,458,750</u>	<u>(282,392)</u>	<u>1,094,490</u>
As at December 31, 2022	<u><u>228,947</u></u>	<u><u>8,493,460</u></u>	<u><u>1,284,404</u></u>	<u><u>10,006,811</u></u>

Movements of deferred tax liability balances comprising temporary differences attributable to:

	Capitalized interest	Valuation surplus upon acquisition of a subsidiary	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2023	(16,208)	(625,029)	(642,776)	(1,284,013)
Credited/(charged) to statement of comprehensive income	<u>3,684</u>	<u>18,892</u>	<u>(124,171)</u>	<u>(101,595)</u>
As at December 31, 2023	<u><u>(12,524)</u></u>	<u><u>(606,137)</u></u>	<u><u>(766,947)</u></u>	<u><u>(1,385,608)</u></u>
Balance at January 1, 2022	(21,273)	(659,578)	(533,423)	(1,214,274)
Credited/(charged) to statement of comprehensive income	<u>5,065</u>	<u>34,549</u>	<u>(109,353)</u>	<u>(69,739)</u>
As at December 31, 2022	<u><u>(16,208)</u></u>	<u><u>(625,029)</u></u>	<u><u>(642,776)</u></u>	<u><u>(1,284,013)</u></u>

Note:

Deferred income tax assets and liabilities are presented net to the consolidated balance sheet through setting-off of RMB1,373,084,000 as at December 31, 2023 (December 31, 2022: RMB1,267,805,000).

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 RMB53 billion (December 31, 2022: RMB48 billion) that can be carried forward against future taxable income as at December 31, 2023.

The unrecognized tax loss amounting to approximately RMB42 billion (December 31, 2022: RMB39 billion) can be carried forward for utilization in future included in which approximately RMB1 billion, RMB2 billion, RMB28 billion and RMB11 billion being expired in less than 1 year, 1-2 years, 2-5 years and 5-10 years respectively.

5 ACCOUNTS RECEIVABLE

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables, gross (<i>note (a)</i>)	16,722,343	15,702,633
Less: provision for impairment	<u>(1,286,135)</u>	<u>(890,428)</u>
	15,436,208	14,812,205
Notes receivable (<i>note (b)</i>) measured at		
– FVOCI	5,391,236	917,168
– amortized cost	209,881	9,480
Less: provision for impairment:	<u>(10,379)</u>	<u>–</u>
	<u>21,026,946</u>	<u>15,738,853</u>

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,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current to 1 year	9,737,170	8,392,827
1 to 2 years	611,225	349,340
2 to 3 years	299,601	485,389
Over 3 years	<u>6,074,347</u>	<u>6,475,077</u>
	<u>16,722,343</u>	<u>15,702,633</u>

Movements on the provision for impairment on trade receivables are as follows:

	For the year ended December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1	890,428	616,828
Provision for impairment recognized during the year	<u>395,707</u>	<u>273,600</u>
As at December 31	<u>1,286,135</u>	<u>890,428</u>

- (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) The amounts of accounts receivable pledged as collateral as at the respective ends of the reporting period are as follows:

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Notes receivables (i)	3,701,644	545,005

- (i) collateral for notes payable issued by banks

6 ADVANCES TO SUPPLIERS

In the ordinary course of business, the Group is required to make advance payments to certain suppliers according to the terms of respective agreements. The advance payments made to these parties are unsecured, non-interest bearing and will be settled or utilized in accordance with the terms of relevant agreements.

7 OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Deductible value-added tax	1,192,950	1,184,685
Receivable from		
– sales of raw materials	594,786	545,762
– disposals of property, plant and equipment and land use rights	527,351	542,101
– sales of new energy vehicle credits	328,520	466,382
Contracts fulfillment costs	400,330	447,928
Derivative financial instruments (<i>note (a)</i>)	293,276	352,027
Payments on behalf of a fellow subsidiary	241,098	–
Service fees	146,602	98,830
Interest receivable on call deposits	111,855	–
Deposits	13,241	13,151
Prepayments for property, plant and equipment	12,450	11,704
Others	180,223	149,931
	4,042,682	3,812,501
Less: non-current portion	(504,678)	(880,895)
Less: provision for impairment	(776,052)	(619,047)
	2,761,952	2,312,559

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).

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 12. 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.

Movements on the provision for impairment on other receivables are as follows:

	For the year ended December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1	619,047	418,091
Provision for impairment recognized during the year	157,005	200,956
	<hr/>	<hr/>
As at December 31	776,052	619,047
	<hr/> <hr/>	<hr/> <hr/>
8 SHARE CAPITAL		
	Number of ordinary shares of RMB1 each (thousands)	<i>RMB'000</i>
At January 1, 2023 and December 31, 2023	8,015,338	8,015,338
	<hr/> <hr/>	<hr/> <hr/>
At January 1, 2022 and December 31, 2022	8,015,338	8,015,338
	<hr/> <hr/>	<hr/> <hr/>
9 BORROWINGS		
	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Borrowings from financial institutions (<i>note (a)</i>)	4,043,110	2,655,662
Corporate bonds (<i>note (b)</i>)	2,496,158	5,924,742
	<hr/>	<hr/>
	6,539,268	8,580,404
Current		
Borrowings from financial institutions (<i>note (a)</i>)	1,565,237	6,283,888
Add: current portion of non-current borrowings from financial institutions	1,648,333	3,278,064
Corporate bonds (<i>note (b)</i>)	3,522,103	2,171,024
	<hr/>	<hr/>
	6,735,673	11,732,976
	<hr/>	<hr/>
Total borrowings	13,274,941	20,313,380
	<hr/> <hr/>	<hr/> <hr/>

Maturity of borrowings

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current to 1 year	6,735,673	11,732,976
1 to 2 years	6,139,268	5,079,675
2 to 5 years	400,000	3,500,729
	<u>13,274,941</u>	<u>20,313,380</u>

