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

2023 ANNUAL REPORT

Contents

Official website

WeChat official account

- **LEGAL NAME OF THE COMPANY**
  BAIC Motor Corporation Limited

- **ENGLISH NAME OF THE COMPANY**
  BAIC Motor Corporation Limited[1]

- **REGISTERED OFFICE**
  A5-061, Unit 101, 5/F, Building No. 1, Courtyard No. 99, Shuanghe Street, Shunyi District, Beijing 101300, China

- **HEADQUARTERS**
  No. 99 Shuanghe Street, Shunyi District, Beijing 101300, China

- **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**
  31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

- **AUTHORIZED REPRESENTATIVES**

  Mr. Song Wei
  5/F, No. 99 Shuanghe Street, Shunyi District, Beijing, China

  Mr. Wang Jianhui
  5/F, No. 99 Shuanghe Street, Shunyi District, Beijing, China

- **COMPANY SECRETARY**

  Mr. Wang Jianhui
  5/F, No. 99 Shuanghe Street, Shunyi District, Beijing, China

- **HONG KONG LEGAL ADVISOR**

  Linklaters
  11th Floor, Alexandra House, 18 Chater Road, Hong Kong

- **CHINA LEGAL ADVISOR**

  JunHe LLP
  20/F, China Resources Building, 8 Jianguomenbei Avenue, Dongcheng District, Beijing, China

- **AUDITORS (EXTERNAL AUDIT FIRM)**

  PricewaterhouseCoopers
  Certified Public Accountants and Registered PIE Auditor
  22/F, Prince's Building, Central, Hong Kong

  PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)
  11/F, PricewaterhouseCoopers Center, 202 Hubin Road, Shanghai, China

1 For identification purpose only

- ## PRINCIPAL BANKS

Bank of Beijing, Jinyun Branch
Block A, Jinyun Building, A43 Xizhimen North Street, Haidian District, Beijing, China

China CITIC Bank, Olympic Village Branch
1/F, Tower D, Tian Chuang Shi Yuan Building, No. 309 Huizhong Beili, Chaoyang District, Beijing, China

- ## H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

- ## H SHARE STOCK CODE

1958

- ## INVESTOR ENQUIRIES

Investor hotline: (86)10 5676 1958; (852)3188 8333
Website: www.baicmotor.com
E-mail: ir@baicmotor.com

RMB
197.95
Billion

In 2023, the Group recorded the consolidated revenue of RMB197.95 billion and the net profit of RMB13.63 billion for the year

1.042
Million Units

In 2023, Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz sold a total of 1.042 million units of vehicles

Chen Wei
Chairman

DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the "Board"), I am delighted to present the 2023 annual report of BAIC Motor Corporation Limited (the "Company", together with its subsidiaries, the "Group" or "we").

In 2023, China's overall economy rebounded and improved, with domestic high-quality development steadily progressing. The annual gross domestic product ("GDP") exceeded RMB126 trillion, marking a 5.2% increase[2]. This growth rate positioned China among the top-ranked economies in the world. The overall automobile market in China has been recovering with positive sign. In 2023, the market recorded an automobile production and sales volume of over 30 million units for the first time, maintaining its position as the world's largest market for 15 consecutive years. The new energy vehicle ("NEV") market continued to undergo rapid development driven by innovation. According to the data of China Association of Automobile Manufacturers ("CAAM"), in 2023, China's automobile sales amounted to 30.094 million units, representing a year-on-year increase of 12%, of which sales of passenger vehicles amounted to 26.063 million units, representing a year-on-year increase of 10.6%, sales of NEVs amounted to 9.495 million units, representing a year-on-year increase of 37.9%, and exports of passenger vehicles amounted to 4.140 million units, representing a year-on-year increase of 63.7%.

Embarking on the new year, we strive to make breakthroughs. In 2023, the Group continued to consolidate its development base by adhering to the operational philosophy of Survival, Reform, and Development. We optimized the product structure of each brand, promoted product renewal, and wholeheartedly embraced the core mission of Sales Increase. Additionally, we improved operational efficiency through lean operations in accordance with market conditions. The Group remained committed to promoting the synergistic development of the entire value chain and achieving core business objectives. During the Reporting Period, sales of vehicles amounted to 1.042 million units, a year-on-year increase of 7.3%. The Group recorded the consolidated revenue of RMB197.95 billion and the net profit of RMB13.63 billion for the year.

2 It is published by the National Bureau of Statistics

In 2023, the Group adhered to Comprehensive New Energy Transformation and significantly expanded its presence in the new energy sector. We accelerated the progress of platform projects and actively converted product dynamism, aiming to seize the market opportunities in the new energy market. The Group achieved sales of 102,000 NEVs for the year, a year-on-year increase of 46.6%, with a growth rate exceeding the industry average level. Furthermore, the Group increased its equity interest in BAIC BluePark New Energy Technology Co., Ltd. ("BAIC BluePark"), accelerating its strategic presence in the realm of new energy. With focus on domestic and international dual strategic markets, we vigorously expanded our business overseas, making a significant progress in the international market. The Group achieved 59,000 vehicle exports, representing a year-on-year growth of over 200%, a growth rate that significantly exceeds the industry standard and has become a stable growth point for the Group. We were dedicated to product refinement, system upgrades, and continuous promotion of product matrix innovation, resulting in the launch of more than 10 new models under the Group's brands. Furthermore, the Group strategically entered the crossover off-road market as a new business venture, allowing it to participate in the entire value chain of off-road vehicles. These initiatives have fostered a new synergistic development among various brands. With continuous support from the independent business, we optimized the product creation system, upgraded the marketing platform, and implemented other significant reforms. The perfect conclusion of the brand reshaping trilogy resulted in a new corporate image and structure, enabling us to challenge the market. This effort led to annual sales of over 160,000 units and positioned us for competitive growth. Adhering to the innovation-driven approach, we invested more in the research and development, to pursue the control of core technologies and lead the development of the Company. The Company has further conducted extensive strategic cooperations with Mercedes-Benz Group AG ("Mercedes-Benz Group") and Hyundai Motor Company ("Hyundai Motor") in the realm of electric vehicles for future development. In addition, we have always practiced green development and responded to the national "Dual-Carbon" guideline by building green factories, implementing energy saving and emission reduction, and continuing to explore the path of high-quality and sustainable development.

Based on 2023 results of operations, the Board of Directors recommended the payment of a final dividend of RMB0.13 per share (tax inclusive) to Shareholders, so as to practically provide a return to Shareholders.

2024 is a critical year for China to implement the 14th Five-Year Plan. Adhering to the general principle of pursuing economic progress while maintaining stability, China aims to achieve stability through progress and establish new practices by phasing out outdated ones. China will strengthen counter-cyclical and cross-cyclical adjustments of macroeconomic policies, so as to consolidate and enhance the uptrend of the economy. In 2024, with the implementation of macroeconomic controls and favorable policies, China's automotive market is expected to maintain a stable and improving trend. As intelligent and electric transformations progress, NEVs gain more market share and rapid growth in exports sustains, the automobile market could hopefully reach new highs.

A critical year comes with a crucial mission. In the upcoming year, the Group adheres to the philosophies of high-quality and sustainable development. We will focus on stabilizing our development foundation and adhering to the business objectives of Survival, Reform, and Development. Our primary focus will be on increasing sales volume and scale, promoting the renewal of flagship models and implementing a "fuel + electric" and hybrid product strategy. We aim to expand sales in both domestic and international markets based on stable production and enhanced profit. By accelerating breakthroughs in international markets and boosting research and development investments, we strive to strengthen and advance our Comprehensive New Energy Transformation product line and continuously enhance overall market competitiveness. These efforts are aimed at fully achieving our business objectives in 2024 and creating a new era of competitive growth.

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.

Chen Wei
Chairman
March 22, 2024

(Unit: RMB million)

Item	2023	2022	2021	2020	2019
	For the year ended December 31,				
Sales volume (units)	**1,042,005**	947,061	1,031,203	1,168,610	1,425,070
Revenue	**197,949**	190,463	175,916	176,973	175,410
Cost of sales	**157,879**	(148,128)	(138,273)	(134,833)	(137,776)
Gross profit	**40,070**	42,334	37,643	42,140	37,634
Selling and distribution expenses	**(11,840)**	(11,177)	(10,312)	(11,309)	(10,414)
General and administrative expenses	**(5,113)**	(5,338)	(5,799)	(7,984)	(7,195)
Net impairment losses on financial assets	**(565)**	(475)	(87)	(401)	(256)
Other gains/(losses), net	**17**	664	2,515	(101)	2,862
Finance gains/(costs), net	**31**	1	61	100	(162)
Share of loss of investments accounted for using equity method	**(1,600)**	(1,281)	(1,101)	(2,015)	(314)
Profit before income tax	**21,000**	24,729	22,920	20,430	22,155
Income tax expense	**(7,374)**	(8,394)	(7,769)	(7,475)	(6,998)
Profit for the year	**13,626**	16,335	15,151	12,955	15,157
Attributable to					
Equity holders of the Company	**3,030**	4,197	3,858	2,029	4,996
Non-controlling interests	**10,596**	12,138	11,293	10,926	10,161

Total assets, total liabilities and interests attributable to equity holders of the Company	2023	2022	2021	2020	2019
	As at December 31,				
Total assets	**168,723**	173,375	180,844	193,703	196,393
Total liabilities	**89,340**	94,438	105,957	120,109	124,018
Interests attributable to equity holders of the Company	**57,009**	54,497	52,583	51,088	50,007

Note: Information on sales volume includes total wholesale sales of Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz. Information for 2019 to 2022 is extracted from the Company's 2022 annual report.

I. OVERVIEW

We are a leading passenger vehicle enterprise in China, and are one of the passenger vehicle manufacturers with the 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).

II. 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 an 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 and its wholly-owned subsidiary, Mercedes-Benz Group China 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 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 GammaII. 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, to promote the rapid development of international business through overseas sales companies, KD technology[3] 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 African Development Community (SADC) markets.

III. CORE COMPETITIVENESS

The Group adheres to sales as the key driver of reform, products as the cornerstone of development, and quality as the core value. It steadily promotes high-quality development despite fierce market competition and continuously enhances its core competitiveness.

1. Enhancing innovative product forms to meet increasingly diverse needs

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 by leveraging our comprehensive product-defined development strategy.

In terms of brand portfolio, Beijing Brand adheres to transition to new energy and intelligence. By identifying market opportunities and integrating the entire value chain of research, production, supply, and sales, it has developed key local advantages and effectively enhanced product competitiveness. Beijing Benz has established a comprehensive intelligent factory characterized by digitalization, flexibility, efficiency, and sustainable production. With the steady progress of new product introductions, it aims to further solidify its leading position in the high-end premium vehicle market. With a focus on research and development as well as innovation, Beijing Hyundai adheres to comprehensively upgrading its product lines, by accelerating the introduction and application of new technologies including the transition to new energy vehicles, intelligence and networking.

3 means Knocked-down

In terms of product definition, the Company continuously updates and improves product theory and user insight system. It focuses on multi-level market trend prediction and multi-dimensional insight into core user demands, aiming to optimize highly sensory functional experience. A dual evaluation mechanism involving experts and users is adopted to evaluate the implementation of product strategy in a comprehensive manner, with a goal of continuously providing excellent products for the market and users.

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, Mercedes-Benz Group, key state-owned enterprises, 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 deep exploitation of the development potential of the Company.

The Company has established close joint venture and cooperation relationships with Mercedes-Benz Group, 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 Mercedes-Benz Group, 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. 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 intelligent networking, technologies of battery, motor and control, vehicle integration, NVH, powertrain, chassis framework etc., with strong strength and rich experience in research and development. The team fully promotes independent innovation, creates core technologies in depth, and continuously develops its own core strength. 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.

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 satisfy the demands of the Company for support necessary for production and operation.

5. Advanced manufacturing, techniques, quality and process management

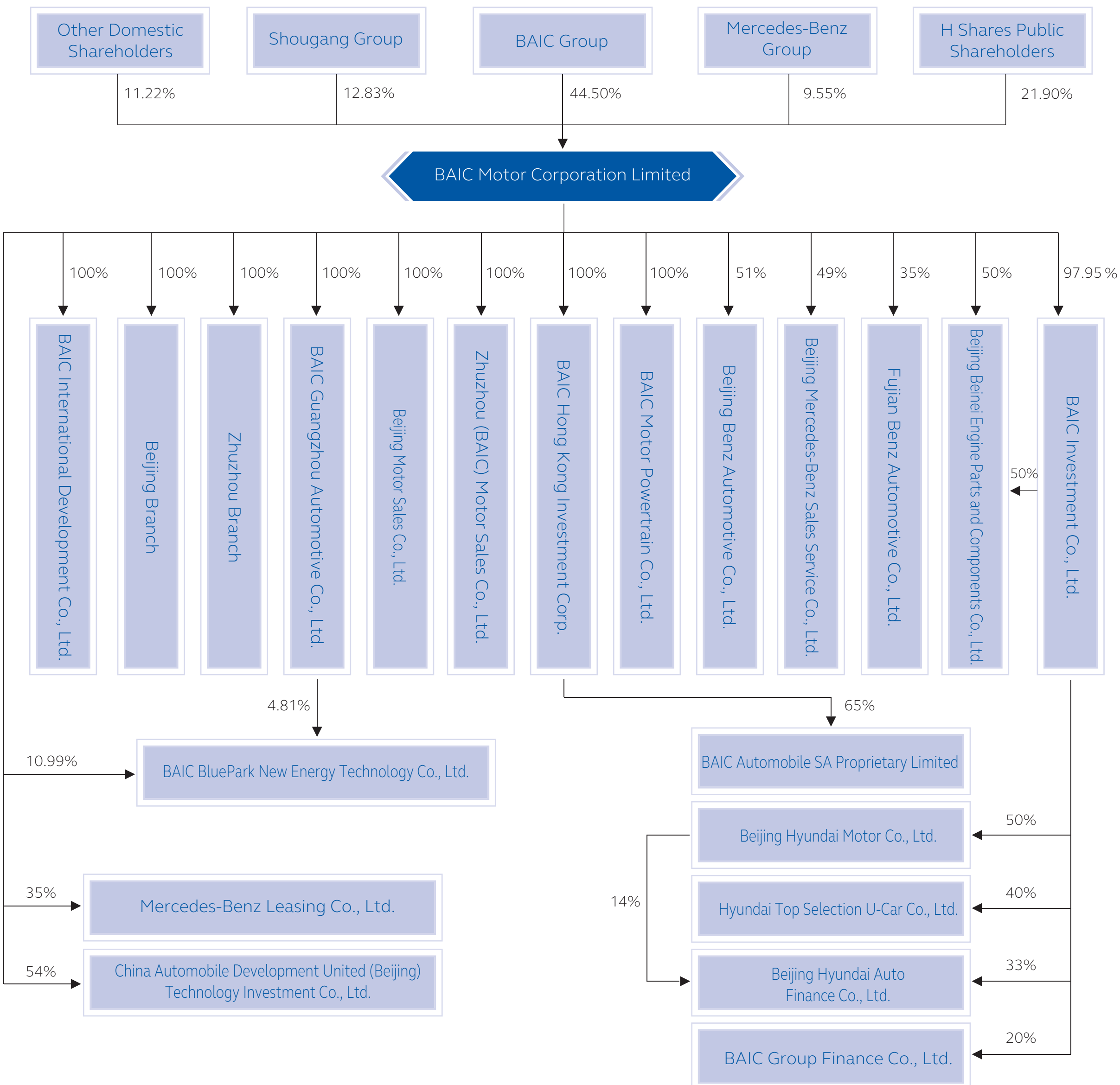
We have specialized production facilities to manufacture and assemble passenger vehicles to improve efficiency and maintain product quality standards. All of our production facilities are equipped with flexible production lines, as such we can apply differentiated production processes for different types 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.

IV. CONTROLLING SHAREHOLDER

BAIC Group is the sole Controlling Shareholder of the Company and held 46.37% equity interest in the Company as of the Date of Issue of the Report. BAIC Group is one of the major automobile manufacturing groups in China and has been ranked among the world's top 500 companies for 11 consecutive years. 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 established by BAIC Group for passenger vehicle resource integration and business development.

V. BRIEF OF EQUITY STRUCTURE

The following chart sets out the major shareholding and investment structure of the Company as at December 31, 2023 (the "end of 2023"):



As of the Date of Issue of the Report, BAIC Group has been transferred 150 million domestic shares of the Company held by Shenzhen Benyuan Jinghong Equity Investment Fund Enterprise (Limited Partnership), which in aggregate held 46.37% equity interest in the Company.

BJ30

NEW BJ40

BJ60

NEW
MAGIC CUBE

NEW
X7

NEW
EU5 Plus

GLC L SUV

EQE SUV

E-Class L

TUCSON L

SONATA

MUFASA

VI. THE INDUSTRY DEVELOPMENT OF PASSENGER VEHICLES DURING 2023

In 2023, the passenger vehicle market saw a gradual improvement in sales volume, despite a slow start. Several indicators reached record highs, reflecting effective enhancements in quality and reasonable growth in volume. This development became a significant driving force for industrial economic growth. According to the data of 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 the first half of the 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.

VII. BUSINESS OPERATIONS OF THE GROUP 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%[4], achieving a synergistic development of the entire value chain and a breakthrough in the core business.

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 new

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

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%.

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.

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 all-new E-Class long-wheelbase model, 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 in 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.

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.

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, 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 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, the Beijing Brand expanded the application of internationally sourced main chips, and 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 improves 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.

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 "digitization, 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 drive up 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.

VIII. 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.

IX. 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, to enhance its brand structure upgrade. 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.

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 year-on-year 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 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 GAINS[5]

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.

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

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.

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.

The Board of Directors hereby presents the report of the Board of Directors to the shareholders of the Company (the "Shareholder(s)") and 2023 audited consolidated financial statements of the Group as prepared in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board.

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") of the PRC.

BUSINESS REVIEW

Please refer to the chapters headed "Company Profile and Business Overview" on pages 7 to 23 and "Management Discussion and Analysis" on pages 24 to 26 in this report for details regarding the business conditions and principal risks and uncertainties of the Group in 2023, and the prospect of 2024. In addition, please refer to relevant information on pages 27 to 30 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 2023.

PRINCIPAL BUSINESS

Please refer to the section headed "MAJOR BUSINESS OPERATIONS" on pages 7 to 10 of "Company Profile and Business Overview" in this report for details.

OUTLOOK

Please refer to the chapter headed "OPERATIONAL STRATEGY OF THE GROUP FOR 2024" on page 23 of "Company Profile and Business Overview" in this report for details.

PERFORMANCE

The 2023 annual results and the financial position as at the end of 2023 of the Company and the Group are set out on pages 138 to 220 of the audited consolidated financial statements in this report.

PROPERTY

Changes of property, plant and equipment of the Group in 2023 are set out in Note 6 to the 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 2023 is set out in Note 32 to the consolidated financial statements.

EVENT AFTER BALANCE SHEET DATE

The details for event after balance sheet date of the Group are set forth in Note 42 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The details of the change in the reserves of the Company and the Group for 2023 are set forth in Note 39 to the audited consolidated financial statements, and in the consolidated statement of changes in equity on pages 142 to 143, respectively, among which the information of the reserve distributable to Shareholders is set forth in Note 39 to the consolidated financial statements.

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 China Accounting Standards released by the Ministry of Finance of the PRC or the IFRS Accounting Standards, 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 Company's 2023 annual general meeting (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 and relevant tax arrangement, please refer to the circular for the 2023 Annual General Meeting to be sent 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 2023.

MAJOR CLIENTS AND SUPPLIERS

Major clients

The transaction amount of the top five clients of the Group in 2023 accounted for 6.2% of the Group's total revenue in 2023. The transaction amount of the single largest client of the Group accounted for 3.8% of the Group's total revenue in 2023.

Major suppliers

The transaction amount of the top five suppliers of the Group in 2023 accounted for approximately 54.5% 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 36.8% of the Group's cost of raw materials used in the cost of sales in the year.

In 2023, Mercedes-Benz Group (the largest supplier of the Group), Beijing BAIC Yanfeng Automotive Parts Co., Ltd. (the second largest supplier of the Group), and Beijing Hainachuan Automotive Parts Co., Ltd.(北京海納川汽車部件股份有限公司) (the third largest supplier of the Group) and BAIC Group Off-road Vehicle Co., Ltd. ("BAIC Off-road Vehicle") (the fourth largest supplier of the Group) are the Related Parties 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 during anytime in 2023.

RELATIONS WITH EMPLOYEES, SUPPLIERS AND CLIENTS

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 clients for the realization of the short-term and long-term goals. For the purpose of maintaining its brand competitiveness and dominance, the Group is committed to providing consistently premium products and services to clients. In 2023, the Group had no material and significant dispute with suppliers and clients.

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", it promoted cleaner production, developed green products through eco-design, and reduced the impact on the environment throughout the product life cycle. The Group strengthened the management and control over pollutants to reduce the impact of the production process on the environment by enhancing production efficiency, improving technologies and processes, optimizing emission management and treatment systems as well as environmental monitoring.