Contractual repricing dates upon interest rate changes

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	5,339,103	8,296,617
6 to 12 months	211,646	126,637
	<u>5,550,749</u>	<u>8,423,254</u>

Weighted average annual interest rates

	As at December 31,	
	2023	2022
Borrowings from financial institutions	2.76%	3.11%
Corporate bonds	2.63%	2.99%

Currency denomination

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	10,775,142	17,570,096
United States Dollar (“USD”)	2,492,454	2,704,338
South African Rand	7,345	38,946
	<u>13,274,941</u>	<u>20,313,380</u>

Undrawn facilities at floating rates

	As at December 31,	
	2023	2022
	RMB'000	RMB'000
Current to 1 year	24,365,650	17,194,021
Over 1 years	7,964,000	6,140,434
	<u>32,329,650</u>	<u>23,334,455</u>

Notes:

- (a) Balances at December 31, 2023 include borrowings of RMB1,291 million (December 31, 2022: RMB1,175 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	Carrying value RMB'000	Maturity
As at December 31, 2023				
The Company	November 5, 2021	3.45%	1,004,420	3 years
BAIC Finance Investment Co., Ltd.	March 16, 2021	2.00%	2,492,454	3 years
The Company	June 22, 2022	2.88%	1,013,634	3 years
The Company	September 26, 2022	2.65%	1,507,753	3 years
			<u>6,018,261</u>	
As at December 31, 2022				
The Company	January 8, 2020	3.39%	619,890	3 years
The Company	November 5, 2021	3.45%	1,003,750	3 years
BAIC Finance Investment Co., Ltd.	March 16, 2021	2.00%	2,446,648	3 years
The Company	June 22, 2022	2.88%	1,012,704	3 years
The Company	September 26, 2022	2.65%	1,506,113	3 years
The Company	September 23, 2022	1.76%	1,506,661	6 months
			<u>8,095,766</u>	

- (c) The fair values of the borrowings of the Group 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.

10 ACCOUNTS PAYABLE

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	29,652,250	27,183,330
Notes payable	6,195,459	2,685,811
	<u>35,847,709</u>	<u>29,869,141</u>

Ageing analysis of trade payables based on invoice date is as follows:

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current to 1 year	29,456,589	26,945,233
1 to 2 years	27,163	124,767
2 to 3 years	97,782	21,736
Over 3 years	70,716	91,594
	<u>29,652,250</u>	<u>27,183,330</u>

11 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Sales discounts and rebates	12,884,473	11,717,464
Payable for		
– services	3,800,119	5,355,274
– property, plant and equipment and intangible assets	3,826,352	4,655,880
– general operations	2,586,068	3,191,859
Advertising and promotion	1,970,609	2,163,739
Wages, salaries and other employee benefits	1,752,452	1,788,918
Other taxes payable	1,106,014	1,205,187
Payables for transportation and warehouse expenses	1,124,615	1,087,356
Deposits	58,819	26,371
Others	803,568	903,375
	<u>29,913,089</u>	<u>32,095,423</u>

12 OTHER GAINS, NET

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Government grants	356,183	378,215
Loss on disposals of property, plant and equipment, land use rights and intangible assets	(56,879)	(72,989)
Loss on forward foreign exchange contracts with fair value through profit or loss	(10,483)	(379,144)
Foreign exchange (loss)/gains	(267,853)	783,509
Others	(4,045)	(45,625)
	<u>16,923</u>	<u>663,966</u>

13 EXPENSES BY NATURE

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

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Raw materials and consumables used	124,787,108	123,466,103
Changes in inventories of finished goods and work in progress	4,808,590	(5,461,168)
Depreciation and amortization	8,829,468	8,956,471
Service fees and charges	8,534,282	8,327,810
Employee benefit costs	5,968,785	5,809,065
Daily operating expenses	2,712,441	2,442,097
Transportation and warehouse expenses	2,438,516	3,299,360
Advertising and promotion	1,911,537	1,632,398
Warranty expenses (note (a))	1,837,994	2,012,127
Provision for impairment on non-financial assets	656,042	1,010,295
Auditor's remuneration-audit services	6,773	7,095
Others	12,340,227	13,141,453
Total cost of sales, selling and distribution expenses, and general and administrative expenses	<u>174,831,763</u>	<u>164,643,106</u>

Note:

- (a) This is presented net of recharges to other related companies of approximately RMB1,503,442,000 (2022: RMB1,350,991,000).

14 FINANCE INCOME, NET

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Finance income		
Interest income on deposits in financial institutions	<u>525,834</u>	<u>659,631</u>
Finance costs		
Interest expense on borrowings from financial institutions	259,868	341,572
Interest expense on corporate bonds	166,298	229,242
Interest expense on loans from immediate parent company and a fellow subsidiary	9,753	38,537
Interest expense on lease liabilities	10,627	14,781
Amortization of discount on non-current provisions	<u>165,885</u>	<u>161,555</u>
	612,431	785,687
Less: amounts capitalized in qualifying assets	<u>(117,352)</u>	<u>(127,228)</u>
	<u>495,079</u>	<u>658,459</u>
Finance income, net	<u>30,755</u>	<u>1,172</u>

15 INCOME TAX EXPENSE

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Current income tax expense	6,411,953	9,533,782
Deferred income tax expense/(credit)	<u>961,699</u>	<u>(1,139,871)</u>
	<u>7,373,652</u>	<u>8,393,911</u>

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%.