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 utilization efficiency and reduced energy consumption, achieving continuous improvement in energy performance and transforming into a "carbon neutral" enterprise. It has established its operating policy of planning energy consumption, promoting energy conservation and increasing productivity and effectiveness through energy conservation. The Group saved energy through technologies and management methods, and continuously reduced its own energy consumption and carbon dioxide emissions, thus achieving the coordinated development of economic development and resource conservation.

In 2023, 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, please refer to the chapter headed "Environmental, Social and Governance Report" on pages 78 to 131 of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company is an exempted company incorporated in China with limited liability, and is 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 Civil Code 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 2023, 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 improvement. In 2023, the Group further deepened and perfected the management system matching with the governance requirements of listed companies, and further optimized the system which is easy to comply with, operate and implement. Meanwhile, the Group continuously enforced 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 endeavors 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 2023.

DONATIONS

In 2023, the Group did not make any donations.

BANK LOANS AND OTHER BORROWINGS

The details for bank loans and other borrowings of the Group at the end of 2023 are set forth in Note 22 to the consolidated financial statements.

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 67 to 77 of this report.

All Directors have obtained legal advice from law firms qualified to advise on Hong Kong law on March 21, 2024 and have confirmed that they understood all the requirements of the Listing Rules applicable to them as directors of a listed issuer and the possible consequences of making a false statement or providing false information to the Stock Exchange.

The Company considers all the independent non-executive Directors to be independent persons pursuant to Rule 3.13 of the Listing Rules.

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, 2023 to the Latest Practicable Date:

Directors and Supervisors

On June 26, 2023, the Company held its 2022 annual general meeting, at which Mr. Song Wei was appointed as a non-executive Director of the Company and a member of the strategy committee of the Board (the "Strategy Committee") for a term commencing from June 26, 2023 until the expiration of the term of the fourth session of the Board.

On June 28, 2023, Mr. Huang Wenbing ceased to be an executive Director, a member of each of the Strategy Committee, the remuneration committee of the Board (the "Remuneration Committee") and the nomination committee of the Board (the "Nomination Committee") due to work adjustment.

On June 30, 2023, in view of Mr. Song Wei's participation in daily operation and management of the Company due to job reassignment, he was re-designated from a non-executive Director to an executive Director with effect from June 30, 2023. On the same day, the Board resolved to appoint Mr. Song Wei as a member of each of the Remuneration Committee and the Nomination Committee for a term commencing from June 30, 2023 until the expiration of the term of the fourth session of the Board.

For details, please refer to the relevant announcements of the Company dated June 26, 2023 and June 30, 2023 and the relevant circular dated May 24, 2023.

On March 22, 2024, Mr. Chen Wei, Mr. Hu Hanjun and Mr. Chen Hongliang were appointed as non-executive Directors, Mr. Song Wei was appointed as an executive Director, Mr. Liu Guanqiao, Mr. Ye Qian, Mr. Paul Gao, Mr. Kevin Walter Binder, Mr. Gu Tiemin and Mr. Sun Li were appointed as non-executive Directors, and Ms. Yin Yuanping, Mr. Xu Xiangyang, Mr. Tang Jun, Mr. Edmund Sit and Mr. Ji Xuehong were appointed as independent non-executive Directors, for a term of office commencing on March 22, 2024 until the expiration of the term of the fifth session of the Board.

On the same day, Mr. Chenwei was elected as the Chairman of the Company by the fifth session of the Board of Directors, and the chairmen and members of the audit committee of the Board (the "Audit Committee"), the Remuneration Committee, the Nomination Committee and the Strategy Committee were elected. The term of office of the above personnel commenced on March 22, 2024 until the expiration of the term of the fifth session of the Board of Directors.

With the establishment of the fifth session of the Board of Directors, Mr. Hubertus Troska, Mr. Harald Emil Wilhelm and Mr. Ge Songlin, who were the Directors of the fourth session of the Board of Directors of the Company, ceased to be the Directors. For details, please refer to the relevant announcement of the Company dated March 22, 2024.

Save as disclosed above, there was no change in the composition of the Board from January 1, 2023 and up to the Latest Practicable Date.

On March 15, 2023, Mr. Sun Zhihua ceased to be a Supervisor due to work adjustment.

On June 26, 2023, the Company held the 2022 annual general meeting. Ms. Jiao Feng was appointed as a non-employee representative Supervisor of the Company for a term commencing from June 26, 2023 until the expiration of the term of the fourth session of the board of supervisors of the Company (the "Board of Supervisors").

For details, please refer to the relevant announcements of the Company dated March 17, 2023 and June 26, 2023 and the relevant circular dated May 24, 2023.

On March 19, 2024, Mr. Zhang Ran and Ms. Jiang Yumei were elected as employee representative Supervisors of the fifth session of the Board of Supervisors at the employee representatives' meeting of the Company. On March 22, 2024, Ms. Jiao Feng, Ms. Zhu Yan and Mr. Deng Yishuai were appointed as non-employee representative Supervisors of the fifth session of the Board of Supervisors at the first extraordinary general meeting of the Company in 2024. The above five Supervisors form the fifth session of the Board of Supervisors for a term of office commencing on his/her appointment date until the expiration of the term of the fifth session of the Board of Supervisors.

On March 22, 2024, Mr. Zhang Ran was elected as the chairman of the fifth session of the Board of Supervisors at the first meeting of the fifth session of the Board of Supervisors, with a term of office commencing from March 22, 2024 until the expiration of the term of the fifth session of the Board of Supervisors.

With the establishment of the fifth session of the Board of Supervisors, Mr. Zhang Yanjun, who is the Supervisor of the fourth session of the Board of Supervisors of the Company, ceased to be the employee representative Supervisor with effect from March 19, 2024; Mr. Zhou Xuehui and Ms. Qiao Yufei ceased to be the Supervisors with effect from March 22, 2024. For details, please refer to the relevant announcement of the Company dated March 22, 2024.

Save as disclosed above, there was no change in the composition of the Board of Supervisors from January 1, 2023 and up to the Latest Practicable Date.

Senior Management and Company Secretary

On June 28, 2023, Mr. Huang Wenbing ceased to be the president of the Company (the "President"), with effect from the date of the election of a new President by the Board of Directors. On June 30, 2023, the Board resolved to appoint Mr. Song Wei as the President for a term commencing from June 30, 2023 until the expiration of the term of the fourth session of the Board. For details, please refer to the relevant announcement of the Company dated June 30, 2023.

On March 22, 2024, Mr. Song Wei was elected as the President at the first meeting of the fifth session of the Board of Directors, with a term of office commencing from March 22, 2024 until the expiration of the term of the fifth session of the Board of Directors. For details, please refer to the relevant announcement of the Company dated March 22, 2024.

On the same day, a resolution to amend the Articles of Association was considered and approved at the 2024 first extraordinary general meeting, adding a provision stating that the general counsel shall be a member of the Company's senior management. Mr. Zhang Zuyuan was appointed as the general counsel of the Company at the first meeting of the fifth session of the Board, with a term of office commencing on March 22, 2024 until the expiration of the term of the fifth session of the Board of Directors.

Save as disclosed above, there was no change in senior management and company secretary of the Company from January 1, 2023 and up to the Latest Practicable Date.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each Director of the Board of Directors and each Supervisor of the Board of Supervisors has 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 contracts set 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 they can be terminated in accordance with the relevant terms in the service contracts.

In 2023, none of the Directors or the Supervisors 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 2023 are set out in Note 40 to the consolidated financial statements.

REMUNERATION FOR FIVE INDIVIDUALS WITH THE HIGHEST REMUNERATION

Details of remuneration for five individuals (excluding Directors and Supervisors) with the highest remuneration in the Company in 2023 are set forth in Note 30 to the consolidated financial statements.

MANAGEMENT CONTRACTS

In 2023, 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 37 to 47 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 contract 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 2023.

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

In 2023, 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.

INTERESTS OF DIRECTORS ON COMPETING BUSINESSES

In 2023, 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 SERVING IN COMPETING BUSINESSES

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

Name	Major positions in the Group	Main Positions in Beijing Automotive Group Co., Ltd. and Its Connected Companies
Mr. Chen Wei	• Chairman of the Board and non-executive Director of the Company	• Deputy general manager of Beijing Automotive Group Co., Ltd. • Executive director and general manager of BAIC Group Off-road Vehicle Co., Ltd.
Mr. Hu Hanjun	• Non-executive Director of the Company	• Deputy general manager and secretary to the board of directors of Beijing Automotive Group Co., Ltd.
Mr. Chen Hongliang	• Non-executive Director of the Company	• Assistant to general manager of Beijing Automotive Group Co., Ltd.

Save as disclosed above, as of the Date of Issue of the Report, none of the Directors or their associates had any interest 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 executives 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 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 of the Company as referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at the end of 2023, 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 2023, 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 of Part XV of the SFO, or recorded in the register required to be kept of the Company 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 annual general meetings:

Name of Shareholder	Class of Shares	Number of Shares/Underlying Shares Held Note 1	Percentages of Relevant Class of Shares (%) Note 2	Percentage of the Total Share Capital (%)
Beijing Automotive Group Co., Ltd. Note 3	Domestic Shares	3,566,659,704(L)	64.91	44.50
Shougang Group Co., Ltd.	Domestic Shares	1,028,748,707(L)	18.72	12.83
Mercedes-Benz Group AG	H Shares	765,818,182(L)	30.38	9.55

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 2023.

Note 3: As of the Date of Issue of the Report, BAIC Group has been transferred 150 million domestic shares of the Company held by Shenzhen Benyuan Jinghong Equity Investment Fund Enterprise (Limited Partnership), which in aggregate held 46.37% equity interest in the Company.

ARRANGEMENTS FOR SHARE PRE-EMPTIVE RIGHT AND SHARE OPTION

In 2023, 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

In 2023, the Group did not issue any debentures.

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.

EQUITY-LINKED AGREEMENTS

In 2023, 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 2023, 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, please refer to the section headed "Employees" on pages 47 to 48 of this report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For details, please refer to the chapter headed "Corporate Governance Report" on pages 51 to 66 of this report.

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 IFRS Accounting Standards.

AUDITORS

PricewaterhouseCoopers ("PwC") and PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) ("PwC Zhong Tian") were appointed as the Company's auditors in relation to the financial statements prepared under the IFRS Accounting Standards and China Accounting Standards, respectively, for the year of 2023.

FIVE-YEAR FINANCIAL SUMMARY

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 Operations" on page 6 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 2023, BAIC Group has complied with every undertaking in the Non-competition Undertaking given to the Company.

PUBLIC FLOAT

According to the information publicly available to the Company, or to the knowledge of the Directors, as at 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 granted to the Company when it got listed. 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 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.

CONNECTED TRANSACTIONS

Non-fully-exempted continuing connected transactions

1. **Trademark Licensing Framework Agreement between the Company and BAIC Group**

The Company and BAIC Group entered into a trademark licensing framework agreement on March 24, 2023, which took effect from the date of approval by the Shareholders at the 2022 annual general meeting to December 31, 2025, and was subject to renewal by mutual consent.

Pursuant to the agreement, the Group is licensed by BAIC Group to use certain trademarks in the products manufactured and services supplied by the Group and in the documents of the Group. The actual trademark licensing fees and payment method shall be determined in accordance with the principles, terms and conditions of the agreement and set out in a specific agreement to be entered into between the parties.

The annual caps for the trademark licensing fees paid/to be paid by the Group to BAIC Group under the trademark licensing framework agreement for 2023, 2024 and 2025 are as follows:

	Annual cap for the year ended/ending December 31, (RMB in million)		
Item	**2023**	2024	2025
Trademark licensing fees paid/to be paid by the Group to BAIC Group	**985.0**	992.0	996.0

The above continuing connected transactions and annual caps were considered and approved by the Board of Directors on March 24, 2023 and approved by the Shareholders on June 26, 2023 at the 2022 annual general meeting. For further details of the trademark licensing framework agreement, please refer to the announcement of the Company dated March 24, 2023 and the circular dated May 24, 2023.

In 2023, the trademark licensing fees paid by the Group to BAIC Group under the above agreement were RMB746.6 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 December 31, 2016, subject to renewal through mutual consents by both parties. Both parties renewed the Property and Facility Leasing Framework Agreement on October 20, 2016, March 27, 2019 and April 27, 2022 with the term from January 1, 2023 to December 31, 2025, subject to renewal through mutual consents by both parties.

Pursuant to the agreement, the Group will lease properties and facilities from BAIC Group and/or its associates for manufacturing specific passenger vehicles. The rent payable under the agreement was 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; Specific agreements shall be entered into stipulating the specific terms and conditions (including property rentals, payment methods and other usage fees) in respect of relevant leased properties and facilities.

The annual caps for the rentals payable by the Group to BAIC Group and/or its associates for the property and facility leasing and the rentals to be received from BAIC Group and/or its associates for the property and facility leasing under the Property and Facility Leasing Framework Agreement are set out below:

	Annual cap for the year ended/ending December 31, (RMB in million)		
Item	**2023**	2024	2025
Rentals paid/to be paid by the Group to BAIC Group and/or its associates for property and facility leasing	**425.8**	425.8	425.8
Rentals received/to be received by the Group from BAIC Group and/or its associates for property and facility leasing	**255.9**	255.9	255.9

The above continuing connected transactions and the annual caps were considered and approved by the Board of Directors on April 27, 2022. For other details on the Property and Facility Leasing Framework Agreement, please refer to the announcement of the Company dated April 27, 2022.

In 2023, the rentals for property and facility leasing paid by the Group to BAIC Group and/or its associates were RMB123.2 million, and the rentals received by the Group from BAIC Group and/or its associates for property and facility leasing were RMB23.1 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 from the Listing date of the Company to December 31, 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, March 27, 2019 and April 27, 2022 with the term from January 1, 2023 to December 31, 2025, 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 National Financial Regulatory Administration ("NFRA").

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 lower limit of 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 the same type for the same period placed by subsidiaries of BAIC Group (other than the Group); or (iii) the interest rate for deposits of the same type for the same period offered by independent commercial banks to the Group.

(b) Loans 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 the same 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 the same 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 prevailing benchmark fee (if applicable) for similar types of financial services published by the PBOC or NFRA; (ii) comparable to or not exceeding the interest rates or fees charged by independent commercial banks or financial institutions to the Group for financial services of the same type; and (iii) comparable to, or no less favourable to the Group than, fees charged by BAIC Finance to the subsidiaries of BAIC Group other than the Group for financial services of the same type.

As 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, 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 no security over the assets of the Group was granted in respect of the loans, 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 annual caps on the maximum daily balance of deposits, the interest income from deposits placed by the Group with BAIC Finance and charges for other financial services under the Financial Services Framework Agreement for 2023, 2024 and 2025 are as follows:

	Annual cap for the year ended/ending December 31, (RMB in million)		
Item	**2023**	2024	2025
Maximum daily balance of deposits placed by the Group with BAIC Finance	**22,000.0**	22,000.0	22,000.0
Interest income from deposits placed by the Group with BAIC Finance	**490.1**	490.1	490.1
Charges for other financial services of the Group with BAIC Finance	**457.5**	775.7	761.4

The above continuing connected transactions and annual caps were considered and approved by the Board of Directors on April 27, 2022 and March 24, 2023 and approved by the Shareholders at the 2021 annual general meeting on June 28, 2022 and the 2022 annual general meeting on June 26, 2023, respectively. For further details of the Financial Services Framework Agreement, please refer to the announcements of the Company dated April 27, 2022 and March 24, 2023 and the circulars dated April 27, 2022 and March 24, 2023.

In 2023, the actual amount of the maximum daily balance deposits placed by the Group with BAIC Finance was RMB15,969.2 million, the actual amount of interest income from deposits placed by the Group with BAIC Finance was RMB85.5 million, and the actual amount of charges for other financial services of the Group with BAIC Finance was RMB177.5 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 from the Listing Date of the Company to December 31, 2016, subject to renewal through mutual consents by both parties. In order to effectively meet the Company's requirements for stable supply and high quality of products and integrated services, the Company renewed the Products and Services Purchasing Framework Agreement with BAIC Group on October 20, 2016, March 27, 2019 and April 27, 2022, with the term from January 1, 2023 to December 31, 2025, subject to renewal through mutual consents by both parties.

Pursuant to the agreement, BAIC Group and/or its associates will provide the Group with commodities including equipment, raw materials, parts and components and vehicles, and related technologies, related derivatives arising from such commodities (including but not limited to energy credits and carbon emission policy trading), and services including labor services, logistics services, transportation services, technical services and consulting 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 a certain number of suppliers (including BAIC Group) from the list of approved suppliers of the Group to submit quotations or proposals; and to have the suppliers and pricing of products and integrated services determined by the collective decision of the Company's tender assessment board according to the Company's administrative measures for market quotations.

The annual caps for purchase of products and purchase of services under the Products and Services Purchasing Framework Agreement for 2023, 2024 and 2025 are as follows:

	Annual cap for the year ended/ending December 31, (RMB in million)		
Item	**2023**	2024	2025
Purchase of products	**38,209.4**	49,511.1	56,883.5
Purchase of services	**6,037.4**	5,797.6	5,746.3

The above continuing connected transactions and annual caps were considered and approved by the Board of Directors on April 27, 2022 and March 24, 2023 and approved by the Shareholders at the 2021 annual general meeting on June 28, 2022 and the 2022 annual general meeting on June 26, 2023, respectively. For further details of the Products and Services Purchasing Framework Agreement, please refer to the announcements of the Company dated April 27, 2022 and March 24, 2023 and the circulars dated April 27, 2022 and March 24, 2023.

In 2023, the actual amounts of products and services purchased under the Products and Services Purchasing Framework Agreement were RMB33,255.1 million and RMB4,648.5 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 from the Listing date of the Company to December 31, 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, March 27, 2019 and April 27, 2022 with the term from January 1, 2023 to December 31, 2025, subject to renewal through mutual consents by both parties.

Pursuant to the agreement, BAIC Group and/or its associates will purchase the various types of products (including commodities such as facilities, raw materials, components and parts and vehicles etc. and related technologies, and derivatives derived from such commodities (including but not limited to energy credits and carbon emissions policy trading)) ("Supply of Products") and services (including sales agency, processing agency, labour, logistics, transportation, technical services and consultancy) ("Provision of Services") from the Group. 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 made reference to the relevant historical prices of products and services and based such on the principle of cost coupled with a fair and reasonable margin.

The annual caps for Supply of Products and Provision of Services under the Provision of Products and Services Framework Agreement for 2023, 2024 and 2025 are as follows:

	Annual cap for the year ended/ending December 31, (RMB in million)		
Item	**2023**	2024	2025
Supply of Products	**33,849.7**	48,097.3	46,060.2
Provision of Services	**310.6**	316.1	313.9

The transaction for Supply of Products and annual caps were considered and approved by the Board of Directors on April 27, 2022 and March 24, 2023 and approved by the shareholders on June 28, 2022 at the annual general meeting of 2021 and on June 26, 2023 at the annual general meeting of 2022. The transaction for Provision of Services and the annual caps were considered and approved by the Board of Directors on April 27, 2022. For further details of the transactions for Supply of Products and Provision of Services, please refer to the announcements of the Company dated April 27, 2022 and March 24, 2023 and the circulars dated April 27, 2022 and March 24, 2023.

In 2023, the actual amounts of Supply of Products and Provision of Services under the Provision of Products and Services Framework Agreement were RMB23,895.2 million and RMB29.6 million respectively.

6. Continuing connected transactions in relation to Mercedes-Benz Group and its associates

In 2023, the Group has entered into a number of continuing connected transactions with Mercedes-Benz Group 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 Mercedes-Benz Group, as follows:

Nature of transaction	Transaction summary and pricing policy	Exemption granted
Sales of vehicles by Beijing Benz to Mercedes-Benz Group and its associates	• **Transaction summary:** Mercedes-Benz Group 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 Mercedes-Benz Group and its associates	• **Transaction summary:** Beijing Benz purchased from Mercedes-Benz Group 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 Mercedes-Benz Group 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
Provision of the right to use intellectual property rights (including trademarks and technologies) by Mercedes-Benz Group and its associates to Beijing Benz	• **Transaction summary:** Beijing Benz is granted by Mercedes-Benz Group 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 Mercedes-Benz Group and its associates. • **Pricing policy:** The prices for the use of technologies and trademarks have been agreed by Mercedes-Benz Group 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.	Signing of written agreement, annual cap, annual reporting, announcement and independent Shareholders' approval

Nature of transaction	Transaction summary and pricing policy	Exemption granted
Provision of services by Mercedes-Benz Group and its associates to Beijing Benz	• **Transaction summary:** Beijing Benz has entered into service procurement agreements with Mercedes-Benz Group and its associates, pursuant to which Mercedes-Benz Group 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 Mercedes-Benz Group and its associates to the Group are determined based on arm's length negotiations subject to internal control procedures. In relation to technical support services and specialist assistance services, Mercedes-Benz Group 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.	Signing of written agreement, annual cap, annual reporting, announcement and independent Shareholders' approval
Beijing Benz provides Mercedes-Benz Group and its associates with services, parts and accessories	• **Transaction summary:** Beijing Benz sold components and spare parts and provided aftersales referral services to Mercedes-Benz Group 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 Mercedes- Benz Group and its associates to ensure that the prices Beijing Benz offered to Mercedes-Benz Group 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.	Signing of written agreement, annual cap, annual reporting, announcement and independent Shareholders' approval

Upon completion of the placing of H Shares by the Company on May 3, 2018 and as of the Date of Issue of the Report, Mercedes-Benz Group held 9.55% equity interest in the Company and ceased to be a connected person at the listed company level; since Mercedes-Benz Group at the same time held 49% equity interest in Beijing Benz, a significant subsidiary of the Company, Mercedes-Benz Group 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 Mercedes-Benz Group 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 Mercedes-Benz Group and its associates for 2023, 2024 and 2025 are RMB500.0 million, RMB630.0 million and RMB500.0 million respectively. The above continuing connected transactions and the annual caps were considered and approved by the Board of Directors on April 27, 2022. As each of applicable percentage ratios of the annual caps is less than 1% or exceed 0.1% but is less than 5%, pursuant to the Listing Rules, the aforesaid continuing connected transactions shall be exempted from independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In 2023, the actual amount of such transactions was RMB187.6 million.

Independent non-executive Directors' review and confirmation

Independent non-executive Directors have reviewed the aforesaid continuing connected transactions and have confirmed that in 2023, they have been entered into in the ordinary and usual course of the Group's business; on normal commercial terms or better; 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 were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (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 auditor's letter has been addressed to the Board pursuant to Rule 14A.56 of the Listing Rules.

The Company confirmed that the entering into and implementation of specific agreements in relation to the above continuing connected transactions for 2023 has complied with the pricing principles of these continuing connected transactions.

Save as disclosed above and as in this annual report, there are no other related party transactions or continuing related party transactions set out in Note 37 to the consolidated 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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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.

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of 2023 audited consolidated financial statements are consistent with the principal accounting policies for the preparation of 2022 audited consolidated financial statements.

EMPLOYEES

Number of employees

As at the end of 2023, the Company, its subsidiaries and joint ventures had a total of 31,711 employees (31,511 employees as at the end of 2022).

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. The Group implements a rigorous and 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, the Group hopes to achieve sustainable development.

Employee training

The Group relied on the "B-EST" training system to support organizational and talent development in 2023. It implemented strategies from cultural traction, mentorship, supportive business, coordinated development and other aspects to strengthen internal training and refine external training, and adhered to them for the long haul, in a bid to create a lifelong learning ecology.

In the talent training system, the Group took into account the business characteristics and talent training needs while strengthening the holistic training via internal and external teaching, special training camp, community operations and so forth, increased the organizational effectiveness and energized the staff, providing a strong guarantee for the career development of employees and the implementation of its 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 2023, the Group had a total of 131 retired individuals who enjoyed the basic pension insurance granted by the local social security bureau.

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. 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.

The Group makes fixed monthly contributions to various retirement benefit schemes based on a specified percentage of eligible employees' salaries and the relevant contribution ceilings, including:

(a) Mandatory Chinese government-funded pension scheme: The Group is required to make contributions to pension schemes established by municipal and provincial governments in the PRC under these schemes. In accordance with the relevant government policy, the Group is not allowed to use the relevant contributions to reduce the existing contribution level even if the employee withdraws from the relevant scheme before the contributions are vested in him/her. In 2023, the Group did not use any forfeited contributions in the relevant schemes to reduce the existing level of contributions. As of December 31, 2023, the Group also had no forfeited contribution balances available for such purposes; and

(b) Voluntary supplementary pension scheme: The Group did not use forfeited contributions under these schemes (i.e., contributions that employees withdrew from the schemes before the contributions were vested in him/her and were processed by the Group on behalf of the employees) to reduce the current level of contributions in 2023. As of 31 December 2023, the balance of forfeited contributions available to the Group for such purpose was RMB11.3 million.

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
Chen Wei
Chairman

March 22, 2024

In 2023, pursuant to the Company Law, the Articles of Association and the Rules of Procedure of the Board of Supervisors of BAIC Motor Corporation Limited (the "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 and interests 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 operation standardization and healthy development of the Company.

THE WORK OF THE BOARD OF SUPERVISORS

Convening meetings of the Board of Supervisors

In 2023, a total of four meetings of the Board of Supervisors were held, at which the nomination of supervisors, the re-appointment of the Company's international and domestic auditors for 2023, the Report of the Board of Supervisors for 2022, the 2022 Annual Report, the Report on the Financial Accounts for 2022, the 2023 Interim Report, and the financial statements for the first quarter and the third quarter of 2023 were considered and approved.

Changes of members of the Board of Supervisors

On March 15, 2023, Mr. Sun Zhihua ceased to be a Supervisor due to work adjustment. On June 26, 2023, the Company held the 2022 annual general meeting, Ms. Jiao Feng was appointed as a non-employee representative Supervisor of the Company for a term commencing from June 26, 2023 until the expiration of the term of the fourth session of the Board of Supervisors. For details, please refer to the relevant announcements of the Company dated March 17, 2023 and June 26, 2023 and the relevant circular dated May 24, 2023.

On March 19, 2024, in accordance with the Company's Articles of Association, Mr. Zhang Ran and Ms. Jiang Yumei were elected as employee representative Supervisors of the fifth session of the Board of Supervisors at the employee representative's meeting of the Company. On March 22, 2024, Ms. Jiao Feng, Ms. Zhu Yan and Mr. Deng Yishuai were appointed as non-employee representative Supervisors of the fifth session of the Board of Supervisors at the first extraordinary general meeting of the Company in 2024. The above five Supervisors form the fifth session of the Board of Supervisors for a term of office commencing on his/her appointment date until the expiration of the term of the fifth session of the Board of Supervisors.

On March 22, 2024, Mr. Zhang Ran was elected as the chairman of the fifth session of the Board of Supervisors at the first meeting of the fifth session of the Board of Supervisors, with a term of office commencing from March 22, 2024 until the expiration of the term of the fifth session of the Board of Supervisors. For details, please refer to the relevant announcement of the Company dated March 22, 2024.

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 2022 annual general meeting, the 2023 first domestic shareholders class meeting and the 2023 first H shareholders class meeting, and sat in on the on-site Board meetings. The Board of Supervisors also appointed certain Supervisors to act as the scrutineers of the general meetings 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 at the general meetings and the Board meetings, 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. In a timely manner, they informed the Company of possible risks and problems in production, operation, financial management and internal control, and 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.

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

In 2023, 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 faithfully performed their duties and conscientiously implemented the decisions made by the Board of Directors to ensure standardized operation and orderly management of the Company. The Company continuously improved and effectively implemented the internal control systems according to its actual conditions, 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 improves compliant operation of the Company.

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

The chairman and some members of the Board of Supervisors were in attendance at the meetings of the Audit Committee 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 2023 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 2023 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.

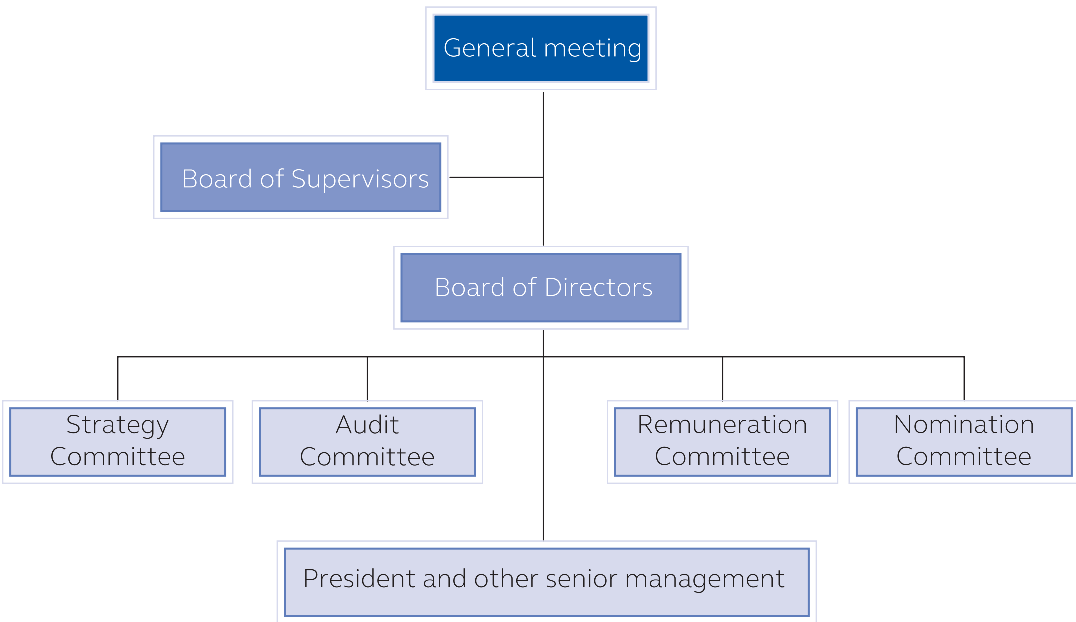
By order of the Board of Supervisors
Mr. Zhang Ran
Chairman of the Board of Supervisors

March 22, 2024

CORPORATE GOVERNANCE PRACTICE

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 Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee (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 governance structure of the Company is as follows:



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.

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 clear business days before an annual general meeting, or 10 clear business 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 meetings.

In 2023, the Company held three general meetings, including the 2022 annual general meeting, the 2023 first domestic shareholders class meeting, and the 2023 first H shareholders class meeting. The attendance of Directors at general meetings in 2023 is set out on page 55 of this report.

SUBSTANTIAL SHAREHOLDERS

BAIC Group is the Controlling Shareholder of the Company and as of the Date of Issue of the Report, BAIC Group holds 46.37% of the Shares of the Company. During 2023, BAIC Group did not circumvent the general meeting to make direct or indirect intervention in the Company's decision making and business operation.

For 2023, information on other substantial Shareholders and information on the persons 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 27 to 48 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. As of the Date of Issue of the Report, the Board of Directors comprised fifteen 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 decision 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 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 set out in the chapter headed "Directors, Supervisors and Senior Management" on pages 67 to 77 in this report. In 2023, the Board of Directors complied at all time with 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 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.

As each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules, the Company considers each of the above persons to be independent. The independent non-executive Directors are invited to serve as members of the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. In 2023, there were no dissenting voices from the independent non-executive Directors on Board resolutions and other non-Board related matters.

All independent non-executive Directors shall not be involved in day-to-day management. The independent non-executive Directors also provide an independent view of the Board's deliberations to ensure high standards of corporate governance. The Company believes that the Board of Directors can effectively obtain independent views and opinions by combining factors such as the proportion of independent non-executive Directors, their selection and the frequency of participation of each independent non-executive Director in Board meetings.

In 2023, 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 arranges 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 updates 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 2023 is set out on page 55 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 re-appointment and succession plan of Directors. Executive Directors, non-executive Directors and independent non-executive Directors shall serve a term of three years. The employee representative Supervisors are elected democratically by the employee representative's meeting, while non-employee representative Supervisors are elected by the general meeting. The term of office of each Supervisor is three years, renewable upon re-election.

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 33 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 of the Board. At least 14-day advance written notice along with materials relating to the issues to be considered shall be served to all Directors, in order to provide the Directors with an opportunity to attend the meetings and help them 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, includes meeting agenda and relevant Board paper to ensure 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 rights to thoroughly 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 considered 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 2023, the Board held 6 meetings. The main matters considered are as follows:

Name of Board Meeting	Date	Main Matters Considered
18th meeting of the fourth session of the Board	March 9, 2023	2023 Annual Investment Plan Amendments to the Articles of Association Amendments to the Rules of Procedure of the Remuneration Committee of the Board of Directors
19th meeting of the fourth session of the Board	March 24, 2023	2022 Final Account Report 2022 Profit Distribution Plan 2022 Annual Report and Annual Results Announcement 2022 Report of the Board of Directors 2022 Environmental, Social and Governance Report Production and Operation Plan for 2023 General Mandate for the Issuance of Shares General Mandate for the Repurchase of Shares 2023 Credit Line Application General Mandate for the Issuance of Bond Financing Instruments Re-appointment of International Auditor and Domestic Auditor for 2023 Execution of Continuing Connected Transaction Framework Agreements and Adjustment of Annual Caps for 2023 to 2025
20th meeting of the fourth session of the Board	April 27, 2023	Financial Statements for the First Quarter of 2023
21st meeting of the fourth session of the Board	June 30, 2023	Appointment of the President Appointment of Members of the Nomination Committee of the Board of Directors Appointment of Members of the Remuneration Committee of the Board of Directors
22nd meeting of the fourth session of the Board	August 28, 2023	2023 Interim Report and Interim Results Announcement
23rd meeting of the fourth session of the Board	October 30, 2023	Financial Statements for the Third Quarter of 2023

Attendance of Directors at the meetings of the Board, the Strategy Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee, the general meetings and their training in 2023 are set out as follows:

	Number of meetings attended						
Name of Director	Board meeting	Strategy Committee meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting	Training received[Note 1]
Chairman of the Board and Non-executive Director							
Chen Wei	6/6	5/5	–	–	1/1	3/3	A/B/C/D
Executive Directors							
Song Wei [Note 2]	3/3	2/2	–	0/0	0/0	0/0	A/B/C/D
Huang Wenbing [Note 2]	3/3	3/3	–	1/1	–	3/3	A/B/C/D
Non-executive Directors							
Hu Hanjun	6/6	5/5	4/4	–	–	3/3	A/B/C/D
Chen Hongliang	6/6	5/5	–	–	–	3/3	A/B/C/D
Ye Qian	6/6	5/5	–	–	–	3/3	A/B/C/D
Hubertus Troska	6/6	5/5	–	–	–	3/3	A/B/C/D
Harald Emil Wilhelm	6/6	–	–	–	–	3/3	A/B/C/D
Gu Tiemin	6/6	–	–	1/1	–	3/3	A/B/C/D
Sun Li	6/6	5/5	–	–	–	3/3	A/B/C/D
Independent Non-executive Directors							
Ge Songlin	6/6	5/5	–	–	1/1	3/3	A/B/C/D
Yin Yuanping	6/6	–	–	1/1	1/1	3/3	A/B/C/D
Xu Xiangyang	6/6	5/5	–	–	1/1	3/3	A/B/C/D
Tang Jun	6/6	–	4/4	1/1	–	3/3	A/B/C/D
Edmund Sit	6/6	–	4/4	1/1	–	3/3	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 Group's business; D: reading materials on various topics, including corporate governance, responsibilities of directors, amendments to the Listing Rules and other related regulations.

Note 2: Mr. Huang Wenbing ceased to be an executive Director, a member of each of the Strategy Committee, the Remuneration Committee and the Nomination Committee with effect from June 28, 2023. Mr. Song Wei was appointed as a non-executive Director and a member of the Strategy Committee on June 26, 2023, and was re-designated as an executive Director on June 30, 2023, and also serves as a member of each of the Remuneration Committee and the Nomination Committee.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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. 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.

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 the Corporate Governance Code and disclosure of information in the corporate governance report.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Board of Directors has established the Remuneration Committee with the responsibilities including confirming and reviewing the remuneration policies and proposals of the Directors and senior management. Regarding the specific remuneration packages for Directors and senior management, the Remuneration Committee should consider factors such as remuneration paid by comparable companies, time commitment and duties of the Directors, employment conditions elsewhere in the Company and desirability of performance-based remuneration. In 2023, except for the independent non-executive Directors who received Directors' remuneration from the Company, the remaining Directors and Supervisors did not receive remuneration from the Company as Directors or Supervisors. The executive Directors received the senior management's remuneration in the Company. The remuneration standard of independent non-executive Directors 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 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 2023 are set out in Note 40 to the consolidated financial statements.

The remuneration paid by the Company to the senior management (including two Directors) in 2023 is as follows:

Remuneration Range (RMB)	Number of Personnel
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 in 2023.

CHAIRMAN AND PRESIDENT

According to the requirement of code provision C.2.1 of the Corporate Governance Code, the roles of chairman and president should be separated. In 2023, the Chairman of the Company was Mr. Chen Wei, and the President (Chief Executive Officer) was Mr. Huang Wenbing (who resigned on June 28, 2023) and Mr. Song Wei (who was appointed on June 30, 2023), respectively. 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 of the end of 2023, the Strategy Committee comprised nine members, namely Mr. Chen Wei (chairman), Mr. Hu Hanjun, Mr. Chen Hongliang, Mr. Song Wei, Mr. Ye Qian, Mr. Hubertus Troska, Mr. Sun Li, Mr. Ge Songlin and Mr. Xu Xiangyang, of which two were independent non-executive Directors, six were non-executive Directors and one was executive Director.

On June 26, 2023, Mr. Song Wei was appointed as a member of the Strategy Committee. With effect from June 28, 2023, Mr. Huang Wenbing ceased to be a member of the Strategy Committee.

During 2023, the Strategy Committee held a total of 5 meetings. Attendance of the committee members at the meetings is set out on page 55 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 2023, the Audit Committee comprised three members, namely Mr. Edmund Sit (chairman), Mr. Hu Hanjun and Mr. Tang Jun, of which two were independent non-executive Directors and one was a non-executive Director.

During 2023, the Audit Committee held a total of 4 meetings, which reviewed and presented reasonable comments on the financial reporting system, compliance procedures, internal monitoring and control (including adequacy of 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 quarters' financial statements, the interim results for the financial year of 2023 and annual results for the financial year of 2022, 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.

Attendance of the committee members at the meetings is set out on page 55 of this report.

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 the Company.

As of the end of 2023, the Remuneration Committee comprised five members, namely Ms. Yin Yuanping (chairman), Mr. Song Wei, Mr. Gu Tiemin, Mr. Tang Jun and Mr. Edmund Sit, of which three were independent non-executive Directors, one was a non-executive Director and one was an executive Director.

With effect from June 28, 2023, Mr. Huang Wenbing ceased to be a member of the Remuneration Committee. On June 30, 2023, Mr. Song Wei was appointed as a member of the Remuneration Committee.

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 2023, the Remuneration Committee held 1 meeting, which considered and discussed relevant employee incentive schemes. Attendance of the committee members at the meeting is set out on page 55 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 considering 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 of the end of 2023, the Nomination Committee comprised five members, namely Mr. Chen Wei (chairman), Mr. Song Wei, Mr. Ge Songlin, Ms. Yin Yuanping and Mr. Xu Xiangyang, of which three were independent non-executive Directors, one was a non-executive Director and one was an executive Director. With effect from June 28, 2023, Mr. Huang Wenbing ceased to be a member of the Nomination Committee. Mr. Song Wei was appointed on 30 June 2023 as a member of the Nomination Committee.

During 2023, the Nomination Committee held a total of 1 meeting, which put forward opinions and suggestions to the Board and the Board of Supervisors on the change of Directors, Supervisors and senior management. Attendance of the committee members at the meetings is set out on page 55 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 in 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 candidates.

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 term of their office, the Nomination Committee shall review the overall contribution and performance of the candidates during their term of office (including the attendance rates of the candidates at Director Committees 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 the 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 the shareholdings of the 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) shares.

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.

BOARD DIVERSITY POLICY

The Nomination Committee has formulated the "Board Diversity Policy" on the nomination and appointment of new Directors, which 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 2023 is reasonable and meets the requirements of "Board Diversity Policy", without the need of adjustment.

Gender diversity has been achieved in the Board level as the Board currently has one female Director. Gender diversity has also been achieved among employees. The Board shall review its Board Diversity Policy on a regular basis to ensure its continuous effectiveness.

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. Gender diversity has been achieved in the Board level as the Board currently has one female Director. Gender diversity has also been achieved among employees. The Board shall review its Board Diversity Policy on a regular basis to ensure its continuous effectiveness.

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 a series of diversity criteria, including but not limited to gender, age, cultural and educational background, race, professional experience, skill, knowledge and length of service. The final decision will be based on merit of candidates and the contribution that the candidates are expected to bring to the Board.

Implementation and monitoring

The Nomination Committee shall research into 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.

As at the Date of Issue 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 3 Directors holding a doctoral degree, 9 Directors holding a master's degree and 3 Directors holding a bachelor's degree;

3. Age: There are 15 Directors, consisting of 2 Directors aged at or above 60 and 13 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 14 Chinese Directors and 1 German Director.

RESPONSIBILITY OF DIRECTORS IN RELATION TO THE FINANCIAL STATEMENTS

The Board of Directors shall fulfill its duty to prepare the 2023 financial statements of 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 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 2023, and the financial positions of the Company and the Group at the end of 2023 are set out in the audited consolidated financial statements on pages 138 to 220 in this report.

COMPANY SECRETARY

Mr. Wang Jianhui serves as the secretary to the Board (with effect from January 17, 2019) and the company secretary of the Company (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 2023, Mr. Wang Jianhui attended no less than 15 hours of relevant professional training respectively, in compliance with the requirement under Rule 3.29 of the Listing Rules.

CONTROL MECHANISM

Board of Supervisors

The fourth session of the Board of Supervisors comprises five Supervisors. The powers and functions of the Board of Supervisors include, but not limited to, reviewing and providing written opinions on the periodic reports prepared by the Board; monitoring the financial activities of the Company; supervising the performance of duties of Directors and senior management and 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 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 2023, the Board of Supervisors monitored the financial activities and the legality and compliance of the duties carried out by the Directors and senior management of the Company. 4 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 on 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 measures, but cannot absolutely guarantee to eradicate risks.