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, 2023 and 2022 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,	
	2023	2022
	RMB'000	RMB'000
Profit before income tax	20,999,961	24,729,213
Tax calculated at the statutory tax rate of 25%	5,249,990	6,182,303
Effects of preferential tax rates and different tax rates in other jurisdictions	96,606	88,145
Impact on share of results of investments accounted for using equity method	399,977	320,212
Income not subject to tax	(6,635)	(7,467)
Expenses not deductible for tax purposes	27,740	27,820
Additional deduction on research and development expenses	(245,775)	(247,855)
Tax losses/deductible temporary differences for which no deferred tax was recognized	1,851,749	2,030,753
Tax charge	7,373,652	8,393,911

16 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,	
	2023	2022
Profit attributable to ordinary shareholders of the Company (RMB'000)	3,030,346	4,196,597
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)	0.38	0.52

Note:

During the years ended December 31, 2023 and 2022, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.

17 DIVIDENDS

	For the year ended December 31,	
	2023	2022
	RMB'000	RMB'000
Proposed final dividend of RMB0.13 per share (2022: RMB0.17 per share) (note (a))	<u>1,041,994</u>	<u>1,362,607</u>

Note:

- (a) The Board proposes that the Company distributes a final dividend for the year 2023 of RMB0.13 per share (tax inclusive). The proposal will be submitted to the Company's 2023 annual general meeting (the "**2023 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, 2024.

The final dividend of approximately RMB1,362,607,000 (RMB0.17 per share (tax inclusive)) relating to the year ended December 31, 2022 was approved by the shareholders at the Company's annual general meeting held in June 2023 and paid in September 2023.

18 EVENT AFTER THE REPORTING PERIOD

The Board announced that, on March 15, 2024, the Company and BAIC Group entered into the Entrustment Agreement, pursuant to which BAIC Group will entrust the Company to exercise the voting rights, right of proposal and submitting proposals, right to call and attend meetings, right of raising enquiries and suggestions and other rights but excluding disposal rights and rights to income/loss attached to all A shares of BAIC BluePark New Energy Technology Co., Ltd. ("**BAIC BluePark**") directly held by BAIC Group on an irrevocable, exclusive, and sole basis for the duration of the Entrustment, without the need to seek the opinion of BAIC Group in advance or to obtain its consent. No consideration is payable by either party under the Entrustment Agreement.

The Company will convene a general meeting for the purpose of, among other things, obtaining independent shareholders' approval for the Entrustment Agreement and the transactions contemplated thereunder.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2023, the passenger vehicle market saw a gradual improvement in sales volume, despite a slow start. Several indicators reached record highs, reflecting effective enhancement in quality and reasonable growth in volume. This development became a significant driving force for industrial economic growth. According to the data of China Association of Automobile Manufacturers (“CAAM”), the sales volume of passenger vehicles in 2023 was 26.063 million units, representing a year-on-year increase of 10.6%, which showed a steady development trend.

At the beginning of 2023, due to the impact of industry policy transition and insufficient release of effective demand, there was a decline in the sales volume of passenger vehicles. Since the second quarter, sales volume has rebounded with the launch of various promotional policies. In the second half of the year, the mild recovery of the macro-economy has gradually impacted the automobile market, and the good performance of new energy vehicles and automobile exports has effectively boosted market growth. As policies gradually pan out, the consumption potential of the automobile market has been further unleashed, which helped the industry achieve stable growth throughout the year. According to the data of CAAM, new energy passenger vehicle sales in 2023 amounted to 9.046 million units, representing a year-on-year increase of 38.2%, with a market share of 34.7%, demonstrating a period of comprehensive market expansion; the sales volume of Chinese-brand passenger vehicles amounted to 14.596 million units in 2023, a year-on-year increase of 24.1%, with a market share of 56.0%; sales of premium brand passenger vehicles amounted to 4.516 million units, a year-on-year increase of 15.4%; and exports of passenger vehicles amounted to 4.140 million units, a year-on-year increase of 63.7%.

In terms of industrial policies, the domestic economy in 2023 benefitted from the policies to stabilize growth. Various ministries jointly issued the Announcement on the Continuation and Optimization of Tax Reduction and Exemption Policies for Purchase of New Energy Vehicles, announcing that the tax reduction and exemption policies for purchase of new energy vehicles will be extended to 2027, further unleashing the consumption potential for new energy vehicles, which will help to stabilize the market expectation and expand the effective demand.

OVERVIEW OF THE GROUP

We are a leading passenger vehicle enterprise in China, and are one of the passenger vehicle manufacturers with relatively 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, among others, which can maximally satisfy various consumers’ 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**”) on December 19, 2014 (H shares stock abbreviation: BAIC Motor; H shares stock code: 1958).

MAJOR BUSINESS OPERATIONS

The Group is principally engaged in the research and development, manufacturing, sales and after-sales services of passenger vehicles, production of core parts and components of passenger vehicles, car financing, international businesses and other related businesses. It keeps optimizing its industry chain and strengthening its brands.

Passenger Vehicles

The Group is accelerating its transformation and upgrade towards electrification and intelligence. Its passenger vehicle product lineup covers internal combustion engine and new energy models. The business of the Group is carried out through four business divisions, namely, Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz.

1. *Beijing Brand*

Beijing Brand, our proprietary brand, covers sedans, SUVs and off-road vehicles in both internal combustion engine and new energy models, providing users with a full range of travel experiences.

By totally renewing and adhering to its brand positioning of becoming a trusted partner for families seeking outdoor adventures, Beijing Brand has created three major product series, namely the Excellent Off-road Performance, the Joyful Adventure and the Pleasure Experience. The Excellent Off-road Performance series is positioned as an off-road vehicle product characterized by hardcore, reliable, all-around, military-quality performance. The Joyful Outdoor Adventure series is positioned as a stylish, multi-functional SUV product. The Pleasure Travel Experience series is positioned as a multi-purpose product featuring integrated intelligence, real family-shared enjoyment and technological style. Internal combustion engine vehicles on sale include the new BJ40, BJ60 and other off-road models, as well as the new X7, the new Magic Cube and other SUV models. The new energy models include EU5, EU7 and the new EU5 PLUS and others.