Risk management and internal control systems

The Company's legal compliance business department and the audit department established under the legal and compliance department are responsible for the risk management, internal control, operation maintenance and evaluation functions. Risk management and internal control system construction and system operation are included in the legal compliance business department, 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 2023 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 business departments and units of the Company. They will identify, assess, monitor, and give early warnings for risks in their professional areas, research into and develop risk management strategies, and implement risk control measures based on the management needs of their professions and the requirements of laws and regulations and the Company regarding risk management. The second line of defense is the risk management department and joint meetings for integrated management and control, which is responsible for the top-level design of the risk management and control system and the management of significant risk matters reported by departments and units involved in the first line of defense and other channels. The third line of defense is internal supervision departments such as the audit and disciplinary inspection departments who are responsible for monitoring the building and operation of the risk management system, promoting the rectification of problems, and facilitating the continuous improvement of the risk management system. The three lines of defense cooperate with each other in building and continuously improving a risk management model based on unified leadership, levels of responsibility, and classified management.

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-ERM[6], the Enterprise Risk Management Integration Framework and the Guidelines for Internal Control jointly issued by five ministries; the establishment of a 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. The Company has built a risk prevention and control network involving all staff and full value chains, based on process system, risk database and the Risk Management and Internal Control Manual.

2. Rapid response. The Company 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 set up the Risk Management Committee, established a professional risk management team consisting of risk specialists, risk liaison officers and risk internal trainer.

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, evaluating by using hundreds of indicators from the two dimensions of the design integrity and the running availability to undertake the system assessment. In 2023, the self-evaluation work for risk and internal control involved a total of 649 indicators, consisting of 272 design integrity indicators and 377 execution 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 has established a compliance system of internal monitoring 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 monitoring and control with the functions of "reporting proactively" and "monitoring proactively".

The Company has 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.

6 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.

AUDITORS' REMUNERATION

The Company has appointed PwC and PwC Zhong Tian as the auditors of the Company's 2023 annual financial statements prepared under IFRS Accounting Standards and PRC Accounting Standards, respectively. The general meeting authorized the management of the Company to determine its service remuneration.

The remuneration for the year 2023 paid or payable to the above Company's auditors, for audit and audit-related services amounted to RMB6.8 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 for 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 the Company's 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 2023, the Company released a total of 51 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.hkexnews.hk and www.baicmotor.com.

Communication with investors

In order to promote effective communication, the Company has adopted the Shareholder Communication Policy 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 information on its website for public access.

The general meeting of the Company provides an opportunity for Shareholders and Directors to communicate directly. The chairman of the Board 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.

The Board is responsible for overseeing the implementation and monitoring of the Shareholder Communication Policy to ensure that the Company establishes and maintains an effective Shareholder Communication Policy. The Board oversees the Shareholder Communication Policy of the Company on an ongoing basis and reviews the effectiveness of the Shareholder Communication Policy of the Company at least once a year. The Board has reviewed the effectiveness of the Shareholder Communication Policy in 2023 and considers it to be effective and adequate.

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 nomination of Directors for election. Shareholders who want to make inquiries regarding the Company to the Board of Directors can do so through the abovementioned communication channels.

Articles of Association

On March 22, 2024, certain amendments to the Articles of Association were considered and approved by the Shareholders at the 2024 first extraordinary general meeting of the Company. The revised Articles of Association were uploaded onto the websites of the Stock Exchange and the Company on March 22, 2024 for public access.

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

DIRECTORS

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. He **currently serves as the chairman of the Board, a non-executive Director and secretary of the party committee of the Company**. He is also the deputy general manager of BAIC Group, and concurrently serves as a director of Beijing Benz, a director of Benz Sales, the chairman of Fujian Benz, and an executive director and the general manager of BAIC Group Off-road Vehicle.

Mr. Chen has more than 30 years of experience in the automotive industry. Since 1994, he has worked successively as an assistant engineer and an engineer of the product engineering department, on-site engineer stationed at the U.S. office and the chief of the model development department and the production planning department in Beijing Jeep Motor Co., Ltd.(北京吉普汽車有限公司), the director of the engineering and manufacturing department, the manager of the assembly workshop and the production director in Beijing Benz-Daimler Chrysler Automotive Co., Ltd., the general manager of the business affairs and legal department and the vice president responsible for production and manufacturing in Beijing Benz, the vice president of the Company, as well as the party secretary and the senior executive vice president in Beijing Benz, and other positions.

Mr. Chen has served as the chairman of the Board and non-executive Director of the Company since June 28, 2022.

Mr. Hu Hanjun (胡漢軍), born in October 1971, holds a master's degree in business administration and is a senior economist. He is **currently a non-executive Director of the Company** and concurrently the deputy general manager and secretary to the board of directors of BAIC Group. He is also a director of Beijing Benz and BAIC International (Hong Kong) Limited (北汽國際(香港)有限公司), respectively.

Mr. Hu has nearly 30 years of experience in the automotive industry. Since 2009, he has acted successively as an assistant to the general manager and the head of economic operation department of Beijing ROCAR Automobile Services & Trade Co., Ltd. (北京鵬龍汽車服務貿易有限公司), the deputy general manager of BAIC ROCAR Automobile Services & Trade Co., Ltd. (北京北汽鵬龍汽車服務貿易股份有限公司), the head of the investment & asset management department, head of the strategic & investment management department, and assistant to the general manager of BAIC Group, the director of Bohai Automotive Systems Co., Ltd. (渤海汽車系統股份有限公司) and other positions.

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

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 is **currently a non-executive Director of the Company** and concurrently the assistant to the general manager and the head of the strategy and investment management department of BAIC Group. He is also a director of Beijing Hainachuan Automotive Parts Co., Ltd. (北京海納川汽車部件股份有限公司), a director of BAIC ROCAR Automobile Services & Trade Co., Ltd., and a director of Bohai Automotive Systems Co., Ltd..

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, 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, the deputy head of the operation and production division of the Company, 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, an executive Director, the president, deputy secretary of the party committee of the Company, and the head of the operation and management department of BAIC Group and other positions.

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

Mr. Song Wei (宋瑋), born in November 1981, holds a master's degree in engineering, and is a senior engineer and an economist. He is **currently an executive Director, the president, and deputy secretary of the party committee of the Company**. He is also a director of Beijing Hyundai, an executive director of BAIC Investment, a director of BAIC International (Hong Kong) Limited and a director of BAIC Hong Kong Investment Corp. Limited（北汽香港投資有限公司）. He is also a member of the 13th Beijing Municipal Committee of the Communist Party of China.

Mr. Song has nearly 20 years of experience in the automotive industry. Since 2007, he has served as a supplier quality control engineer and progress supervisor of parts and components projects of Beijing Benz-Daimler Chrysler Automotive Co., Ltd., a supervisor of exterior purchasing, a supervisor of cost control, and a senior manager of projects and cost control of Beijing Benz and a head of the procurement project control department of the Company's procurement center, a deputy general manager of the off-road vehicle branch of BAIC Group, an assistant to the general manager of the off-road vehicle division of BAIC Group and a deputy director of the procurement center of the Company, a party member and a deputy general manager of BAIC Group Off-road Vehicle, a deputy head of the organizational department of the party committee, and head of the technical and product management department of BAIC Group and other positions.

Mr. Song has acted as a non-executive Director of the Company since June 26, 2023, and was re-designated as an executive Director and the president of the Company since June 30, 2023.

Mr. Liu Guanqiao (劉觀橋), born in December 1979, holds a master's degree in business administration. He is **currently a non-executive Director of the Company** and concurrently the head of operation and management department (military products)/digital safety and management department of BAIC Group. He is also a director of BAIC Trucks Co., Ltd (北汽重型汽車有限公司).

Mr. Liu has more than 20 years of experience in the automobile industry. Since 2002, he has served as a sales manager of Southeastern Automobile Co., Ltd. (東南汽車有限公司), Fujian regional manager of Shanghai Volkswagen Automobile Sales Co. Ltd. (上海大眾汽車銷售公司), Guangdong regional manager of the southern business unit, director of Guangdong office, and head of the management section of the sales division of Beijing Hyundai, head of the promotional support section of the east business unit of the sales division of Beijing Hyundai, person in charge of the northern business unit, acting head, and head of the business section of the sales division of Beijing Hyundai, head of the sales management department, and head of the sales management office of the sales division of Beijing Hyundai, deputy head of operation and management department (military products department)/digital safety and management department of BAIC Group and other positions.

Mr. Liu has acted as a non-executive Director of the Company since March 22, 2024.

Mr. Ye Qian (葉芊), born in September 1984, holds a master's degree in business administration. He is **currently a non-executive Director of the Company** and concurrently the person in charge of the equity investment business of Shoucheng Holdings Limited.

Mr. Ye has more than 10 years of investment management experience. Since 2007, he has served as a senior manager of Great Wall Motor Company Limited (長城汽車股份有限公司), a senior manager of the ICC Affairs Office of China Chamber of International Commerce (CCIC), a deputy representative of Hong Kong and Macao Representative Office of China Council of the Promotion of International Trade (中國國際貿易促進協會), a deputy director of the ICC Affairs Office of CCIC (presiding over the work), a deputy director of the PPP Department of Beijing Shougang Funds Co., Ltd. (北京首鋼基金有限公司), the assistant to the general manager of Beijing West Fund Management Co., Ltd., the general manager of Beijing Shouyuan New Energy Investment Management Company Limited (北京首元新能投資管理有限公司), and the deputy general manager of the standing office and the chairman of the board of directors of Beijing West Fund Management Co., Ltd., a director of Shougang Century Holdings Limited (首佳科技製造有限公司) and other positions.

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

Mr. Paul Gao (高旭), born in October 1968, holds a bachelor's degree in Accounting. He is **currently a non-executive Director of the Company** and concurrently the Chief Strategy Officer of Mercedes-Benz Group AG.

Mr. Paul Gao has over 30 years of experience in the management consulting and automotive industries. Since 1993, he has successively served as a Management Consultant and Project Manager at the PricewaterhouseCoopers (PwC) offices in San Francisco and Shanghai; the Associate, Senior Engagement Manager, Partner, Senior Partner as well as the Head of the Automotive and Assembly Practice in the Asia-Pacific Region based out of McKinsey's Shanghai and Hong Kong offices. He also participated in the founding of Qoros Automotive Co., Ltd. (觀致汽車有限公司) and served as the Chief Financial Officer.

Mr. Paul Gao has acted as a non-executive Director of the Company since March 22, 2024.

Mr. Kevin Walter Binder, born in November 1968, holds a bachelor's degree in Business Administration and Economics. He is **currently a non-executive Director of the Company** and concurrently the Chief Financial Officer of Mercedes-Benz Group China Ltd. (梅賽德斯—奔馳(中國)投資有限公司).

Mr. Kevin Walter Binder has more than 30 years of experience in the automotive industry. Since 1993, he has held various roles in the Human Resources, Corporate Office and Finance & Controlling Department of Mercedes-Benz Group AG (previously named Daimler AG). He had successively held different senior manager positions for Board Meeting Management, Revenue Controlling & Pricing, Plant Controlling and Product Controlling of Mercedes-Benz Group AG; the Chief Financial Officer of Mercedes-Benz Italy S.p.A. (梅賽德斯－奔馳意大利有限公司); Sales Controlling Director of Mercedes-Benz Cars Europe; and the Head of Finance & Controlling Mercedes-Benz Vans.

Mr. Kevin Walter Binder has acted as a non-executive Director of the Company since March 22, 2024.

Mr. Gu Tiemin (顧鐵民), born in May 1968, holds a master's degree in law, and is a senior economist and lawyer. He **currently serves as a non-executive Director of the Company** and concurrently an expatriate full-time director of Beijing State-owned Capital Operation and Management Co., Ltd. (北京國有資本運營管理有限公司), and serves as a non-executive director of BBMG Corporation (北京金隅集團股份有限公司).

Mr. Gu has more than 30 years of experience in government and corporate management. Since 1991, he has served as a section member, chief section member and deputy director of the Supervision and Guidance Division of the Legal Office of Beijing Municipal's Government (北京市人民政府法制辦), investigator and deputy director of the Legal Affairs Office of the Beijing Municipal Government's Xuanwu District, deputy director and director of the Law Department of the Beijing Foreign Trade and Economic Cooperation Commission, director of the Legal and Fair Trade Department of Beijing Municipal Bureau of Commerce, director of the Department of Circulation Order of Beijing Municipal Business Commission (北京市商務委員會), deputy general manager of Beijing Capital Agricultural Group Co., Ltd. (北京首都農業集團有限公司), deputy director, deputy secretary of the party committee, party secretary and chairman of the board of directors of the Beijing Technology Exchange and Training Center (Beijing International Technology Exchange and Cooperation Center) (北京技術交流培訓中心(北京國際技術合作中心)) and other positions.

Mr. Gu has acted as a non-executive Director of the Company since June 18, 2021.

Mr. Sun Li (孫力), born in August 1965, hold a master's degree in business administration, and is a senior economist. He is **currently a non-executive Director of the Company** and concurrently 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), a director of BEH-PROPERTY Co., Ltd. (京能置業股份有限公司) and a director of Beijing Haohua Energy Resource Co., Ltd. (北京昊華能源股份有限公司).

Mr. Sun has more than 30 years' experience in corporate 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, a 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, manager 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) and other positions.

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

Ms. Yin Yuanping (尹援平), born in March 1956, holds a bachelor's degree in economics. She is **currently an independent non-executive Director of the Company** and concurrently the vice president of the China Enterprise Confederation/China Enterprise Directors Association (中國企業聯合會／中國企業家協會).

Ms. Yin has more than 30 years of experience in enterprise management. Since 1989, she has served as a cadre at Materials Bureau of Fangshan County, Beijing, a deputy president and deputy editor-in-chief, president and editor-in-chief of the enterprise management publishing house of the China Enterprise Confederation/China Enterprise Directors Association, and vice president, executive vice president as well as secretary of the party committee and executive vice president of the China Enterprise Confederation/China Enterprise Directors Association, and president and vice president at the foundation of China Enterprise Management Science Foundation (中國企業管理科學基金會) and other positions.

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. He is **currently an independent non-executive Director of the Company** and concurrently a professor in School of Transportation Science and Engineering (交通科學與工程學院), a director of the academic committee and a doctoral tutor of Beihang University (北京航空航天大學), as well as a fellow of the China Society of Automotive Engineers, the deputy director of Automotive Advanced Powertrain Branch of the China Society of Automotive Engineers, and a standing deputy director of the National Engineering Research Center for Passenger Car Automatic Transmission. He is an independent non-executive director of Cheshi Technology Inc. (車市科技有限公司), an independent director of Zhejiang Zomax Transmission Co., Ltd. (浙江中馬傳動股份有限公司), and an independent director of Wuxi Lintai Cris New Materials Technology Co., Ltd. (無錫林泰克斯新材料科技股份有限公司).

Mr. Xu has more than 30 years of experience in automotive industry. Since 1990, he 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 Faculty 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 and other positions.

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. He is **currently an independent non-executive Director of the Company** and concurrently a deputy director of the Institute of Public Governance and director of the Crisis Management Study Center and a professor and doctoral tutor in the School of Public Administration and Policy of Renmin University of China. He is also a member of the urban safety expert group of the State Council Security Commission Office, 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), a special researcher of the National Fire and Rescue Administration, an expert consultant of the Ministry of Public Security's www.cpd.com.cn (中國警察網), 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), a director of Chinese Public Administration Society and of the China Institute of Organization Establishment and Management (中國機構編製管理研究會), an editorial board member of the press of the China Institute of Organization Establishment (《中國機構編製》), and a consultant of the press of China Fire (《中國消防》).

Mr. Tang has nearly 20 years of experience in risk management and security management, and has served as a lecturer, associate professor, professor and doctoral supervisor at the School of Public Administration of Renmin University of China since 2005.

Mr. Tang has served 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, and an associate member of Society of Chinese Accountants & Auditors and a member of the Hong Kong Business Accountants Association. He is **currently an independent non-executive Director of the Company** and concurrently serves as an independent non-executive director, the chairman of the audit committee and the chairman of the remuneration committee in First Tractor Company Limited, the director of Alpcorp Ltd., and the general manager of Genesis Consulting Company (創慧顧問諮詢公司) and Genesis Chinese Medicine Clinic (創慧中醫診所), as well as the chief lecturer of the Association of International Certified Financial Consultants.

Mr. Sit has more than 30 years of experience in auditing, finance, management accounting, personnel management, financing, company secretary 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 also worked for the following listed companies as senior management: 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.

Mr. Ji Xuehong (紀雪洪), born in January 1978, holds a doctor's degree in management. He is **currently an independent non-executive Director of the Company** and concurrently serves as a professor at the School of Economics and Management, director of the Institute of Automobile Enterprise Management and Innovation, director of the MBA Education Center of North China University of Technology (北方工業大學), a member of the Automotive Economic Development Research Branch of China Society of Automotive Engineering (中國汽車工程學會), a member of the Electric Vehicle Specialized Committee of Chinese Institute of Electronics (中國電子學會), an industry expert in high-quality development of China Taxicab and Livery Association (中國出租汽車暨汽車租賃協會), a special recruited expert of the Beijing Municipal Industrial Economy Research Center (北京市產業經濟研究中心). In addition, he is an independent non-executive director of Beijing SinoHytec Co., Ltd. (北京億華通科技股份有限公司), a board member of the Urban Transportation Branch of the China Highway & Transportation Society (中國公路學會), a jury of the CAPA Awards (鈴軒獎), a member of the Standing Committee of the CPPCC of Shijingshan District (石景山區政協), the Vice-Chairman of the Work Committee of the China Democratic League of Shijingshan District (民盟石景山區工委).

Mr. Ji has nearly 20 years of experience in corporate management and automotive industry development research. Since 2005, he has worked in the post-doctoral work station jointly established by the China Automotive Technology Research Center (中國汽車技術研究中心) and Tianjin University (天津大學), and since 2008, he has served as a lecturer, associate professor and professor at the School of Economics and Management of North China University of Technology.

Mr. Ji has acted as an independent non-executive Director of the Company since March 22, 2024.

SUPERVISORS

Mr. Zhang Ran (張然), born in October 1985, holds a master's degree in literature and **currently serves as the chairman of the Board of Supervisors and an employee representative supervisor of the Company**, as well as the deputy party secretary and the leader of the labour union of the Company. He also serves as a supervisor of BAIC Group Off-road Vehicle.

Mr. Zhang has nearly 20 years of experience in the automotive industry. Since 2008, he has successively served as various positions such as the person-in-charge of the recruitment of Beijing Hyundai, the person-in-charge of the recruitment and informatization of the human resources management department of BAIC Group, the deputy head of the human resources department of the management center and the deputy director (chair) of the expatriate management office of the Company, the head of the human resources department of the management center and the director of the expatriate management office of the Company, and the head of the organization department of the party committee/the human resources department of the Company.

Mr. Zhang has acted as an employee representative Supervisor of the Company since June 27, 2022.

Ms. Jiao Feng (焦楓), born in December 1976, holds a master's degree in public administration and is a senior auditor. She **currently serves as a non-employee representative Supervisor of the Company** and concurrently serves as the head of the audit department, an officer of the inspection office of the party committee, and the secretary of the discipline committee of the headquarters of BAIC Group.

Ms. Jiao has more than 20 years of experience in financial auditing. Since 1999, she has successively served as staff member of the Industrial and Transportation Branch of the Beijing Municipal Audit Bureau, staff member of the Economic and Trade Branch, deputy chief clerk, deputy chief of the second section and deputy chief clerk, chief clerk and deputy chief of the Comprehensive Section and chief of the General Section, a senior director and assistant minister of the audit department of BAIC Group, a deputy secretary of the party committee, secretary of the Discipline Inspection Commission and chairman of the Labour Union of BAIC Motor Industry Investment Co., Ltd., a deputy director of the Organization Department of the BAIC Group party committee, director of the audit department, and director of the Party Committee Inspection Office of BAIC Group, and other positions.

Ms. Jiao has acted as a non-employee representative Supervisor of the Company since June 26, 2023.

Ms. Zhu Yan (朱雁), born in December 1986, holds a master's degree and is a senior accountant. She **currently serves as a non-employee representative Supervisor of the Company** and concurrently the deputy head of the financial department of BAIC Group.

Ms. Zhu has more than 10 years of experience in financial auditing. Since 2009, she has successively served as a junior auditor and senior auditor of Ernst & Young Hua Ming LLP, senior specialist, supervisor and senior supervisor of financial analysis of BAIC Group.

Ms. Zhu has acted as a non-employee representative Supervisor of the Company since March 22, 2024.

Mr. Deng Yishuai (鄧懌帥), born in August 1982, holds a master's degree in financial management. He is **currently a non-employee representative Supervisor of the Company**, and the managing director of investment of funds of Beijing Shougang Funds Co., Ltd. (北京首鋼基金有限公司).

Mr. Deng has nearly 20 years of experience in financial management. Since 2007, he has served as a staff member of China Life Pension Company Limited and a staff member of Happy Life Insurance Co., Ltd. He has held various positions in the National Council for Social Security Funds (全國社會保障基金理事會), including serving as a cadre, a clerk and a chief clerk of the finance department of the fund finance division, and a chief clerk and a deputy director of the accounting department of the fund finance division, a director of the accounting department of the pension accounting division, a director of the fund allocation department of the pension management division, a director of the equity investment department of the equity assets department (the industrial investment department), and a director of the funds department of the fund finance division.

Mr. Deng has acted as a non-employee representative Supervisor of the Company since March 22, 2024.

Ms. Jiang Yumei (姜玉梅), born in November 1982, holds a master's degree in management and is **currently an employee representative Supervisor of the Company** and concurrently the deputy head (chair) of audit department of the Company.

Ms. Jiang has nearly 20 years of experience in auditing and finance management. Since 2005, she has served as an auditor of PricewaterhouseCoopers Zhong Tian LLP, Beijing Branch, senior consulting consultant of PricewaterhouseCoopers Consultancy (Shanghai) Limited, Beijing branch, a staff member of the audit department, the head of the responsibility audit department of the Company, senior manager of responsibility audit management and the deputy head of the legal and compliance department of the Company.

Ms. Jiang has acted as an employee representative Supervisor of the Company since March 19, 2024.

SENIOR MANAGEMENT AND COMPANY SECRETARY

See "DIRECTORS" of this section for the profile of **Mr. Song Wei**.

Mr. Li Deren (李德仁), born in October 1966, holds an MBA degree and is a senior accountant. He **currently serves as the vice president of the Company**, concurrently serves as the chairman of Hyundai Capital, a director of BAIC Finance, a director of BAIC Hong Kong, a supervisor of Beijing Hyundai, a supervisor of Fujian Benz, and a supervisor of Benz Sales.

Mr. Li has more than 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 (承德財經學校), the deputy chief accountant of Hebei Chengde Iron & Steel Group (承德鋼鐵集團), the financial officer of Hebei Chengde Xinxin Vanadium and Titanium Co., Ltd. (承德新新釩鈦股份有限公司), 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, and 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.

Mr. Peng Gang (彭鋼), born in July 1980, holds a master's degree in business administration. He is **currently the vice president of the Company**, the secretary of the party committee, executive director and general manager of Beijing Motor Sales Co., Ltd., executive director and general manager of BAIC Group Off-road Vehicle Sales Service Co., Ltd. (北京汽車集團越野車銷售服務有限公司).

Mr. Peng has more than 20 years of experience in marketing. He once served as the sales director of Beijing Beichen Wantong Trading Development Co., Ltd. (北京北辰萬通商貿發展有限公司), a staff member of the special store development department of the sales headquarters, the director of the Suzhou and Shanghai office, the director of the Beijing office, the director of the Beijing office and the head of the special store support department, the head of the special store support department, the head of the business supervision department, and the head of the sales promotion department of Beijing Hyundai, the deputy director of the customer relationship department, the director of the network department, the deputy general manager and the head of the off-road vehicle department, and the deputy general manager of Beijing Motor Sales Co., Ltd., and the deputy general manager of BAIC Group Off-road Vehicle Sales Service Co., Ltd.

Mr. Peng has acted as the vice president of the Company since May 18, 2022.

Mr. Ding Zuxue (丁祖學), born in November 1967, holds a bachelor's degree in engineering and is a senior engineer. He is **currently the vice president of the Company**, and the deputy general manager of BAIC Group Off-road Vehicle, also an executive Director of Beijing Beinei Engine Parts and Components Co., Ltd..

Mr. Ding has more than 30 years of experience in the automotive industry. He once acted as a technician in the scientific research department of the technology development center of China National Heavy Duty Truck Industrial Enterprise Corporation (中國重型汽車工業企業聯營公司) and the head of the trial production department and the director of the trial production department of the vehicle quality assurance institute and the head of the second vehicle inspection department of the quality supervision, inspection, identification and testing institute under the technology development center of China National Heavy Duty Truck Group Corporation (中國重型汽車集團公司). At Beiqi Foton Motor Co., Ltd., he served as the deputy director and director of the trial production and testing laboratory of the technology research institute, the assistant to the president and the head of the pilot plant and vice president of the technology research institute, and the deputy general manager, manager, and the assistant to the general manager of the quality control department. He also served as the deputy general manager of CHERY Detank Co. Ltd. (奇瑞重工股份有限公司), vice president of the vehicle research institute of BAIC Motor Corporation Limited, standing vice president of the Off-road Vehicle Technology Center of BAIC Group, deputy general manager of the off-road vehicle business department of BAIC Group.

Mr. Ding has acted as the vice president of the Company since November 18, 2022.

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

Mr. Yang has more than 20 years of experience in the automotive industry, and has served 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. Wang Jianhui (王建輝), born in August 1977, holds a master's degree in business administration. He **currently serves as the vice president, the secretary to the Board, the company secretary of the Company**, the chairman of BAIC Automobile SA, a director of Fujian Benz, a director of Benz Leasing, a director of Beijing Shougang Cold-Rolled Sheet Co., Ltd. (北京首鋼冷軋薄板有限公司).

Mr. Wang has nearly 20 years of experience in corporate governance, investment management and capital operations. He has served successively as the manager of the project management department of BAIC Investment, the director of production, the director of integrated management and the deputy general manager of Beijing BAIC Faurecia Automotive Systems 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, director of investment planning of the Company, and president of BAIC Automobile SA.

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

Mr. Zhang Zuyuan (張祖原), born in December 1976, holds a master's degree of laws, corporate lawyer, second-level corporate legal advisor, expert of National Corporate Compliance Committee of China Council for the Promotion of International Trade. He is **currently the general counsel (chief compliance officer) and head of the legal and compliance department of the Company**, and also serves as a supervisor of Beijing Motor Sales Co., Ltd., a supervisor of Powertrain, a supervisor of BAIC International, a supervisor of Beijing Hyundai Leasing, a supervisor of Shenzhen Benyuan Jinghong Fund Management Co., Ltd., and a supervisor of Shenzhen Anpeng Equity Investment Fund Management Co., Ltd..

Mr. Zhang has over 20 years of experience in legal compliance management. He has served as the secretary and deputy director of the secretariat of the Beijing Arbitration Commission, deputy director of the legal affairs department of Beijing Automotive Industry Holding Co., Ltd., and deputy director of the legal affairs department of BAIC Group.

Mr. Zhang has acted as the general counsel of the Company since May 20, 2016.

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

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 2023. This report should be read together with the section entitled "Corporate Governance Report" on pages 51 to 66 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 C2 to the Listing Rules and with reference to the "Global Reporting Initiative's Sustainability Reporting Standards" (GRI Standards) published by the Global Sustainability Standards Board (GSSB).

Financial data in this report are derived from this annual report and other data cover the Company and its subsidiaries, unless otherwise specified. All the monetary amounts in this report are denominated in Renminbi (RMB), unless otherwise specified.

ESG Reporting Principles

Materiality: The materiality of our ESG issues is determined by the Board and stakeholder communication, the process for identifying material issues and the materiality matrix are disclosed in this report.

Quantitative: The statistical criteria, methods, assumptions and/or calculation tools for the quantitative KPIs in this report, and the sources of conversion factors, are described in the explanatory notes of this report.

Balance: This report presents the Company's performance for the Reporting Period in an unbiased manner so as not to unduly influence the decisions or judgments of its readers.

Consistency: The statistical methods used to disclose information in this report are consistent.

ESG GOVERNANCE STATEMENT BY THE BOARD

The Board, as the highest decision-making body on ESG matters of the Company, attaches great importance to the Company's ESG management and performance, taking full responsibility for the Company's ESG strategy, reporting and monitoring. It is committed to integrating ESG into the Company's day-to-day management and business operations, providing guidance for the Company's overall ESG objectives and implementation plans, and ensuring that an appropriate and effective ESG risk management and internal control system is in place. The Company keeps improving its ESG governance structure and has established the Strategy Committee under the Board, which is responsible for overseeing, reviewing and making recommendations on the achievement of sustainable development goals.

This report provides information on the progress and effectiveness of the Company's ESG efforts in 2023 and will be approved by the Board prior to disclosure.

Chapter 1: Focusing on Low-carbon Transformation and Development to Cope with Climate Change

At a time when the world is actively exploring the path of low-carbon transformation in response to climate change, the Company, guided by the national goal of "carbon peak and neutrality" in China, has comprehensively analysed and formulated a plan for implementing the carbon peak and neutrality goal, established a management mechanism, built a complete set of indicators, and formed an appropriate procurement supply chain by breaking down the implementation path from perspectives such as products, market, technology, factories and supply chain. At the same time, we have actively participated in carbon trading and gradually established an internal mechanism for carbon trading, so as to explore solutions for comprehensive low-carbon transformation.

As per the development philosophy of "innovation, coordination, green, openness and sharing", the Company follows the guiding principles of "top-down coordination and multi-departmental cooperation to prioritise economic benefits and scientific carbon reduction", and takes a number of actions such as "carbon reduction in products, carbon reduction through technology, carbon reduction in manufacturing, carbon reduction in ecology, carbon reduction in supply chain and logistics, and carbon reduction in management". We strengthen all kinds of carbon reduction measures, expand investment in carbon neutrality, harmonise our corporate development with the environment and society, and endeavour to blaze a trail for sustainable development. In doing so, we strive to achieve decarbonization of products and carbon neutrality in operations by 2050.

TCFD Disclosure

The Company attaches great importance to the impact of climate change on business as well as operations. We formulate and implement a series of energy conservation and emission reduction initiatives, which have achieved tangible results. We follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to disclose information related to addressing climate change in four dimensions, that is, governance, strategy, risk management, and indicators and targets as follows:

Governance

The Board is the highest-level responsible and decision-making body for ESG matters of the Company. It monitors ESG-related matters that may affect the Company's business or operations as well as shareholders and other stakeholders' rights and interests to ensure the integration of ESG concepts with corporate strategies. The Strategy Committee under the Board is responsible for studying, overseeing, reviewing and making recommendations on significant ESG matters, risk management and achievement of relevant goals.

Strategy

The Company pays close attention to changes in domestic and international policies related to climate change, and examines and sums up the transformation and response strategies prevailing in the automotive industry. We will also adopt a multi-pronged approach to launch energy-saving and carbon reduction initiatives in the production, use and recycling of vehicles so as to promote further reduction of carbon emissions. We will start mapping carbon emissions at all stages of raw materials, production, processing and use, and gradually realise the management of the carbon footprint of automotive products.

Carbon reduction in production	Carbon reduction in use	Carbon reduction in recycling
• In terms of green production, we are actively reducing energy consumption by improving our energy consumption management system, upgrading and renovating equipment, etc.; • In terms of green office, we are actively promoting water and electricity conservation among all staff members and running a paperless office.	• Through technological innovation, the engine thermal efficiency will further increase; • In the area of hybridisation, we will implement a two-motor hybrid system and an extended range hybrid system to save fuel; • For the electric drive system, the integrated efficiency will be further improved through technologies such as silicon carbide MOS, break-away speed reducer and flat wire oil cooling.	• Selecting green and environmentally-friendly raw materials to further increase the proportion of using green materials; • Improving the overall utilisation rate of resources, standardised recycling rate and utilisation rate of key recycled materials, and reducing resource waste through recycling.

Risk Management

The Company has established a comprehensive risk management framework and related risk management policies, which cover climate change-related risks. In accordance with this risk management framework, the management formulates risk management policies and internal control processes to identify, assess and manage risks. These policies and processes are implemented by business departments in their daily operations and material risks identified are reported to the management on a regular basis.

According to the classification of the TCFD, there are two main types of risk associated with climate change: physical risks due to extreme weather events or rising temperatures; and transition risks due to market, regulatory and policy changes in response to climate change.

Identification and Assessment of Climate Change Risks and Opportunities

Climate-related risks	Risk category	Potential impact	Countermeasures
Transition risk	Policy and regulatory risks	The market has become increasingly aware of the risks posed by climate change and is pushing the implementation of climate change-related regulatory and disclosure requirements. The Company needs to meet additional compliance requirements to develop its global business, which include the EU's Carbon Border Adjustment Mechanism (CBAM), the new EU New Battery Regulation, and the EU's Corporate Sustainability Reporting Directive (CSRD). Changes in policies and regulations may bring negative effects such as business loss or business closure.	The Company will actively keep abreast of policy changes and track the developments in domestic and overseas laws and regulations, which will be incorporated into its long-term plan in a timely manner.
	Market risk	Climate change causes uncertainty in market supply and demand, leading to fluctuations in receivables. The scarcity of non-renewable resources including energy is expected to increase the uncertainty of product costs and selling prices, and the electric vehicle industry may face market acceptance and consumer choice risks in the medium to long term.	The Company will strengthen efforts on low-carbon production and products, and actively develop and utilise clean energy.
	Reputational risk	In the context of the "carbon peak and neutrality" policy, the Company's reputation may be damaged if it fails to take proactive and effective climate actions and disclose information in a timely manner to respond to the needs of external stakeholders.	It will actively respond to the government's call to build itself into a resource-saving and environmentally-friendly enterprise, continuously improve its low-carbon performance, reduce emissions of pollutants, and protect the ecology and the environment to the greatest extent.

Climate-related risks	Risk category	Potential impact	Countermeasures
Physical risk	Acute risk	The occurrence of extreme weather, such as floods and typhoons, causes damage to assets, loss of personnel, interruption of business activities, etc.	The Company will actively cope with the risks arising from climate change and invest more resources in the analysis and identification of related risks to prevent and tackle them. Emergency plans will be laid down to strengthen the investigation into potential hazards. Efforts will be made to eliminate or minimise the impact of such risks on the Company.
	Chronic risk	Disruption of normal operations or increased operating costs due to rising temperatures.	

Opportunities

While exposing the Company to the aforementioned transition risks and physical risks, climate change also creates more opportunities and room for development. Under its pressure, the Company vigorously develops low-carbon and climate change-resilient products and industry chains. This will push the Company to make more attempts and innovations in its products and businesses.

Committed to the concept of green and low-carbon development, the Company actively implements a number of energy-saving and emission reduction projects. We have built distributed photovoltaic (PV) power generation projects in BAIC Guangzhou, Zhuzhou Branch and Powertrain, thus minimising carbon emissions from the production process.

At the same time, the Company is actively exploring ways to make low-carbon products. On the one hand, we comprehensively promote the transition to new energy, accelerate the iteration of new energy vehicle (NEV) products, and create a diversified product matrix, to become more competitive in the market. On the other hand, we actively take energy conservation and emission reduction initiatives, such as reducing the carbon footprints of products and building green factories, which will enable us to open up a path to high-quality and sustainable development.

Indicators and Targets

The Company attaches great importance and actively responds to the "carbon peak and neutrality" goal proposed by the State. In terms of policy formulation, we will implement low-carbon management through four types of measures, that is, accounting standards, public notification system, incentives and disincentives. With respect to manufacturing, we will seek to reduce carbon emissions throughout the whole life cycle of vehicles through vehicle electrification, alternative fuel use, material efficiency improvement, etc. The Company will take a series of initiatives to make its production and manufacturing energy-efficient and low-carbon at a faster pace, advance green energy substitution, and further reduce its carbon emissions.

Carbon Reduction Initiatives

With the goal of low-carbon transformation, the Company has formulated measures to reduce emissions from its own operations, supply chains, and products, thus continuing to practice the concept of high-quality and sustainable development.

In terms of emissions reduction from its own operations, the Company has implemented energy conservation and emissions reduction technologies to optimise factory operations, improve energy efficiency and reduce energy consumption. We have built distributed PV power generation systems to enhance the utilization rate of clean energy.

Case: Solar PV power generation

The Company has actively moved towards a low-carbon energy mix, by increasing the proportion of green and recyclable energy used and undertaking distributed PV power generation projects. It realized a new installed solar capacity of 17.4MW in 2023 and generated electricity of approximately 71,998,300kWh, which reduced approximately 43,486.96 tonnes of carbon dioxide emissions.

The distributed PV power generation project installed at the parking lot of Yangzhen Plant, Beijing Hyundai allowed the plant to use self-generated green electricity for reducing its indirect carbon emissions by about 20,633 tonnes a year.

Case: Fujian Benz green factory

To practice the concept of sustainable development, Fujian Benz worked to build itself into a green factory, which has been consuming 100% green electricity from February 2023, was certified as a national-level green factory in March 2023, and made its way to the List of Green Manufacturers assembled by the General Office of the Ministry of Industry and Information Technology of China (MIIT).

Case: Motor efficiency inspection planning

The Company consolidated the energy use management following the "energy efficiency first" principle to enhance the energy efficiency of key energy-using equipment constantly. With reference to the national standard "Minimum Allowable Values of Energy Efficiency and Values of Efficiency Grades for Motors" (GB 18613-2020), we sorted out the energy efficiency of electric motors currently used by Zhuzhou Branch, BAIC Guangzhou, and other bases, and also formulated a plan for upgrading or replacing inefficient and energy-intensive motors.

In terms of supply chain emission reduction, the Company works with a wide range of partners to raise basic awareness of climate change, refine carbon emission data management, and jointly formulate and implement emission reduction measures (details can be seen in Section 2.4 Sustainable Supply Chain).

With respect to low-carbon products, the Company is committed to green development, emphasises technological improvements and innovations during the transition to a low-carbon and energy-saving economic system, and incorporates the concept of environmental protection into the product design and R&D process. Active in the R&D of green technologies, we apply clean, lightweight and other technologies that help reduce carbon emissions, in order to continuously improve power systems and fuel efficiency, a prerequisite for reducing driving emissions and mitigating the impact of vehicles on the environment.

As people are increasingly aware of the risks associated with climate change, the market share of NEVs is gradually increasing. In the face of market risks, the Company has continued to enrich its NEV matrix and accelerated the construction of its NEV platform, with annual NEV sales of 102,000 units, representing a year-on-year increase of 49.1% and a market share of 9.7%.

Promoting Low-carbon Development in the Industry

The Company continues to explore the low-carbon transition of the automotive industry, and takes up obligations and responsibilities to address climate change by participating in the development of a "carbon peak and neutrality" standard for the automotive industry. We have been involved in drafting standards such as the "Technical Specification for Life Cycle Carbon Accounting for Passenger Cars" and the "Life Cycle Carbon Emission Allowance for Passenger Cars", in a bid to promote the sustainable development of the industry.

Chapter 2: Comprehensively Expanding International Business to Facilitate Global Sustainable Development

The Company has formulated the "Internationalisation" strategy and the "Capacity Going Global" strategy to seize every possible opportunity, develop international business, reach out to more stakeholders, and provide diversified products for the international market, in the hopes of continuously accelerating the internationalisation process.

Actively Carrying out International Exchange

The Company actively carries out a series of exchange activities with global partners to enhance mutual trust, build consensus, and expand cooperation. Overseas partners were invited to visit China during the Auto Shanghai, and there were 148 visitors from 41 countries. The number of contracted regional partners increased by more than 5%, and the number of new interested partners increased by 35% year-on-year.

At the same time, the Company has organised a number of exchanges and promotions targeted at a wide range of partners in Beijing, the Americas, the Middle East and Eastern Europe, among other places, to cement its business partnerships, spread its corporate culture and commitment to sustainable development, introduce its future development plans, and enhance its product influence.

Case: Strengthening competence training for overseas dealers

In 2023, BAIC Motor organised a series of sales and after-sales service training programmes for dealers in Beijing, Central and South America and the Middle East. The countries in which these training programmes were provided included Chile, Peru, Ecuador, Mexico, Kuwait and the United Arab Emirates (UAE), and the training courses covered the introduction to best-selling models, sales process and skills, after-sales technical training, etc., to enhance the global brand image and customer service value of BAIC Motor comprehensively.

Launching Regional Marketing Campaigns to Exert Great Public Impact

Driven by the trend of internationalisation, the Company has formulated overseas marketing strategies along with a set of marketing initiatives such as business policies, service training and opening of new outlets to carry out integrated marketing activities with local characteristics. There formed communication momentum, thus helping the Company enhance its visibility in overseas markets and win the trust and favour of local consumers.

Case: Marketing BJ60 in the Arabic-speaking countries

On December 15, 2023, BAIC Motor celebrated the market launch of BJ60, a flagship model of the off-roader family, in Dubai, the UAE, which enhanced the brand reputation and prestige of Chinese automobiles in the UAE market and the Gulf region, and played a positive role in China-Arab economic and cultural exchanges. Besides, a signing ceremony for other Middle East dealerships was held at the event site, marking that BAIC Motor successfully ventured into new overseas markets.

Following the launch of BJ60 in the UAE, markets like Kuwait, Saudi Arabia and Qatar will sequentially host launch events. Meanwhile, BAIC Motor has held a number of massive launch events for its flagship models, such as Magic Cube and X7, in the Spanish-speaking countries.

Accelerating International Branding Upgrade

Driven by the trends of demand updating and iteration in the international market, the Company enters into higher-end markets through higher-standard products to upgrade and reshape the brand of BAIC Motor and enhance its business capacity and brand premium, thus exploring the higher product standards, compliance standards and service standards.

In 2023, the Company made an official appearance in the Polish market with three products, that is, X35, Magic Cube and the new X7, and held a BAIC brand/new car launch event in the capital city of Warsaw, which gained attention and recognition of local consumers. This represents that the Company has taken another step forward in the European market following its debut in Germany.

Contributing to the Achievement of the Global Sustainable Development Goals

While expanding its overseas markets, the Company pays close attention to the demands of local stakeholders. As per the development philosophy of "innovation, coordination, green, openness and sharing", we play our due role in the supply chain to drive the comprehensive development of local markets and communities, a move that would contribute to the realisation of the global sustainable development goals.