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 Mercedes-Benz Group AG (“**Mercedes-Benz Group**”) and its wholly-owned subsidiary, Mercedes-Benz (China) Investment Co., Ltd. (梅賽德斯－奔馳(中國)投資有限公司), together hold another 49.0% equity interest in Beijing Benz. Beijing Benz commenced the manufacturing and sales of passenger vehicles of Mercedes-Benz brand in 2006.

At present, Beijing Benz has become a joint venture integrating research and development, vehicle and engine production, sales and after-sales service. It has commenced production of internal combustion engine vehicles such as the E-Class long-wheelbase sedan and the long-wheelbase GLC SUV. Additionally, Beijing Benz has introduced various all-electric SUV models, including the EQA SUV, the EQB SUV, and the EQE, which are based on the further development of the EVA all-electric platform, as well as the brand-new EQE all-electric SUV. In addition, Beijing Benz also exports core parts and components of engines and vehicles, which makes itself an important part of the global network of Mercedes-Benz.

3. *Beijing Hyundai*

Beijing Hyundai Motor Co., Ltd. (“**Beijing Hyundai**”) is a joint venture of the Company. The Company holds 50.0% equity interest of Beijing Hyundai through its subsidiary BAIC Investment Co., Ltd. (“**BAIC Investment**”), while Hyundai Motor Company (“**Hyundai Motor**”) holds another 50.0% equity interest of Beijing Hyundai. Beijing Hyundai has been manufacturing and selling Hyundai passenger vehicles since 2002.

Beijing Hyundai has established an industry-leading quality operation system and has a nationwide leading production and manufacturing plant. It produces and sells a wide range of compact and mid-size sedans and SUVs, including the Elantra CN7, the LA FESTA N-Line, the tenth-generation Sonata, the fifth-generation Tucson L, the all-new updated ix35 - the MUFASA, the fourth-generation Santa Fe, and the Custo, etc.. With these models, Beijing Hyundai fully caters to various 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 of Fujian Benz, and establishes an acting-in-concert agreement with Fujian Motor Industry Group Co., which holds another 15.0% equity interest of 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 Fujian Motor Industry Group Co.. Mercedes-Benz Vans Hong Kong Limited holds the remaining 50.0% equity interest of Fujian Benz.

Fujian Benz commenced the manufacturing and sales of multi-purpose passenger vehicles of Mercedes-Benz brand in 2010. At present, Fujian Benz stays on the leading edge in the field of joint venture premium business purpose vehicles, with production and sales of Mercedes-Benz V-Class vehicles and New Vito products.

Core Parts and Components for Passenger Vehicles

In addition to manufacturing of vehicles, we also produce engines, powertrain, power batteries and other core parts and components for passenger vehicles through the manufacturing bases of Beijing Brand, Beijing Benz and Beijing Hyundai.

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 self-produced vehicles as well as for sale to other automobile manufacturers. Through the combination of cooperative and independent development, we have broken through many technological difficulties, successively completed the development of many types of internal combustion and hybrid engines and transmission products, and put them into mass production. Such products have been widely used for Beijing Brand passenger vehicles.

Beijing Benz currently has two engine factories and the first power battery factory outside of Germany, producing a variety of engines such as M282, M274, M260A, M254 and other EB42X power batteries with ternary lithium batteries with higher energy density.

Beijing Hyundai has been manufacturing engines since 2004. Its specific product offerings cover four major series namely BETA, Kappa, Gamma and Gamma II. The engines produced are industry-leading in terms of technology and power, etc. The products are mainly used in Hyundai 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 car financing business, we have conducted group strategic cooperation with various automobile financial companies, commercial banks and finance lease companies, offering clients a great variety of financial products covering all car models for sale and meeting different customer demands.

International Business

We conduct the international marketing business through a wholly-owned subsidiary BAIC International Development Co., Ltd., to promote the rapid development of international business through overseas sales companies, KD technology¹ cooperation, vehicle distribution, etc. In addition, BAIC Automobile SA Proprietary Limited (“**BAIC Automobile SA**”), a non-wholly-owned subsidiary of the Company, is responsible for the production and operation businesses of the South African production base and the marketing business in South African and Southern Africa Development Community (SADC) markets.

BUSINESS OPERATIONS IN 2023

The Group made significant progress with a fresh start in 2023, consolidating its development base and optimizing its product lineups. It adhered to the operational philosophy of Survival, Reform, and Development, fully fulfilling its core mission of Sales Increase. We fully leveraged the strengths of the internal combustion engine vehicle business to explore market potential while transforming and upgrading the new energy business to build momentum. We recorded an annual sales of 1,042,000 vehicles, a year-on-year increase of 7.3%², achieving a synergistic development of the entire value chain and a breakthrough in the core business.

1. Comprehensive promotion of new energy transformation

In 2023, the Group strengthened strategic cooperation in the realm of new energy transformation by increasing its equity interest in BAIC BluePark as part of its ongoing expansion in the new energy business. By accelerating implementation of a number of new energy platform projects, the Group consolidated its development foundation and facilitated the energy transformation. The Beijing Benz EQ series, Beijing Hyundai’s 2025 New Plan and Fujian Benz’s Future Star Products were implemented in parallel to accelerate the introduction of the world’s best-selling new energy models and to complement the product matrix. At the same time, the development of range-extending off-road models represented by the BJ60 and the new BJ40 expedited the research of the core hybrid models. The new EQE all-electric SUV was launched on schedule, defining the “New Luxury” outstanding vehicle through the electric transformation of star products.

During the reporting period, the Group achieved sales of 102,000 new energy vehicles, a year-on-year increase of 46.6%.

¹ means Knocked-down

² Sales volume of Beijing Brand off-road vehicles are included in the sales volume for 2022 for comparison.