Case: BAIC Automobile SA's plant contributed to local environmental and social development upon completion

In 2023, BAIC Automobile SA finished its plant construction as per the guiding principles of "perfect engineering construction, steady marketing, comprehensively improved operation, and win-win cooperation". The plant integrates three major processes of welding, coating, and assembly, possesses the completely knocked down (CKD) production capacity, and is qualified for the production of passenger cars and commercial vehicles. It has gradually transitioned from the construction phase to the operation phase.

To drive the development of the local market and community, BAIC Automobile SA maximised its cooperation with local companies for materials procurement, employee hiring, equipment leasing, construction, equipment installation and other matters during the construction of the plant. Therefore, it exceeded the 85% local content target, created more than 3,000 jobs, and benefited over 150 enterprises. With the official operation of the plant, the localised procurement will be gradually increased to further boost the local economy and employment.

Since its establishment, BAIC Automobile SA has been actively involved in local public welfare initiatives, such as donating wheelchairs to the local disabled community, donating school supplies to underprivileged children, and paying consolatory visits to employees in need and their families, so as to fulfil its corporate social responsibilities (CSRs).

1. ESG GOVERNANCE

1.1 ESG Strategy and Governance Structure

ESG Strategy

The Company follows the development philosophy of "innovation, coordination, green, openness, and sharing", sets the goal of "pursuing higher-quality, more efficient, fairer, more sustainable and safer development", and upholds the core values of "customer-centredness, craftsmanship, hard work and operation transition", to "become a respected leader in the automotive industry".

In terms of environmental protection, the Company focuses on reducing the carbon footprint of automotive production and enhancing energy efficiency, reducing pollution through the adoption of new technologies and renewable energy sources, and improving overall environmental management to spot new green opportunities continuously. With respect to social responsibility, the Company is committed to providing a safe working environment, enhancing employee well-being and talent development, and supporting the development of local communities, in a bid to ensure that the entire chain of R&D, production, supply and marketing meets social responsibility standards. On the front of corporate governance, the Company advances a professional, standardised and transparent governance mechanism and strengthens an internal control and risk management system with a view to building a good corporate reputation.

The Company will always adhere to the principles of "creating a bright future with users", "achieving win-win outcomes with partners", "growing together with young people", and "resonating with the times", and keep practising ESG development concepts to forge ahead toward high-quality and sustainable development.

ESG Governance Structure

The Company always attaches great importance to ESG development, actively fulfils its ESG responsibilities, and endeavours to achieve the unity of social and economic benefits. We strictly follow the ESG guidelines, integrate ESG management into our management and decision-making processes, establish an ESG governance structure based on our development objectives and actual conditions, and lead, decide and implement relevant work to move towards the goal of high-quality and sustainable development.

As the highest responsible and decision-making body for ESG matters of the Company, the Board takes full responsibility for the Company's ESG strategy, performance and reporting.

The Strategy Committee under the Board studies and makes recommendations on the ESG strategy, policies and matters, reviews and submits ESG-related reports of the Company to the Board, and ensures that the Company's stance and performance in relation to global ESG issues are in line with the times and international standards. Directors and Supervisors of the Company are entitled to make comments and suggestions on the Company's fulfilment of its ESG duties.

An ESG working group under the Strategy Committee gets specific ESG work done properly, continuously improves a set of ESG indicators applicable to the Company, defines the responsible departments and the ESG information reporting process to ensure timely, efficient and high-quality disclosure of ESG information, and makes reports to the Board on a regular basis.

Board of Directors	Strategy Committee under the Board	ESG Working Group
The top decision-making body of the Group in terms of ESG	Overseeing, studying and making recommendations on ESG matters, and reviewing and submitting ESG -related reports of the Company to the Board	Getting specific work done and regularly reporting on ESG performance according to responsibilities of departments

1.2 Stakeholders

Stakeholder Communication

Stakeholder	Communication mechanism	Stakeholders' appeals	Response of the Group
Government and regulators	Policies and guidelines Daily communication	Driving economic development Tax compliance Tax payment according to law Creation of job opportunities Reducing energy consumption and carbon emissions Coping with climate change	Active response to national strategies Good operation Compliant operation Creation of jobs Raising environmental awareness Energy saving technical upgrades Strengthening the construction of safety and environmental systems Green operation
Investors and shareholders	General meeting of shareholders Daily communication of the Board	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's 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 Labour Union Employee Representative Congress President's communication meeting Bulletin	Sound remuneration and welfare system Smooth career development path Comfortable working environment	Safeguarding of legitimate rights and interests of employees Continuous reinforcement of safety and health management Diverse training Staff care activities

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 Supply chain environmental and social risk management	Improvement in supplier management Strengthening of internal procurement management Conducting supplier training Preferred environmental protection products and services
Dealers	Sales activities Training and exchange Business guidance	Model supply Business help	Strengthening of instruction and helping dealers in sales activities Sharing of market information Conducting dealer training
Public, media and community	Information disclosure of media Philanthropic events Understanding community needs Development of an action plan	Open, transparent information disclosure Comprehensive, effective performance of corporate citizen responsibilities Common community development Harmonious community relations	Timely and objective information disclosure Supporting for development of sports Participation in volunteer activities Earnest efforts for public welfare

Substantive Issue Management

The Company endeavours to maintaining good communication with stakeholders. We have established an efficient feedback mechanism to hear and understand the views and expectations of various stakeholders on us, so as to enhance our ESG performance in a targeted manner and respond to the needs of various parties effectively. Following the ESG guiding principles and making reference to the internationally prevailing ESG initiatives and standards and the general ESG issues of concern to the industry, we have identified and screened ESG issues relevant to the Company through different forms of communication and exchanges with various stakeholders and formed a matrix of material issues for the Group as the basis for managing and disclosing ESG information.

Identification Process of Substantive Issues

Stakeholder Identification

The Company identifies stakeholders who have decision-making power and influence over the Company based on its scope of business and the nature of its production operations.

Issue Identification

Based on the analysis of industry dynamics, competitive landscape and corporate sustainability strategies, with reference to regulatory disclosure requirements, international reporting disclosure standards, industry policies and development trends, and capital market rating priorities, the Company conducted interviews and surveys to understand the aspirations of various stakeholders and identified 33 substantive issues that may directly or indirectly affect its business.

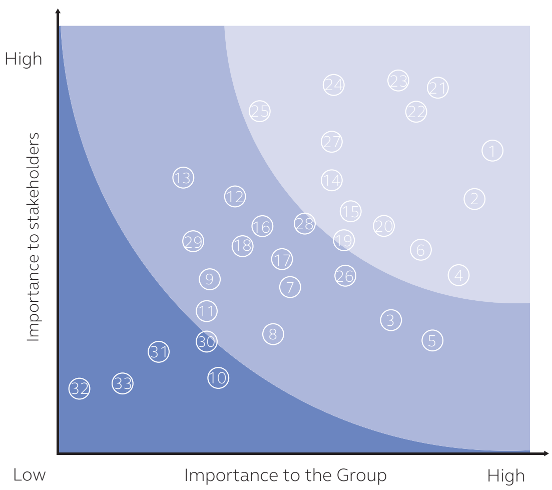
Assessment of Issues

A questionnaire survey was conducted to understand the importance of the issues of concern to each stakeholder, and a matrix of material issues was derived through ranking and preliminary assessment.

Analysis and Validation of Issues

The substantive issues evaluated and ranked were finalised and a matrix of substantive issues was developed and used as the basis for optimising operational management and preparing this report.

Matrix of ESG Core Substantive Issues for 2023



1. Good operating results
2. Compliance operation
3. ESG management strcture and communication mechanisms
4. Risk management
5. ESG incentive policy
6. Anti-corruption and anti-bribery
7. Energy and resource management
8. Pollutant and waste management
9. Setting up carbon emissions targets
10. Coping with climate change
11. Driving emission reduction along the value
12. Green technology and products
13. Marking products more eco-friendly
14. Equity procurement
15. Supplier management
16. Supply chain cooperation and co-building
17. Supplier chain-related environmental and social risk management
18. Sourcing green products and services
19. Dealer management
20. Driving industry development
21. Product quality and safety
22. Production safety
23. Product innovation and R&D
24. Customer service quality
25. Customer rights and interests protection
26. Equal employment
27. Occupational health and safety
28. Protecting rights and interest of employees
29. Employee training and development
30. Employee care and assistance
31. Public welfare and charity
32. Employee volunteer activities
33. Supporting rural revitalisation

1.3 Compliance Operation

Anti-corruption

The Company and its employees carry out their work in strict compliance with the pertinent laws and regulations in China, 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 "Code of Integrity and Self-discipline of the Communist Party of China", and the "Regulations Concerning Letters and Calls". Meanwhile, we have established and implemented a number of in-house rules and policies, such as the "Measures for Implementing the Party Conduct and Clean Governance Responsibility System", the "Provisions on the Party Committee Taking the Lead in Implementing the Main Responsibility for the Full and Rigorous Party Self-governance", the "Measures for Implementing the Main Responsibility of the Party Committee and the Supervisory Responsibility of the Discipline Inspection Commission for Full and Rigorous Party Self-governance", the "Code of Conduct" and the "Compliance Reporting Management Measures". Besides, we resolutely eradicate any kind of illegal acts such as bribery and fraud through establishing an anti-corruption mechanism, carrying out anti-corruption education and smoothing whistle-blowing channels. During the Reporting Period, the Company had not involved in any lawsuits arising from the violation of anti-corruption and other laws and regulations in the places of operation.

Smoothing Whistle-blowing Channels

There are many whistle-blowing channels at the Company, such as complaint email address, tip-off hotline, complaint box, letter and visit, and leader phone number and email address receiving complaints. During the inspection of reported cases, the "Interim Measures of BAIC Motor Corporation Limited on Real-name Whistle-blowing" and other relevant rules will be strictly implemented to protect the rights, interests and safety of whistleblowers.

Anti-corruption Assessment and Training

The Company takes integrity as an important factor considered in the appointment and appraisal of managerial personnel to exercise efficient control. During the Reporting Period, 17 pre-appointment integrity examinations were conducted for 32 newly promoted executives.

The Company organises integrity education training sessions related to duty performance to standardise the duty performance of staff and enhance their awareness of integrity. Below are key performance indicators (KPIs) of the Company in terms of anti-corruption training during the Reporting Period:

Indicator	Unit	2023
Total number of anti-corruption training sessions	No.	21
Number of anti-corruption training sessions for employees	No.	20
Number of anti-corruption training sessions for directors	No.	1
Total number of participants in anti-corruption training sessions	Participants	3,535
Number of employees participating in anti-corruption training sessions	Participants	3,533
Number of directors participating in anti-corruption training sessions	Participants	2
Total hours of anti-corruption training sessions	Hours	3,733
Training hours per person of anti-corruption training sessions	Hours/participant	1.05

Conducting Integrity Activities

Building a culture of integrity	The Company creates a clean working environment in which everyone thinks, talks, and acts with good faith. An online exhibition of works on the culture of integrity was held to solicit 146 pieces of themed works from the primary-level and frontline staff. Meanwhile, an area of integrity promotion was set up to host more than 10 cultural activities in the forms of reading club, mini-theatre, home visit, etc.; We organised quizzes on integrity knowledge and conducted training courses on erecting a line of defence for integrity and promoting integrity awareness among primary-level staff members.
Warning education activities at important time points	A warning education conference was convened to cite typical cases as deterrents for employees; We released seven long images of integrity tips for executives before major holidays and festivals as well as eight notifications of typical cases against the eight-point decision on improving conduct, to release a strong signal of strict governance.
Routine integrity education	To routinise anti-corruption efforts, we have regularly produced and distributed more than 40 warning education films in different series so as to ensure the long-term effectiveness of the warning education mechanism.
Field visits	Discipline inspection commissions at all levels paid field visits to various education bases and attended court hearings on cases concerning job-related crimes, which would provide an effective deterrent for attendees.

2. PRODUCT RESPONSIBILITY

2.1 Strengthening Quality Control

The Company has always regarded quality and service as the foundation of its development, and it is dedicated to building a meticulous, sound quality control and assurance system. Oriented to transformation, development, reform and innovation, the quality system focuses on improving product quality to provide excellent products and services that can meet customer expectations continuously.

Case: Beijing Benz won the Quality Control Award from Beijing Municipal People's Government

In October 2023, Beijing Benz won the Quality Control Award from the Beijing Municipal People's Government, one of the highest quality awards in the city, by virtue of its management excellence in six areas, namely, green supply chain, talent development, equipment and facility management, process implementation effectiveness, cost reduction and efficiency enhancement, and all-employee engagement in innovation. This award not just highly recognised the management effectiveness of Beijing Benz, but also represented another milestone it reached in the pursuit of high-quality development.

Product Quality Assurance

With the goal of "having robust systems and successful products", the Company works to improve product quality on all fronts and ensures that the main models reach quality indicators in the market effectively.

As to the quality of new products, the Company revised the "Product Development Quality Gate Process of BAIC Motor", optimised the software quality control system, quantified the software maturity indicators, and improved the product quality of overseas new car projects. During the Reporting Period, we completed 35 new car quality projects and led 13 new car projects. Focusing on four major areas, that is, design quality, parts quality, process quality and vehicle quality, we continued to enhance quality control capabilities as per the principle of "physical quality under control".

For the quality of mass-produced products, the management of the Company attaches great importance to quality improvement. It coordinates efforts to solve significant quality issues concerning main models properly and quickly. To adapt to the shift away from fossil fuels and towards new energy sources in the automotive industry, the Company has purchased and installed the quality inspection equipment for NEV parts and vehicles to improve the quality inspection capabilities for NEV products. Meanwhile, production bases have taken the initiative to enhance their quality assurance capabilities in the production process. For instance, BAIC Guangzhou independently developed intelligent testing and remote diagnostic equipment to enhance process control and market response efficiency.

Quality Management System

In 2023, under the guidance of the quality policy of "making high-quality vehicles, exceeding customer expectations; leading in quality, continuous creation of value", and in strict compliance with the pertinent 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 "Quality Management Systems: Requirements (GB/T19001-2016/ISO9001:2015)", and a number of in-house documents such as the "Quality Manual", the Company constantly identified opportunities for improving the quality system through internal audits, stratified audits, special audits and quantitative evaluations of the quality system to avoid process risks, improve process performance and the capabilities of the quality system, and enhance the full-process quality management system, thus providing strong support for quality control activities.

Getting certified by the quality management system	The Company maintains the ISO9001 quality control system certification and continuously maturates its quality control system. During the Reporting Period, two quality control system re-certification audits were organised, with the maturity level increased by 10% year-on-year. By specifying owners of processes and their responsibilities, refining the import and export of processes as well as controlling process performance, the Company established sound management standards for 9 management processes (MP), 11 customer-oriented processes (COP) and 14 support processes (SP). Following the "Guiding Opinions on Further Strengthening the Construction of a Safety System for NEV Enterprises" and taking into account the current situation of the Company, a special working group was recruited to promote the formation of such a safety system and issued the "Management Manual for the NEV Product Safety System of BAIC Motor". With regard to the construction of a quality system suitable for the international market, the Company initially built a quality system suitable for the international market and gradually enhanced the service capacity of the system, which effectively boosted the sales volume in the international market. Meanwhile, it established a quality information system for the international market, ensuring the "timely, accurate and comprehensive" feedback from the international market.

Continuing quality management standardisation	The quality control standards were upgraded by revising 36 relevant documents such as the "Product Development Quality Gate Process of BAIC Motor". These standards provided an institutional basis for quality cultivation and control activities throughout the process from data assessment, re-development prevention and proposal assessment at the project development stage, to physical quality assurance process and deliverables at the product and production maturity stage.
Optimising quality and cost management	On the basis of safeguarding the quality of products, with the idea of "promoting continuous optimisation of the quality and cost system, strengthening data accumulation and analysis, and realising PDCA management (budgeting + accounting + analysis + improvement)", the Company improved the comprehensive quality and cost management system, coordinated and took into account both quality and cost requirements, and promoted the continuous quality and cost management covering all employees, the whole process and the entire value chain.
Improving quality management capabilities	With respect to the improvement of system management capability, the Company carried out quantitative evaluations and self-assessments of quality maturity, and combined with on-site counselling on process issues to enhance the self-improvement capability of the process. All measures for quality control improvement were implemented effectively. The "Quality Manual" was comprehensively revised to examine process identification checklists, process sequence diagrams, process relationship matrix, quality system process analysis and risk management by taking into account the evolution and integration of the organisational structure. During the Reporting Period, the Company revised or improved 291 relevant processes and documents.

The Company strictly follows the requirements of the "Regulation on the Recall of Defective Vehicle Products" and the "Implementation Measures of the Regulation on the Recall of Defective Vehicle Products" and files all defective vehicle products with the State Administration of Market Supervision. Vehicles covered by the recall will be upgraded with a free programme or replaced with improved parts free of charge to eliminate safety hazards. During the recall period, the users concerned will be notified by registered mail, telephone and SMS, or they can call our service hotline 400-810-8100 (24 hours a day, Monday to Sunday) for inquiries.

Indicator	Unit	2023
Percentage of the total number of products sold or shipped that have to be recalled for safety and health reasons	(%)	0

Quality Assurance Management

New Car Quality Control

In terms of quality problem identification and consistency verification, the Company has fully integrated the business processes of vehicle review, testing and regulatory compliance management, revised relevant standards, and ensured the whole-process participation of new and mass-produced cars through the prescribed procedures to identify and verify every possible problem, a prerequisite for effectively ensuring the quality of both new cars and whole vehicles.

Parts Quality Control

With respect to the development of relevant systems, the Company highlights the physical quality control of parts and components, manages quality risks associated with parts and components systematically, and focuses its efforts on software development and quality control over parts and components of battery, motor and electric control systems. As to software, we have initially established a software quality control system, optimised the "Quality Control Procedures for New Product Projects of BAIC Motor" by adding the content of software quality control activities, and worked to build independent testing capabilities. From four dimensions, that is, capacity building, enhanced prevention, risk management & control, and process re-engineering, we have made full use of the existing suppliers and R&D resources to develop training courses necessary for realising further quality control over battery, motor and electric control systems combined with the new project development process.

Case: Establishing a production assembly instruction error prevention system to improve the efficiency of parts quality control

The Company utilises a combination of hardware and software, including portable scanner guns, Bluetooth gateways, and automatic queuing calculations, to achieve precise assembly and error instruction on a unit-by-unit basis. This system guides workers in accurately executing parts assembly operations by offering error prevention tips during the installation of critical components. Additionally, it collects information on key vehicle parts for associated binding, providing robust support for quality traceability. The system effectively eliminates more than 80% of quality problems including incorrect installations and omissions, with an accurate traceability system, which can promptly identify defective vehicles, improving efficiency by more than 200%. The system has been selected as one of the outstanding intelligent manufacturing scenes in 2023 jointly announced by the Ministry of Industry and Information Technology and other five ministries and commissions.

Manufacturing Quality Management

The Company pursues an approach to front-end process quality control, specialised process auditing and systemic product auditing. We have revised the "Manufacturing Process Quality Control Measures of BAIC Motor" by adding the content of process auditing requirements to optimise or improve the manufacturing quality control system constantly.

Monitoring Market Satisfaction

Closely tracking major complaints and feedback on product quality, the Company fully identifies market complaints, moves fast to tackle the exposed problems, and eliminates relevant risks in a timely manner.

The Company closely follows five mainstream consumer complaints websites, that is, www.qiche365.org.cn, www.aqsiqauto.com, m12365auto.com, www.recall.org.cn, and china.com.cn, to identify key issues about it and advance project control. Thanks to front-end quality control, the number of complaints received by the Company has decreased for two consecutive years, and the consumer satisfaction with its products has been improved year by year.

Quality Assurance Training

To enhance product quality assurance and create a good quality culture, the Company actively organises training related to the quality system, quality basics and automotive expertise. Through online and offline training activities, all employees could enhance their quality awareness, and supplement their knowledge about quality control and automotive expertise, thus capable of providing higher-quality products for customers.

<table>
<tr><td>Offline Training</td><td>A total of 17 internal and external training sessions on quality were organised during the Reporting Period to help attendees enhance quality control capabilities and quality awareness:

• Quality awareness enhancement training courses: “Quality Leadership”, “Service Quality Improvement”, and “Digital Transformation of Quality Management”

• Training courses on quality systems and standards: “IATF16949 Standard Understanding and Analysis” and “ASPICE Standard”

• Automotive expertise training courses: “Electric Drive System Technologies for NEVs”, “NEV Power System”, “Electronic Power Unit for EVs”, and “Use of Whole Vehicle Message Analysis Software”

• Training courses on quality control tools: APQP, PPAP, MSA and FMEA

Using the existing suppliers and R&D resources within the Company and beyond, we organised or participated in 3 training and exchange sessions and 3 physical disassembly activities to help attendees gain professional knowledge related to parts and components of battery, motor and electric control systems.</td></tr>
<tr><td>Online Learning</td><td>In addition to buying online courses from quality training agencies, the Company organised 12 online training courses of all sorts such as “IATF16949:2016 Standard Understanding and Analysis”, “How to Become a Qualified Quality Inspector”, “VDA6.3:2016 Process Audits” and “VDA6.5 Product Audits” so as to create a new learning platform for its employees.</td></tr>
</table>

Product Safety Guarantee

The Company continues to create a high-quality vehicle experience by conducting whole-value-chain quality assurance activities such as quality evaluation and functional inspection of all elements of physical vehicles. To improve customer experience, we carry out simulated vehicle user tests, comprehensive test drives, automotive high-temperature, plateau and cold tests, etc., to spot and solve problems as far as possible. Meanwhile, joint whole vehicle audits are organised prior to delivery to ensure the safety of vehicles delivered to customers. Efforts are made to enhance the intelligence and safety of vehicles, thus improving the quality of products delivered and safety in use.