2. Further expansion of overseas markets

In 2023, with focus on dual strategic markets in China and beyond, the Group prioritised the improvement of the channel management capabilities of international business to enhance basic management capabilities and industry chain synergies. We continued to deepen the terminal marketing control in the base market, focused our resources on promoting the economies of scale in special markets, actively developed new markets such as Europe, Central Asia and Southeast Asia, and expanded new businesses such as electric vehicles and used cars, so as to achieve high growth in system capacity, market scale and profitability. During the reporting period, the Company achieved 59,000 vehicle exports, representing a year-on-year growth of over 200%, a growth rate that significantly exceeds the industry standard level and has become a stable growth point.

In addition, in 2023, the construction of the South African plant was completed and the South African plant commenced the production while the marketing system was initially established. With a foothold in South Africa, we radiated our influence to Africa, the European Union and other regions, realizing the continuous expansion of overseas markets. The Magic Cube model won the Car of the Year (COTY) for “Best Family SUV” in South Africa and Top Gear’s “2023 Readers’ Choice Model” award.

3. Brand-new upgrade of product offerings

By adhering to the product-centered and demand-oriented approach, the Group continued to improve product refinement and system upgrade, strengthen its market positioning, and promote the popularization and innovation of its design language. During the reporting period, the brands of the Group released more than 10 new models, including the new X7, the new Magic Cube, the all-new EU5 PLUS, the new-generation GLC, the all-new EQE all-electric SUV, the new MUFASA, the Elantra CN7 facelift version and the N-line, which continued to promote the sales conversion and solidify the foundation for the Company’s development.

At the same time, the Company broadened its product lineups and entered the crossover off-road vehicle market, successfully incorporating the entire value chain of off-road vehicles and bringing a more unique definition to the “off-road” era. The Excellent Off-road Performance series, represented by the BJ60, focuses on crossover off-road and cozy outdoor adventures, integrating wisdom, comfort and safety into all aspects of vehicle life scenarios and creating a new concept of comfortable off-road experience, which has become a driving force for sales growth.

4. Significant development of Beijing Brand

In 2023, Beijing Brand underwent a comprehensive transformation, encompassing its brand, technology, and ecological approach. It adhered to the brand values of harmony, coziness, and joyfulness, leveraging the four platforms of Jimu 2.0 Vehicle Technology, Borderless Off-road Technology, Pioneer Intelligence Technology, and Magic Core Power Technology. The Company embraced the eco-branding concept of development, sharing, co-creation, and shared success, leading to the construction of a diverse mainstream product matrix across various classes and dynamics. During the reporting period, Beijing Brand extensively explored the seven business lines of brand, product, channel, marketing, finance, service and user operation. Simultaneously, it focused on enhancing commodity definition, product development and marketing. The Magic Cube, X7 and BJ60, serving as its main models, continued to evolve, while the flagship model of the all-new BJ40 excelled in niche markets, and the sales volume of Beijing Brand exceeded 160 thousand vehicles and achieved competitive growth throughout the year.

5. Technology-driven and innovation-led growth

As the Group believes that research and development capability is crucial to its future development, it continued to reinforce its research and development system and capability construction, with research and development expenditure for 2023 increasing by over 30% year-on-year.

In terms of energy and power, targeting the 800V high-voltage platform, Beijing Brand promoted the independent research and development of supercharging battery cells, improved the energy density of batteries, and increased the power density and operating efficiency of electric drives. Simultaneously, Beijing Brand advanced the development of high thermal efficiency engines and range-extending systems. In 2021, the self-developed “Magic Core” 1.5T engine was honored with the “Heart of China” Top Ten Engine of the Year award. In 2023, two hybrid engines had entered mass production. The Magic Core became one of the first products in China to receive the “Star of Silence for Engines” certification, and self-designed hybrid engines have steadily improved their NVH performance, moving towards a leading position in China. Beijing Benz has established the largest-scale research and development center among joint ventures under the Mercedes-Benz Group, along with the only fully functional prototype plant located overseas. This facility allows the Company to conduct high-quality localized prototype trials, resulting in a substantial reduction in the validation cycle for new product introductions and an increased level of product maturity. Meanwhile, Beijing Benz has a high-level research and development team, with a leading level of technology in China in localization of components, product introduction and problem analysis, digital verification of research and development, problem analysis of new energy electric drive/battery systems, implementation and verification of localized technology solutions, and engineering change control. Beijing Hyundai continued its efforts to enhance the localization of the 8AT transmission and expedited product replacements and upgrades. Through research on XEV, EV, and other new energy power technologies, the Company is actively advancing the pace of electrification.

In terms of intelligence, Beijing Brand promoted the independent innovation and strategic cooperation in parallel, making breakthroughs in core technologies and core capabilities. It has built a unified hardware platform and software ecosystem for future products, to create an AI-enabled “intelligent system” for vehicles. Simultaneously, Beijing Brand expanded the application of internationally sourced main chips, developed two main business lines for both domestic and imported chips. Furthermore, it constructed a versatile and adaptable “third space” built upon the cockpit domain control platform. With a continuous understanding of market dynamics in China, Beijing Hyundai introduced the MUFASA models, a new category of “intelligent two-room, one-compartment” SUVs. These models boast class-leading intelligence, spaciousness, safety performance, and cost-efficiency, catering to the requirements of young families in China. In addition, Beijing Hyundai has cooperated with top ICT enterprises in China to promote the integration of localized ecology in China, constructed high-level development blueprints, established an OTA management mechanism, and strengthened the capabilities of digital product development and software-defined automobiles.

In terms of off-road vehicle technology, Beijing Brand created off-road ATS technology and adopted unique body structures such as cage body and all-metal anti-roll bar, which comprehensively improved the safety performance in off-road. It launched the first off-road SUV with unladen body + four-wheel independent suspension, ensuring off-road performance and comfort at the same time.

6. Green development with responsibility

The Group adhered to the development philosophy of “Innovation, Coordination, Green, Openness, and Sharing”, proactively responding to the national “Dual Carbon” guideline. It carried out various energy-saving and emission reduction initiatives, reducing the carbon footprint of its products. The Group continued to increase the proportion of green power usage, promoted technical upgrades in its painting workshops, and focused on establishing a green factory. Meanwhile, the Group has persisted in exploring the path of high-quality and sustainable development. It was recognized as the “Wind ESG 2022 Best Practice Listed Company”, with its practices also featured in the “Blue Book of Environmental, Social, and Governance (ESG) for Beijing’s State-Owned Listed Companies”.

Production Facilities

We have specialized production facilities to manufacture and assemble products. All of our production facilities are equipped with flexible production lines. This not only enables us to flexibly change production plans and respond quickly to changes in market demand, but also reduces our capital expenditures and operating costs.

The Zhuzhou and Guangzhou plants of Beijing Brand have implemented an advanced digital and intelligent production quality management system, which focuses on enhancing the design and manufacturing processes of vehicle products, continuously improving the accuracy of implementing digital standards and enhancing product quality.

Guided by the principle of “digitalization, flexibility, effectiveness and sustainability”, Beijing Benz continuously builds Mercedes-Benz’s most comprehensive production base in the world to continuously promote its own high-quality development. Beijing Benz has established a quality centre based on Mercedes-Benz Group’s global standards to ensure that every unit of Mercedes-Benz vehicles is up to its globally unified standards and quality management system.

Upholding the production philosophy of “greenness, quality, intelligentization and high efficiency”, Beijing Hyundai relies on intelligent production equipment, international management systems and more than 90% automation rate to fully ensure accuracy and manufacture high-quality products. In the meantime, it reasonably uses flexible production plans and mixed model production to effectively reduce manufacturing costs.

SALES NETWORK

The Group always attaches great importance to the rights and interests of customers and strives to optimize its product-service system, aiming to enable product distributors and customers to receive timely, efficient, accurate and high-quality services. There are independent marketing channels for all brands.

Beijing Brand embarked on a new journey, leveraging innovative marketing and the operation of a new media matrix to support online sales at the end terminals, and continued to optimize channel layout. The service end closely focused on customer pain points and drove service ecosystem construction, while the customer end concentrated on clubs, APPs, and word-of-mouth communication, deepening systematized operations.

Beijing Benz continued to promote the network upgrade program, and constantly improved the image upgrade, function optimization, process design and service team of offline outlets, which helped improve the customer experience and the operational efficiency of dealers to a new level. At the same time, it focused on digital marketing based on data and new media, and strengthened dealer training and talent development to digitally empower retail and support business development. Beijing Benz kept a close eye on the profitability of dealers and pushed forward their efforts to improve quality and increase efficiency by focusing on key cost items.

Beijing Hyundai has actively promoted the optimization of its network layout and continued to enhance the healthy development of its channels. Through innovative marketing strategies focusing on trending

topics and increased technical brand identity publicity, it boosted the popularity of its brand and models. Beijing Hyundai continued to promote fan marketing to achieve accurate marketing/service/lead management, facilitating the conversion of customer value.

INDUSTRY CHAIN EXTENSION AND COOPERATION

In 2023, the Group continuously promoted the integration of industry and finance and industrial cooperation in various fields, further optimized the industry chain covering research, production, supply and marketing, focused on principal businesses and enhanced its competitiveness.

On July 15, 2022, the Company and BAIC BluePark, an A-share listed subsidiary of BAIC Group, entered into a share subscription agreement, pursuant to which BAIC BluePark conditionally agrees to issue to the Company, and the Company conditionally agrees to subscribe for, not less than 35.99% of the total number of new A shares actually issued under the A share issuance of BAIC BluePark. The subscription price per new A share shall be determined in accordance with the pricing principle in respect of the A share issuance and the total subscription amount payable by the Company shall not exceed RMB2.879 billion. The subscription was approved at the general meeting of the Company on August 26, 2022 and the registration of the subscribed new A shares was completed on May 25, 2023 at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. Upon the completion of the subscription, the Company and BAIC Guangzhou Automotive Co., Ltd. hold approximately 10.99% and 4.81% of the total issued A shares of BAIC BluePark, respectively.

Please refer to the relevant announcement of the Company for details of the above collaboration. In the future, the Group will focus on its overall business strategy, optimize effective cooperative relationships and support the Group's various business reform efforts to further enhance its competitive strength.

PERFORMANCE ANALYSIS AND DISCUSSION

REVENUE AND NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The Group is principally engaged in the research and development, manufacturing, sales and after-sales services of passenger vehicles. The above businesses have brought sustained and stable revenue to the Group. The revenue of the Group increased from RMB190,462.6 million in 2022 to RMB197,949.2 million in 2023, representing a year-on-year increase of 3.9%, mainly attributable to the increase in revenue from the sales of new energy vehicles.

Revenue relating to internal combustion engine vehicles increased from RMB182,499.4 million in 2022 to RMB182,697.2 million in 2023, representing a year-on-year increase of 0.1%, mainly attributable to (i) the year-on-year increase in sales volume; and (ii) the increase in the proportion of the sales volume of models with relatively lower selling prices partially offsetting the rise in sales volume.

Revenue relating to new energy vehicles increased from RMB7,963.2 million in 2022 to RMB15,252.0 million in 2023, representing a year-on-year increase of 91.5%, mainly attributable to (i) the increase in sales volume; and (ii) the increase in the proportion of the sales volume of models with relatively higher selling prices, leading to the increase in the revenue exceeding the increase in sales volume.

The Group's net profit attributable to equity holders of the Company decreased from RMB4,196.6 million in 2022 to RMB3,030.3 million in 2023, representing a year-on-year decrease of 27.8%. The basic earnings per share decreased from RMB0.52 in 2022 to RMB0.38 in 2023.