Case: 5-star safety certification helps put customer safety first

In 2023, the brand-new BJ40 was awarded a 5-star rating by the China New Car Assessment Program (C-NCAP), which recognised the safety of the Company's products. C-NCAP is an all-round safety test for samples of new cars on the market conducted by the China Automotive Testing and Assessment Centre (CATAC), a third-party organisation.

According to the specific body structure and performance of off-road vehicles, the Company has implemented the whole vehicle audits and tests in a targeted way, revised the audit and test standards for new vehicles by adding new auditing guidelines related to 4WD and off-road vehicles, and carried out relevant audits, tests and consistency verification as per the applicable standards. Meanwhile, we have intensified the audits of vehicles in off-road and 4WD modes to ensure driving safety, and enhanced the test application of the Off Road APP for special audits to ensure the safe application of intelligent technologies.

2.2 R&D of Innovative Technologies

Scientific and technological innovation (STI) is the core driving force for development. The Company is actively involved in the R&D of innovative technologies. We conduct in-depth discussions with peers on technology development trends by participating in industry activities, conferences and standard formulation. We continue to seek technical advancement and upgrading, look for development opportunities, and provide customers with higher-quality products in the hopes of boosting industry development and technology application.

Creating an innovative atmosphere	We have formulated the "Management Measures for Government-backed Science and Technology Projects of BAIC Motor Research Institute", the "Management Measures for Government-backed Science and Technology Project Funds of BAIC Motor Research Institute" and the "Management Measures for Intellectual Property Rights of BAIC Motor Research Institute" to create a relaxed environment for scientific and technological R&D, encourage research personnel to participate in STI activities, and give scientific and technological personnel more authority to manage projects and use funds, with a view to producing more considerable research results and turning them into industrial application.
Strengthening multi-party cooperation	We have further teamed up with Huawei and other companies to create intelligent products connected to the Internet. Focused on the future development of smart Internet of Things (smart IoT) technology, we have accelerated the industrial application of technological results, which include establishing the Internet product development and management mode, building the EEA2.0 upgraded platform, and improving the whole vehicle safety function development system.
Technological innovation research	The Company partnered with Beijing Institute of Technology to carry out research in the fields of smart manufacturing, such as augmented reality (AR) technology-aided process planning, verification and analysis.
Undertaking innovative research projects of the State	To meet the needs for hybrid electric vehicles arising from the energy conservation strategy for the medium and long term and the NEV industry development plan of the State, Powertrain, a subsidiary of the Company, together with Chery Automobile Co., Ltd. and China Automotive Technology and Research Center Co., Ltd, applied for the project "Hybrid Engine Development" as a new energy project under the National Key R&D Programme in conjunction with a number of universities and vehicle manufacturers. Of the project, two parts called "Development of Key Core Parts for Hybrid Special Engines" and "Complete Design and Integrated Development of Hybrid Engines" were sponsored by Powertrain to focus on researching and developing key parts and core technologies of hybrid engines in complete design and integrated development, such as variable value timing (VVT), exhaust gas recirculation (EGR), low-power accessories, exhaust purification, structural optimisation, and intelligent thermal management system.

Case: A156T2H hybrid engine was certified as the "Quiet Motor with AAA Rating"

The "Magic Core" power platform has an ambitious goal of creating the industry-leading and world-class quiet motors. The development team used 21 critical technologies in four categories, that is, vibration/noise excitation source control, active vibration damping/acoustic isolation, structural optimisation, and noise suppression of key parts and exercised fine and precise control over more than 300 key elements in the R&D process of the A156T2H hybrid engine. The product received the AAA rating in the 2023 annual certification of quiet motors organised by CATARC Huacheng Certification (Tianjin) Co., Ltd., becoming one of the first domestic engines to win this honour.

Case: Winning the Special Award for Automotive Industry Innovation at the 17th Beijing Invention and Innovation Competition

The Company drives the shift towards hybrid vehicles with innovation awareness. To address the problem of heat damage on the exhaust side of the hybrid engine, the R&D team applied the TRIZ theory to propose a heat radiation suppression device, which could avoid the risk of heat damage and has been successfully applied to mass-produced models. The structure has been authorised as an invention patent, has been promoted by the Beijing Federation of Trade Unions as an employee invention patent, and won the Special Award for Automotive Industry Innovation in the 17th Beijing Invention and Innovation Competition.

Protection of Intellectual Property Rights (IPRs)

The Company is dedicated to preserving the intellectual products of employees and protecting its intellectual property rights effectively. In accordance with the "Corporate Intellectual Property Management Code (GB/T 29490-2013)", we have strengthened the implementation of internal IPR documents such as the "Measures of BAIC Motor for Management of Intellectual Property Rights", the "Management Measures of Intellectual Property Rights Incentives of BAIC Motor" and the "Patent Management Measures of BAIC Motor" so as to set out business processes, greatly support innovation and research management, further standardise IPR management in various production and operation activities, and improve the acquisition, maintenance, application and protection of IPRs.

Indicator	Unit	Quantity
Number of patent applications in 2023	(No.)	956
Number of patents granted in 2023	(No.)	223
of which: total number of invention patents granted	(No.)	51
Total number of patents granted	(No.)	7,065
of which: total number of invention patents granted	(No.)	518
R&D investment in 2023	(RMB1 million)	3,571.2

2.3 Enhancing Customer Services

Upgrading Service Levels

As per the "customer-centric" principle, the Company enhances its service standards by strengthening dealership management, improving sales satisfaction, intensifying after-sales service, and optimising complaint handling procedures.

Strengthening Dealership Management

The Company has established a "quality-oriented" service provider evaluation system, conducts quarterly after-sales service evaluations to assess the service capacity and quality of dealers from multiple dimensions, and takes measures for improvement accordingly. We have formulated the new "Dealership Operation Standard" (DOS) on the basis of the "Dealership Service Staffing Rules" and the "Special Management Rules on the Use of After-sales Service Management System" to provide guidance for and regulate how dealers operate.

Improving Sales Satisfaction

The Company takes a series of measures to check sales satisfaction, such as "system optimisation", "diagnosis and analysis", "rectification of weaknesses" and "continuous monitoring", which forms a closed loop to improve and enhance sales services continuously.

System optimisation	The Company optimises the design of the check questionnaire, to prioritise examining the professionalism and standardisation of the wording of sales consultants, improve the professional skills and service standards of sales consultants, and enhance the customer service experience, all of which would help facilitate transactions.
Diagnosis and analysis	Through analysing the results of the sales satisfaction check every month, the Company diagnoses the problems of the dealers in sales management, finds out the causes thereof, and arrives at feasible solutions for improvement.
Rectification of weak links	According to the diagnostic analysis results, dealers could spot their own weaknesses and make targeted rectifications and improvements through upgrading of meeting areas, sales consultant training, sales process-oriented simulation exercises, etc.
Continuous monitoring	The sales satisfaction results are subject to monthly rolling reviews, and early warnings are issued about items with low scores so as to help dealers identify and correct problems in a timely manner.

Intensifying After-sales Service

An after-sales satisfaction reporting mechanism has been established, in which major problematic dealers are asked to give special reports on a quarterly basis, analyse weak links and causes thereof, formulate rectification plans, and follow up on the implementation of corrective measures in a closed loop, thus helping them raise the level of sales satisfaction. At the same time, a satisfaction management platform has been built to support multi-dimensional and multi-level online viewing of satisfaction data, while promoting closed-loop management of service satisfaction.

Optimising Complaint Handling Procedures

The Company strictly complies with the "Management Measures for Customer Complaints of BAIC Motor". We coordinate business departments and dealers to handle customer complaints quickly, with a view to improving the level of customer satisfaction continuously.

Optimising complaint handling process	The Company optimised 21 complaint escalation standards, streamlined the process of handling public opinion crises, and expanded the coverage of control measures, enhancing the after-sales service experience.
Organising dealer reviews	A total of 21 meetings for dealer complaint review were convened to rectify 29 problems, and the number of complaints dropped to 2,584, down 13.5% year-on-year.
Optimising the complaint response system	The Company kept optimising the complaint handling system, improved a number of processes such as review of complaint cases shut down forcibly and early warning about unclosed overtime complaint cases, and mobilised business support departments to respond quickly. The response rate to complaints reached 97.1% and the closure rate of complaint cases stood at 98.6% in 2023.

Improving Communication Mechanism

The Company is dedicated to establishing efficient and unimpeded comprehensive communication channels with customers. We actively carry out two-way communication activities with customers, so as to fully understand their appeals and expectations and enhance their satisfaction substantially.

User surveys	The Company has innovated or optimised user surveying modes, tried to carry out rapid, automated surveys, and introduced the big data research method. During the Reporting Period, we conducted user surveys in more than 20 cities, which included 590 qualitative interviews, 1,843 quantitative questionnaires, and 29 in-depth talks with experts, listening to users' comments and suggestions on our new products and continuing to improve our marketing strategies.
400 call centre platforms	The Company monitors on an 8-hours-a-day-7-days-a-week basis 16 public opinion platforms, including 400 call centre, 12365auto.com, qctsw.com and 12345 hotline, to respond quickly to customer feedback in exchange for their greater satisfaction and loyalty.
Communication channels	We have opened up a number of unimpeded channels such as official accounts on social media network platforms, the BAIC Motor APP, and the Off Road APP, to collect customer feedback, draw them closer to us, and enhance customer stickiness.
Dealership communication platform	The Company has built a dealership community via WeChat to achieve efficient communication and connection with dealers. A total of 28,398 WeChat groups for customer service were created to ensure rapid response and vertical communication, providing end customers with all-around services.

Below are key data of the Company on customer communications during the Reporting Period:

Indicator	2023
Total number of customer complaints	2,584
Customer complaint reduction rate	13.5%
Sales satisfaction	96.8%
After-sales service satisfaction	97.1%

Protection of Customer Rights and Interests

The Company 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 efforts to safeguard the rights and interests of our customers and maintain network & information security.

Improving information security management: The Company has formulated a number of in-house documents such as the "IT Information Security Management Manual of BAIC Motor", the "Electronic Document Information Security Management Measures of BAIC Motor", and the "Employee Information Security Management Manual of BAIC Motor" with reference to the ISO27001 system to protect the security of information assets and the business continuity of information systems.

Safeguarding network security: The Company has issued a number of internal documents such as the "IT Information Security Management Manual of BAIC Motor", the "Network Management System of BAIC Motor", the "Information Security Base Line of BAIC Motor", the "Management Measures on the Use of Development, Operation and Maintenance Resources by Suppliers of BAIC Motor", and the "Employee Information Security Manual of BAIC Motor" to conduct network security management, exercise rigid control over access to intranet, and create a secure and stable internal office environment.

Customer Privacy Protection

The Company has set up the Information Security Management Committee, clearly defined the person in charge of automotive data security management and the contact person for the affairs in relation to the rights and interests of users, encrypted and retained users' information on real identity verification and registration, and established a working mechanism for providing technical and data support/assistance to regulators and law enforcement authorities in the performance of their duties in accordance with the law.

The Company has formulated the "Customer Information Management Measures of the Sales Company" to strictly control the entry, updating and approval for use of customer information, thus ensuring the accuracy and validity of the information and preventing the unintended use of such information.

While dealing with the personal data of users and vehicle data in the vehicle apps, the Company strictly complies with the laws and regulations on personal information protection. We are committed to protecting the personal information provided by customers. Encryption, de-identification and other security techniques are used to protect the personal information provided by customers. Practical and effective security plans are formulated and implemented to quickly respond to and exclusively deal with all kinds of personal information security incidents in the hopes of safeguarding the rights and interests of users.

Responsible Marketing

The content, materials and themes of the advertisements are checked three times as per the review standards. Employees are organised to study risk cases in the industry on a regular basis to enhance their risk prevention and compliance awareness. By doing so, we ensure that our advertisements are reasonable, compliant and risk-free.

2.4 Sustainable Supply Chain

Supply Chain Management

With the goal of putting in place a more secure and controllable supply chain system that is suitable for its development needs, the Company continues to build a supply chain through the strategies of "multi-source, multi-channel" procurement, "2+3+N" fixed-supplier procurement, etc., and deepens partnerships with suppliers through technology sharing, risk sharing and other measures to improve the resilience of the supply chain and enhance the core competitiveness. We have formulated and dynamically optimised a number of internal management policies that cover the entire life cycle of parts and components, including the "Management Measures for Parts Supplier Access Control", the "Parts Supplier Development Process", and the "Management Measures for Performance Evaluation of Parts Suppliers". To tap into supplier resources, we actively establish partnerships with world-leading parts suppliers with leading technology and stable quality, and step up efforts to cultivate key parts suppliers, thus shaping a high-quality and sustainable supply chain assurance system.

Management and Evaluation	Supplier selection	Based on the Company's product planning, technology upgrade and development, changes in market demand and supplier cooperation performance, we have established a mechanism for planning, selecting, cultivating and eliminating suppliers, and have assembled a complete catalogue of parts suppliers to ensure the selection of suppliers to work with is in line with the Company's development needs.
	Supplier inspection	Prospective suppliers are screened in strict accordance with the criteria set out in the "Management Measures for Parts Supplier Access Control of BAIC Motor". For example, suppliers must have the IATF16949:2016 (or ISO 9001:2015) certificate, the ISO 14001:2015 certificate, the ISO 14001 certificate and pollutant discharge permit, and so on. The PSA evaluation team, composed of procurement, quality and R&D personnel, spot-audits and scores qualified potential suppliers. Barriers to entry are set according to the importance of parts to ensure that suppliers meet the Company's requirements in terms of quality, technology, delivery, cost, management and other aspects.
	Supplier audit	A regular supplier review mechanism has been established, under which during the parts development and mass production phases, suppliers are regularly subject to process audits, to comprehensively assess their quality assurance ability and promote their self-improvement and upgrading. Regular supplier risk screening is carried out to manage social risks of suppliers comprehensively from multiple dimensions, thus creating a qualified and sound supply chain system.
	Compliance and rectification	Specialised compliance screening is conducted on prospective suppliers to ensure that all newly admitted suppliers are free of compliance risks or hazards.

Cooperation and Communication	Strengthening multi-party cooperation	We keep cementing partnerships with top-notch automotive parts suppliers to create highly integrated, intelligent products connected to the Internet.
	Conducting supplier training	Specialised training programmes are organised to guide suppliers to improve themselves, make full use of five major quality assurance tools, that is, APQP, PPAP, FMEA, SPC and MSA, identify their weak links in daily management, and quickly solve quality problems, boosting their quality assurance capabilities constantly.

Indicator	Unit	2023
Total number of suppliers	(No.)	399
Of which: Total number of suppliers in Eastern China	(No.)	189
Of which: Total number of suppliers in Southern China	(No.)	48
Of which: Total number of suppliers in Central China	(No.)	67
Of which: Total number of suppliers in Northern China	(No.)	60
Of which: Total number of suppliers in Northwestern China	(No.)	1
Of which: Total number of suppliers in Southwestern China	(No.)	12
Of which: Total number of suppliers in Northeastern China	(No.)	22
Total number of suppliers in well-established, long-term cooperation	(No.)	399
Of which: Total number of suppliers in Eastern China	(No.)	189
Of which: Total number of suppliers in Southern China	(No.)	48
Of which: Total number of suppliers in Central China	(No.)	67
Of which: Total number of suppliers in Northern China	(No.)	60
Of which: Total number of suppliers in Northwestern China	(No.)	1
Of which: Total number of suppliers in Southwestern China	(No.)	12
Of which: Total number of suppliers in Northeastern China	(No.)	22
Number of suppliers to whom the practice was enforced	(No.)	399
Supplier review coverage rate	(%)	100

Responsible Supply Chain

The Company incorporates environmental and social risks into its supplier management system and continues to promote the development of a responsible supply chain. We require all suppliers to comply with the national (local) environment, security and other laws and regulations, including the "Environmental Protection Law of the People's Republic of China", the "Regulations for the Administration of Pollutant Discharge Permits (Trial)", the "Classified Administration Catalogue of Fixed Source Pollutant Permits", the "Environmental Protection Management Ordinance for Construction Projects", the "Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects", and the "Work Safety Law of the People's Republic of China".

The Company always upholds the concept of low-carbon, sustainable development to build a green and sustainable supply chain. We have established the "Green Supply Chain Control Measures of BAIC Motor", which requires suppliers to ensure that their products meet the requirements of national regulations and standards on the management and recycling of hazardous substances contained in automotive products. Meanwhile, we forward the requirements of relevant regulations and standards to the suppliers and prompt them to adopt clean production practices for reducing energy consumption, thus giving rise to a sustained "green supply chain".

The Company exercises full-life-cycle control over the implementation of a green supply chain:

For supplier access control, the Company comprehensively assesses the environmental performance of the suppliers to be admitted according to the "Management Measures on Access Control for Parts Suppliers of BAIC Motor", confirming the validity of their ISO 14001:2015 certificates. Besides, PSA on-site audits are conducted on suppliers to check the whole production process of parts and components, ensuring that their products meet technical and environmental requirements.

At the stage of new product development, the Company states the environmental requirements that must be met in relevant technical documents and gives priority to the use of eco-friendly and energy-saving materials to ensure that the content of hazardous substances and recyclability meet the requirements of national regulations and standards for hazardous substances, RRR and material labelling. At the stage of product development approval and mass production approval, the Company requires suppliers to submit test certificates that meet the technical requirements for environmental protection. For those suppliers who cannot provide test certificates or fail to pass the tests, they will not be recognised for production.

For mass-produced products, the Company monitors the compliance of parts and components with environmental requirements by means of annual verification. If a supplier is found not to meet the technical requirements, the Company will give it penalties from ordering rectifications to cancelling supplier qualifications.

Case: Beijing Benz establishes a green supply chain system

Beijing Benz has established a comprehensive procurement and supplier management system, covering supplier certification, selection, auditing, performance evaluation, capacity enhancement and training, and other aspects. It actively promotes suppliers to pass environmental management system certification, by auditing suppliers' environmental risks, providing one-stop environmental management services, and creating checklists for environmental issues.

Beijing Benz regularly commends green suppliers through supplier conferences, requires medium and high-risk suppliers to devise plans for improving their environmental performance, and continuously pushes suppliers to establish and enhance a sustainable green supply chain management system. At the same time, it regularly conducts training for suppliers on green supply chain, environmental laws and regulations, and energy conservation and emission reduction, among other topics, to enhance their environmental management capabilities and exercise more effective control over suppliers.

In February 2023, Beijing Benz signed with Mercedes-Benz and other companies the Memorandum of Understanding on Carrying out the Closed-loop EV Battery Recycling Project, starting the closed-loop recycling practice for retired batteries from EVs.

While moving towards the "carbon peak and neutrality" goal of the State, Beijing Benz has required new supplier partners to sign the carbon neutrality pledge, and set 5-year carbon reduction targets for key suppliers who are carbon intensive, with a view to driving supplier partners to become carbon neutral.

Through the establishment and implementation of a green supply chain system, Beijing Benz has seen the percentage of suppliers in the system who have passed the ISO14001 certification increase year by year in the past three years, and as of 2023, 96% of its suppliers passed such environmental certification. This change has greatly raised the green management standard of the entire supply chain and improved the resource use efficiency along the supply chain.

3. GREEN DEVELOPMENT

3.1 Environmental Management System

Committed to "green operation and sustainable development", the Company builds and implements an integrated environmental management system to improve management efficiency as per the applicable industry standards and requirements. The management is responsible for establishing and optimising the system, while relevant departments identify environmental factors, carry out legal assessments, formulate and improve environmental standards, conduct environmental inspections and audits, organise training and publicity sessions, and control environmental risks to ensure that the production and operation activities of the Company comply with the manuals and procedures in the environmental management system. In addition, the Company sets up annual environmental targets, drafts the "Responsibility Letter for Emission Reduction Targets", and follows up the completion of environmental targets of different units on a monthly basis to avoid any of the following environmental incidents: serious environmental pollution, illegal disposal of hazardous waste, excessive pollutant discharge in heavily polluted weather conditions, suspension of production/operation due to administrative penalties for environmental protection violations, and excessive concentration of polluting exhaust gas or wastewater discharge. During the Reporting Period, the Company did not have any major environmental accidents or any environmental litigation cases caused by violation of emission regulations.

The Company was certified by the environmental management system certification in 2012 for the first time, and got re-certified in 2023. We analyse and reduce environmental impacts and enhance resource efficiency in all aspects of production. In office management, we promote energy conservation and environmental protection initiatives, raise environmental awareness among employees, and implement green office measures.