GROSS PROFIT

The Group's gross profit decreased from RMB42,334.2 million in 2022 to RMB40,070.5 million in 2023, representing a year-on-year decrease of 5.3%, mainly due to the decrease in gross profit from internal combustion engine vehicles and new energy vehicles.

Gross profit from internal combustion engine vehicles decreased from RMB44,549.9 million in 2022 to RMB43,369.8 million in 2023, representing a year-on-year decrease of 2.6%, mainly resulting from the change of the vehicle model structure.

Gross profit from new energy vehicles decreased from RMB-2,215.7 million in 2022 to RMB-3,299.4 million in 2023. Although the average gross profit margin of new energy vehicles was still negative, the profitability per vehicle has improved due to the increased sales volume.

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 increased from RMB18,654.1 million in 2022 to RMB24,248.9 million in 2023, representing a year-on-year increase of 30.0%, mainly due to the increase in net cash inflow from operating activities.

As at the end of 2023, the Group had cash and cash equivalents of RMB31,124.2 million, notes receivable of RMB5,590.7 million, notes payable of RMB6,195.5 million, outstanding borrowings of RMB13,274.9 million, unused bank credit lines of RMB32,379.7 million, and commitments for capital expenditure of RMB28,657.8 million. Included in the aforesaid outstanding borrowings were US dollar borrowings amounting to RMB2,492.5 million and Rand borrowings amounting to 7.3 million rands as at the end of 2023.

CAPITAL STRUCTURE

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

The Group's asset-liability ratio (total liabilities/total assets) decreased from 54.5% as at the end of 2022 to 53.0% as at the end of 2023, representing a year-on-year decrease of 1.5 percentage points, mainly attributable to the decline in the interest-bearing liabilities.

The Group's net gearing ratio ((total borrowings less cash and cash equivalents)/(total equity plus total borrowings less cash and cash equivalents)) changed from -27.3% as at the end of 2022 to -29.0% as at the end of 2023, mainly attributable to (i) a decrease in total borrowings and cash and cash equivalents; and (ii) an increase in total equity.

As at the end of 2023, the total outstanding borrowings was RMB13,274.9 million, including short-term borrowings of RMB6,735.7 million in aggregate and long-term borrowings of RMB6,539.2 million in aggregate. The Group will repay the aforesaid borrowings in a timely manner at maturity.

As of the end of 2023, 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 also strictly followed all the terms and conditions in its debt covenants, and no default took place.

SIGNIFICANT INVESTMENTS

Total capital expenditures of the Group decreased from RMB5,520.1 million in 2022 to RMB4,899.1 million in 2023, representing a year-on-year decrease of 11.2%.

Total research and development expenses of the Group increased from RMB2,712.5 million in 2022 to RMB3,571.2 million in 2023, representing a year-on-year increase of 31.7%, mainly due to higher investment in the relevant research and development of new energy vehicles, including off-road vehicle models. Research and development expenditures were mainly 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

The Group did not carry out material acquisitions or disposals of subsidiaries, associates or joint ventures during 2023.

FOREIGN EXCHANGE GAINS³

The Group's foreign exchange gains changed from RMB404.4 million in 2022 to foreign exchange losses of RMB278.3 million in 2023, mainly due to (i) the effective control on the foreign exchange rate risks due to the judgment in foreign exchange forward contracts; and (ii) the increase in exchange losses from Euro-denominated payments as a result of the decline in the exchange rate of RMB against Euro.

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

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

REMUNERATION POLICIES

Staff costs mainly consists of wages and bonuses (before tax), the insurances and housing fund, and supplementary pensions borne by the enterprise. Staff costs incurred by the Group increased from RMB5,809.1 million in 2022 to RMB5,968.8 million in 2023, representing a year-on-year increase of 2.7%, which was mainly attributable to the increase in cost caused by the increasing production and sales volume, increasing working hours and the rising annual average social wage.

Through the implementation of its human resources strategy, the Group has established a performance- and competence-oriented remuneration system on the basis of job classification. The annual business objectives are linked to the performance appraisal of employees via a performance appraisal system, providing an effective guarantee for the Group to recruit, retain and motivate talents, and carry out its human resources strategy.

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

PLEDGE OF ASSETS

As at the end of 2023, the Group had pledged bills receivable amounting to RMB3,701.6 million.

³ Foreign exchange gains include foreign exchange forward contracts at fair value through profit or loss.

CONTINGENT LIABILITIES

As at the end of 2023, the Group had no material contingent liabilities.

PRINCIPAL RISKS AND UNCERTAINTIES

1. 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. If China's economic growth slows 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.

2. Risk of increased market competition

The Group operates in a highly competitive industry with fierce market competition. According to the statistics of CAAM, in 2023, the sales volume of passenger vehicles in China was 26.063 million units, representing a year-on-year increase of 10.6%, demonstrating a steady development trend. The automobile industry, as one of the new driving forces to promote the quality of the economy, is expected to further restructure and upgrade under greater pressure. In addition, the industry will experience continuous technological reforms in the development of electrification, networking and intelligence. It is expected that the market size of new energy vehicles will further expand, bringing intensified market competition. 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.

3. 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, power batteries, aluminum, rubber, plastics and paint, etc. With the increase in production and sales, the volume of production factors procured by the Group from suppliers has also increased year-on-year. Chip shortage and increased prices of bulk raw materials will adversely affect the Group's results of operations.

OUTLOOK OF 2024

Prospect for the Development of Passenger Vehicle Industry in 2024

In 2024, China's macro-economy will remain at the stage of seeking progress amidst stability with an overall stable economy. With relevant support from policies and the joint efforts of enterprises, the market and consumer dynamics will be further stimulated. China's passenger vehicle market will sustain a stable and positive development trend in the future. According to the CAAM's prediction, China's vehicles sales in 2024 will grow by more than 3%.

CAAM and relevant authorities believe that the main trend of the macroeconomy and the development of the automobile industry in 2024 will be as follows:

1. Macroeconomic growth is about to gradually get back to normal and favourable policies will be introduced

In 2024, China will prioritize economic construction and high-quality development, intensifying macro-control efforts. The country will continue to effectively enhance economic structure and efficiency while ensuring appropriate growth in the scale of economic development. Macro policies support the research and development as well as the application of cutting-edge technologies such as new energy and artificial intelligence, synchronize residents' income growth with economic development and cultivate new hotspots for emerging consumer industries. Policies aimed at stabilizing growth and expanding domestic demand are expected to revive grassroots consumption, which is expected to lead a steady growth in GDP.

2. China's automotive market will show a stable, positive development trend

In 2024, the mild macro-economic recovery will gradually impact the automobile market. With the ongoing promotion of national policies aimed at optimizing the structure of the automobile industry and guiding industry layout rationally, along with the implementation of various initiatives such as robustly promoting new energy vehicles, advancing the application of intelligent Internet technologies, and fostering the high-quality development of the automobile industry, the automotive market in the PRC is expected to demonstrate a stable and improving development trend.

3. Favourable policies will boost the new energy market demand

In 2024, the ongoing promotion of national policies to boost consumption and stabilize growth, along with the implementation of a series of initiatives aimed at promoting the high-quality development of the new energy automobile industry – such as the continuation of the vehicle purchase tax exemption policy and the extensive promotion of new energy vehicles and infrastructure construction in rural areas – will further stimulate market vitality and consumption potential. This, in turn, will lead to further release of demand in the new energy market.

OPERATIONAL STRATEGY OF THE GROUP FOR 2024

In 2024, the Group will continue to implement the business policy of Survival, Reform, and Development. It will seize new opportunities in the international market, incorporate concepts of high-quality and sustainable development into its operations, and expedite the transformation into a new energy-based business. Beijing Brand will focus on the dual strategy markets “domestic and international” development while continuing to promote its three products series. Beijing Benz will make consistent efforts to promote the Three Transformations development strategy and accelerate the launch of the new all-electric platform. Adhering to the philosophy of experience accumulation, transformation and reform, Beijing Hyundai will uphold its core mission of promoting sales of internal combustion engine vehicles, facilitating electric vehicle transformation, expanding exports and strengthening the system. Fujian Benz will continue to prioritize economic efficiency, enhance product presence, and steadily advance the transformation towards electrification.

PROFIT DISTRIBUTION

In accordance with the provisions of Article 198 of the Articles of Association of BAIC Motor Corporation Limited (the “**Articles of Association**”), distributable profits will be determined based on either the Chinese Accounting Standards for Business Enterprises released by the Ministry of Finance or the IFRSs, whichever is lower.

The Board recommends the Company to distribute a final dividend for 2023 of RMB0.13 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 (the “**Listing Rules**”). Based on the total ordinary share capital of 8,015,338,182 shares as at the end of 2023, the aggregate cash dividend to be paid out will amount to RMB1,041,993,963.66. This proposal will be submitted to the 2023 Annual General Meeting for consideration and approval. The expected date of distribution will be no later than September 5, 2024.

For the details of the distribution of final dividend by the Company, please refer to the circular for the 2023 Annual General Meeting to be sent by the Company in due course.

MATERIAL LITIGATION

As of the end of 2023, the Company was not involved in any material litigation or arbitration. To the best knowledge of the Directors, there is also no pending material litigation or claim against the Company or material litigation or claim against the Company which may have material adverse effect to the Company.

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 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to building and maintaining a high level of corporate governance so as to protect the rights and interests of shareholders and enhance its sense of wealth and sense of responsibility. The Company has put together a sound and market-oriented corporate governance structure and established the general meeting, the Board, the strategy and sustainability committee, the audit committee, the remuneration committee and the nomination committee of the Board (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 C1 to the Listing Rules (the “**Corporate Governance Code**”). The Company has complied with all applicable code provisions under the Corporate Governance Code throughout 2023 and the Group has complied with all applicable code provisions under the Corporate Governance Code in all material respects. In addition, the re-election of the Board and the board of supervisors of the Company have been completed on March 22, 2024.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of conduct for dealing in securities of the Company by all Directors, supervisors and senior management of the Company. In response to the Company's enquiries, all Directors, supervisors and senior management have confirmed that they strictly complied with the Model Code during the reporting period.

AUDIT COMMITTEE

The Audit Committee has reviewed the Company's and the Group's 2023 annual results, and the audited consolidated financial statements for 2023 prepared in accordance with the IFRSs.

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

For details of the resolutions to be considered and approved at the 2023 Annual General Meeting, the book closure date of H shares, the record date for payment of dividends, and the date of the 2023 Annual General Meeting, please refer to the circular for the 2023 Annual General Meeting to be sent by the Company in due course.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.baicmotor.com) respectively. The Company will publish the 2023 annual report of the Company containing all the information required by the Listing Rules on the websites of the Company and the Stock Exchange in due course.

By Order of the Board
BAIC Motor Corporation Limited
Chen Wei
Chairman

Beijing, the PRC, March 22, 2024

As at the date of this announcement, the Board comprises Mr. Chen Wei, as Chairman of the Board and non-executive Director; Mr. Hu Hanjun and Mr. Chen Hongliang, as non-executive Directors; Mr. Song Wei, as executive Director; Mr. Liu Guanqiao, Mr. Ye Qian, Mr. Paul Gao, Mr. Kevin Walter Binder, Mr. Gu Tiemin and Mr. Sun Li, as non-executive Directors; and Ms. Yin Yuanping, Mr. Xu Xiangyang, Mr. Tang Jun, Mr. Edmund Sit and Mr. Ji Xuehong, as independent non-executive Directors.

* *For identification purpose only*