Environmental Management System	Environmental management certification	We have passed the ISO14001 environmental management system certification and conduct internal reviews and annual supervisory reviews of the environmental management system to ensure its adaptability and effectiveness. We have formulated, issued and implemented the "Environmental Management Manual of BAIC Motor", the "Water Pollutant Management Control Procedures of BAIC Motor", and other in-house policies.
	Safety and environmental emergency management	We have established a safety and environmental emergency management mechanism and adopted graded response measures. We have also developed an annual environmental emergency drill plan and conducted environmental risk emergency drills. We have developed a series of environmental emergency response plans to ensure that emergencies are handled in a quick, orderly and effective manner to reduce relevant losses.
	Creating a green supply chain	The Company has actively organised all units to create a "green supply chain". Zhuzhou Branch evaluated third-party enterprises under the green supply chain management from major dimensions, that is, green supply chain management strategy, green procurement and supplier management, green production, green sales and recycling, green information platform building and information disclosure.
	Implementing green logistics	The layout of the production workshops has been rationalised, with any two workshops connected by a corridor; the logistics entrances and exits in the factory are reasonably designed to optimise transport routes; and logistics vehicles are used less in workshops to reduce transport energy consumption.

3.2 Green Operation

Emissions Management

In strict compliance with the emissions 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 and implemented a number of in-house documents such as the "Solid Waste Control Procedures", the "Hazardous Waste Management Policy", the "Solid Waste Discharge Management Measures", the "Air Pollutant Control and Management Measures", the "Water Pollutant Control and Management Measures" and the "Energy-saving and Eco-friendly Management Procedures for Product Design" to establish a sound environmental management system for regulating its environmental efforts. We continue to tighten control of pollutants, reduce and recycle waste, and cut the adverse impact on the environment by enhancing production efficiency, refining technology and processes, and optimising emissions treatment and environmental monitoring.

Led by green technology, the Company actively implements pollution reduction initiatives, intensifies environmental governance efforts, cuts down pollution loads, and develops eco-friendly production processes, further exploring the possibility of emissions reduction. At the same time, we take a number of measures to meet wastewater and exhaust gas discharge standards, which include installing online surveillance equipment, regularly inspecting third-party manufacturers in cooperation, and handing over hazardous waste to qualified agencies for proper disposal.

Emissions Management Targets for 2021 to 2025

Further reduce wastewater, exhaust gas and solid waste through real-time monitoring, upgrading of environmental protection equipment, etc.

Dispose of 100% of hazardous waste in a compliant manner

Set up an indicator for allocating bonus points to single-vehicle hazardous waste reduction. Specifically, hazardous waste density reduction if meeting the standard will be assigned with bonus points in the safety and environmental performance appraisal.

In 2023, to promote green and low-carbon development, the Company advanced the "carbon peak and neutrality" goal by optimising the energy mix and using energy in a green and efficient manner. Taking into account the Company's actual operations and emission management objectives, we set annual targets to achieve a 10% share of clean power and a carbon reduction of 10,000 tonnes. During the Reporting Period, all wastewater and exhaust gas of the Company were discharged after they were treated to meet relevant standards, online surveillance equipment was installed at the main discharge outlets, third-party manufacturers in cooperation were tested on a regular basis, and all hazardous wastes were collected and handed over to qualified agencies for disposal.

Wastewater management	Wastewater treatment: A high-performance wastewater treatment station is built and regularly upgraded through technical measures such as adding air flotation technology and disinfection tank process and installing an advanced exhaust gas collection and treatment system, so as to ensure that the treated production wastewater could meet the discharge standards of government departments. Real-time monitoring: In accordance with the requirements of national and local environmental protection departments, online surveillance equipment for monitoring COD, ammonia nitrogen, total phosphorus and total nickel is installed and the online monitoring data are connected to the data platforms of local environmental protection departments. Recycling: After treatment, some wastewater is reused for landscape irrigation, greening, industrial production and many other purposes. Meanwhile, a domestic wastewater treatment station has been built along with the steam recovery programme to reduce the consumption of water resources.
Exhaust gas management	Categorised management: Gas exhausts, process exhausts and canteen fume exhausts are installed along with emission treatment facilities to ensure that all types of exhaust pollutants meet the emission standards for atmospheric pollutants. Real-time monitoring: In accordance with the requirements of national and local environmental protection departments, online surveillance equipment for monitoring VOC, nitrogen oxide, and other air pollutants is installed and the online monitoring data are connected to the data platforms of local environmental protection departments in real time.

Solid waste management	Policy formulation: The Company has formulated, issued and implemented a number of in-house policies to regulate the solid waste management procedures, which include the "Waste Management Procedures", the "Solid Waste Control Procedures", the "Hazardous Waste Management Policy", the "Hazardous Waste Management Measures", the "Solid Waste Control Procedures", the "Management Measures for Emissions from Solid Waste of BAIC Powertrain System (Zhuzhou) Co., Ltd." and the "Management Measures for Hazardous Waste Storage Room of Zhuzhou Branch". Categorised management: Waste is divided into different categories by hazardousness and recyclability, that is, hazardous waste, recyclable waste and non-recyclable waste, and is managed in accordance with the principles of waste disposal. Principles of waste treatment: Priority is given to waste recycling for reuse, followed by non-hazardous treatment. The categorisation ensures the safety of different waste streams and avoids barriers to subsequent recycling. Compliance disposal: The Company selects qualified agencies to recycle recyclable waste and establishes a ledger of recyclable waste. Non-recyclable waste is transported by the government sanitation department to designated landfills for disposal. According to the "joint bill" system, hazardous waste is handed over to a professional disposal agency, ensuring consistency in the environmental records of production, transportation and disposal between the Company and the disposal agency. Recycling: As per the main principle of using recycled materials for green packaging, a recycling packaging management system has been developed and put into operation to record and monitor the operation of packaging, reducing the use of disposable packaging materials and cutting the amount of solid waste at source.
Noise management	The Company proactively identifies and analyses noise sources during operation and production, including presses, air pressure stations, paint equipment generators, boiler rooms and paint shop fans. Vibration and noise reduction, sound insulation and acoustic absorption measures are adopted to ensure the noise level meets regulatory limits and it does not affect the daily life of the surrounding communities.

Case: Introduction of virtual modelling technology to reduce emissions of exhaust gas

Zhuzhou Branch is committed to environmental compliance and emissions reduction. It has established a number of management documents to ensure that waste emissions meet related standards and regulations. For example, the 3-coat-1-bake (3C1B) waterborne paint and 2K varnish are used to ensure that the VOC content of all coatings complies with national standards. In the process of new product development, the plant uses virtual modelling technology for man-machine, pass-through, robot movement and spraying simulation, effectively reducing process and equipment risks and improving debugging efficiency. The introduction of virtual modelling technology is expected to reduce emissions from the debugging phase by 30%, while lowering energy consumption.

Case: Smart IoT process management software helps reduce wastewater discharges

The smart IoT process management software independently developed by the Company is designed for the optimisation of pre-treatment electrophoresis process, equipment and quality. Since its application, the software has so far helped decrease quality defects by 5% and reduce water consumption by 3 tonnes per hour. It is effective in cutting down both water consumption and wastewater discharge.

Wastewater	To ensure the discharge of process wastewater and domestic wastewater meets related standards and shape the image of an eco-friendly, green enterprise, the Company has constructed a wastewater treatment station to treat process wastewater until it reaches the first-level standards for the second period of time set out in the "Limits for Water Pollution Emissions of Guangdong Province (DB44/26-2001)".
Exhaust gas	The Company has built 49 exhaust funnels, including 14 gas exhaust funnels, 37 process exhaust funnels, and 1 canteen fume exhaust funnel. The exhaust gas treatment facilities are constructed in light of the Company's actual conditions to ensure that all kinds of polluting exhaust emissions meet the "Limits for Air Pollution Emissions of Guangdong Province (DB 44/27-2001)".
Noise	Main noise sources faced by the Company include presses, air pressure stations, paint equipment generators, boiler rooms and paint shop fans. Vibration and noise reduction, sound insulation and acoustic absorption measures are adopted. Workers in relevant areas need to wear safety earmuffs.
Solid waste	At the Company, solid waste is sorted for separate disposal in accordance with environmental protection requirements, domestic waste is transported by the municipal sanitation department; and general industrial solid waste and hazardous waste are handled by qualified third-party companies.

Indicator	Unit	2023 Note 1	2022	2021
Scope 1: Direct GHG emissions	tCO_2e	**196,551.16**	210,962.63	221,782.18
Scope 2: Indirect GHG emissions	tCO_2e	**401,846.20**	569,541.35	552,913.94
Total GHG emissions Note 2	tCO_2e	**598,397.36**	780,503.97	774,696.12
GHG emissions per vehicle	tCO_2e per vehicle	**0.57**	0.84	0.75
Total wastewater discharge	Tonne	**1,095,852.55**	2,123,285.00	1,502,353.38
Total COD emissions	Tonne	**82.92**	139.64	86.45
Total ammonia nitrogen emissions	Tonne	**6.88**	8.05	4.16
Total VOC emissions	Tonne	**217.81**	630.93	422.80
Total SO_2 emissions	Tonne	**5.15**	5.24	2.95
Total production of hazardous wastes	Tonne	**12,072.51**	14,175.88	12,565.97
Hazardous wastes generation intensity	Kg per vehicle	**11.59**	15.03	12.19
Total production of non-hazardous wastes	Tonne	**113,196.74**	140,054.05	144,483.93
of which: metal	Tonne	**71,106.50**	99,652.57	100,672.10
of which: paper	Tonne	**9,156.76**	10,050.46	9,553.12
of which: timber	Tonne	**11,317.28**	9,230.79	9,413.44
of which: others	Tonne	**21,616.21**	21,120.23	24,845.27
Non-hazardous waste generation intensity	Kg per vehicle	**108.63**	148.54	140.14

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 2023 cover the Company, Zhuzhou Branch, Powertrain, BAIC Guangzhou, Beinei Parts and Components, Beijing Hyundai, BAIC Motor Research Institute, Fujian Benz and Beijing Benz.

Note 2: GHG emissions are calculated with reference to the "GHG Protocol Corporate Accounting and Reporting Standard 2012 (Revised Edition)" 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 2022 released by the Department of Climate Change, the Ministry of Ecology and Environment of the PRC.

Reducing Resource Consumption

The Company always upholds the energy policy of "energy conservation, efficiency enhancement, and green operation". Through a combination of management and technical energy conservation initiatives, we conduct meticulous energy management, strive to maximise energy utilisation and optimise energy efficiency, and achieve continuous improvements in energy performance.

Energy Consumption Targets for 2021 to 2025

Further reduce the consumption of water and energy resources such as electricity and heat through energy-saving management, energy-saving technology, photovoltaic and geothermal energy, etc. in the production process.

Reduce energy and water consumption through green office initiatives such as water and electricity conservation in the office operation.

Green production	**Energy management:** According to the "(GB/T 23331-2020)/ISO 50001:2018 Energy Management System: Requirements with Guidance for Use", we have formulated and implemented a number of energy management documents, including the "Energy Management Manual of BAIC Motor", the "Monitoring, Measurement and Analysis Control Procedures for Energy Management System of BAIC Motor", the "Operation Control Procedures for Energy Management System of BAIC Motor", the "Energy Review, Energy Benchmarking and Performance Parameters Control Procedures of BAIC Motor", and the "Energy Management Measures of BAIC Motor", with a view to further improving the energy management system. **Management of key energy equipment:** We have established key energy-consuming equipment efficiency billboards, and monitored energy consumption information of equipment at each time period and real-time current or fluid flow rate, thus enabling equipment managers to improve the performance of equipment by technical means given the information on energy use. **Meticulous energy management:** To implement meticulous energy management and prioritise energy conservation, all production bases, according to their yearly priorities, performed 16 energy-efficient technical upgrades and addressed 196 on-site energy-use issues. Consequently, the Company cut RMB1,202,900 in annual energy costs, saved 244.57 tonnes of standard coal and 5,750 tonnes of water, and reduced 712.13 tonnes of carbon dioxide emissions throughout 2023. **Water conservation initiatives:** We implement the requirements of the national and local water conservation action programmes, set out the annual water consumption targets, and organise production bases to carry out water balance tests and get re-certified as a water-conserving enterprise. We saved 5,750 tonnes of water throughout the year by enhancing management efficiency.
Green office	We implement energy-saving management by posting signs on electricity conservation, water conservation, air-conditioning temperature control, etc., assign responsible persons to oversee the use of office equipment such as computers, printers and air-conditioners, and replace old office appliances with energy-saving ones to reduce energy wastage. We advocate running a paperless office, where all office work is signed off electronically, double-sided printing is required, and refillable ink cartridges are provided to use less paper and generate less waste.
Environmental protection awareness and training	We conduct environmental training and assessment for new employees to ensure a 100% training rate. Training on environmental protection is organised regularly for persons holding key environmental positions in the Company. We spread the concepts of ecological progress through energy-saving and low-carbon operation. The "Eco-friendly Awareness Month" campaign is launched to vigorously promote energy conservation and environmental protection laws and regulations, and enhance the energy-saving and eco-friendly awareness among executives and employees. Environmental knowledge quizzes are organised to inform employees of the basic knowledge and the latest national situation in respect of energy conservation and environmental protection. Meanwhile, we also produce and display excellent cases in energy conservation and environmental protection and participate in green research to convey advanced green concepts and technologies.

The Company takes a variety of initiatives in day-to-day operation and production to improve energy efficiency and reduce resource consumption effectively, which include the use of LED lights, energy-saving motor design, assembly-related electronic process sheet display system, torque management system, mid-frequency welders/integrated welding clamps, entry into the state of dormancy by frequency converters, welding group control management system, welding self-adjustment technology, online testing system, smoke and dust removal-enabled environmental improvement system, and application of sub-high-frequency welding technology.

Indicator	Unit	2023	2022
Number of environmental training sessions	No.	74.00	59.00
Attendees of environmental training sessions	(Person-time)	27,767.00	13,990.00
Funds for environmental training sessions	(RMB10,000)	9.50	3.10
Funds for eco-friendly technical upgrade projects	(RMB10,000)	4,231.52	106.38

Case: Promoting the use of clean energy to reduce carbon emissions

According to the target indicators set out in the plan on green and low-carbon production and manufacturing, Beijing Hyundai has made its production and manufacturing activities energy-efficient and low-carbon at a faster pace, replaced traditional energy with green energy step by step, and built intelligent green factories to increase the proportion of green electricity and reduce its carbon emissions year by year. In 2023, it consumed 10.15 million kWh of green electricity and reduced 6,131 tonnes of carbon emissions.

Case: Establishing a stamping materials selection system to lower raw material costs

The Company has established a system of materials specialists to guide the science-based selection of raw materials through the regression statistics of mass data. While avoiding the large-scale scrapping caused by the volatile raw material performance, we ensure the stability of production and change stamping preparation from being experience-based to science-based so as to reduce raw material costs and boost production efficiency.

Case: Reducing process investment to enhance market competitiveness

In the projects of new car model development, the Company, as per the principles of improving quality and efficiency and minimising process investment, has adopted innovative process technologies to reduce the number of moulds developed, which is critical for lowering process investment and enhancing the market competitiveness of whole vehicles. For some car models, the number of moulds required by stamping the top cover outer plate, a self-made part, decreased from 7 to 5, reducing process investment of RMB1.42 million.

Indicator	Unit	2023	2022	2021
Total electricity consumption	kWh	**923,252,004.44**	1,009,127,197.32	940,853,318.32
Total gasoline consumption	L	**1,891,604.13**	1,042,573.08	1,969,123.11
Total diesel consumption	L	**57,343.21**	39,580.83	78,166.12
Natural gas consumption	m^3	**88,716,013.59**	96,259,419.54	99,282,750.41
Total purchased heat	million kJ	**67,501.07**	73,285.20	84,639.07
Total comprehensive energy	TCE per vehicle	**229,866.37**	248,672.83	251,291.50
Production energy consumption intensity	TCE per vehicle	**0.22**	0.26	0.24
Total water consumption	Tonne	**5,764,546.10**	5,502,414.40	5,440,528.79
Total water consumption intensity	Tonne per vehicle	**5.53**	5.84	5.28
Total recycled and reused water	Tonne	**93,318,162.80**	64,307,511.00	52,344,235.40
Percentage of recycled and reused water	%	**95**	92	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 2023 cover the Company, Zhuzhou Branch, Powertrain, BAIC Guangzhou, Beinei Parts and Components, Beijing Hyundai, BAIC Motor Research Institute, Fujian Benz and Beijing Benz. Specifically, the statistics of two indicators, that is, total recycled and reused water and percentage of recycled and reused water, don't include BAIC Motor Research Institute or Fujian Benz.

Note 2: 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 (GBT2589-2020)" of the People's Republic of China, including electricity, gasoline, diesel, natural gas and purchased heat.

Note 3: In 2023, the Company did not have problems in sourcing suitable water resources.

4. EMPLOYEE RIGHTS AND INTERESTS

4.1 Equal Employment

The Company hires people to fill in vacant posts in the light of its personnel turnover and regularly organises campus recruitment campaigns to create a sustained talent pipeline in accordance with the "Labour Law of the People's Republic of China" and other pertinent laws and regulations, and formulates the "Recruitment Management Policy of BAIC Motor". In the process of recruitment, we follow the principle of equality and never discriminate against any candidate on the basis of gender, ethnicity, religious faith, etc. The recruitment information released to the public has been reviewed stringently to ensure accuracy and compliance. As a socially responsible enterprise, we also provide daily and summer internship programmes for college students to render them with learning and career opportunities.

By the end of 2023, the total number of employees at the Company as well as its subsidiaries and joint ventures was 31,711, with 100% of them signing an employment contract. In the year, 18 labour complaints were filed, handled and resolved through the formal grievance mechanism.

Indicator	Unit	2023
Total number of employees	(person)	31,711
Number of full-time employees	(person)	31,711
Number of part-time employees	(person)	0
Production workers	(person)	21,320
Technical staff	(person)	5,890
Sales personnel	(person)	2,203
Other personnel	(person)	2,298
Percentage of male employees	(%)	87.07%
Percentage of female employees	(%)	12.93%
Percentage of employees aged below 30	(%)	27.35%
Percentage of employees aged 30 and between 30 and 50	(%)	68.21%
Percentage of employees aged equal to and above 50	(%)	4.44%
Percentage of employees in Eastern China	(%)	9.10%
Percentage of employees in Southern China	(%)	2.62%
Percentage of employees in Central China	(%)	8.53%
Percentage of employees in Northern China	(%)	78.71%
Percentage of employees in Southwestern China	(%)	0.73%
Percentage of employees overseas	(%)	0.32%
Percentage of employees from ethnic minorities	(%)	7.27%
Percentage of foreign employees	(%)	1.21%
Percentage of female management	(%)	8.3%
Annual turnover rate of employees	(%)	1.42%
Annual turnover rate of male employees	(%)	1.56%
Annual turnover rate of female employees	(%)	1.31%
Annual turnover rate of employees aged below 30	(%)	2.67%
Annual turnover rate of employees aged 30 and between 30 and 50	(%)	1.16%
Annual turnover rate of employees aged equal to and above 50	(%)	0.08%
Annual turnover rate of production workers	(%)	1.03%
Annual turnover rate of technical staff	(%)	3.87%
Annual turnover rate of sales staff	(%)	1.77%
Annual turnover rate of other staff	(%)	1.30%
Annual employee turnover rate in Eastern China	(%)	2.80%
Annual employee turnover rate in Southern China	(%)	1.15%

4.2 Employee Rights and Interests

The Company always respects employees and provides them with a good working environment along with sound development opportunities. We strictly comply with and implement the "Labour Law of the People's Republic of China", the "Labour Contract Law of the People's Republic of China", the "Provisions on the Prohibition of Using Child Labour" and other relevant laws and regulations to safeguard the legitimate rights and interests of our employees, ensure that they are treated with respect and fairness at work, and completely eliminate child labour and forced labour. The labour union signs the "Collective Contract" with the Company through a collective negotiation mechanism, so as to protect the rights and interests of employees. During the Reporting Period, the Group did not violate any international, national or local standards and rules in relation to child and forced labour. At the same time, we value employee well-being, provide a comprehensive benefits package, encourage employees to put forward their comments and suggestions, and get them involved in decision-making to grow with us together.

Reasonable working time	Working hours: According to internal rules and policies including the "Collective Contract" and the "Measures of BAIC Motor for Attendance Management", the Company has adopted a standard working hour system of 5 days a week and 8 hours a day. Positions involving the comprehensive working hour system should go through the prescribed application and approval procedures stringently. Leave scheme: We strictly implement the leave arrangements for national statutory holidays, and pay employees wages in full during their annual leave, marriage leave, funeral leave, public holidays, etc. Overtime: Overtime hours are strictly controlled and subject to approval procedures to fully protect employees' rights to rest.
Employee remuneration system	The Company has established a salary and benefits system that is centred on the value of the position and guided by the performance and ability of its employees. To meet the needs of operation and development, we make targeted adjustments to the existing salary and benefits system in terms of position ranking system, annual salary adjustment mechanism, salary and benefits structure, and fixed salary and benefits for fresh graduates. At the same time, to minimise the investment of energy in internal management and resource coordination, and ensure the R&D team can be laser-focused on projects to accomplish the preset goals, we have prepared a special plan for human resource management, which gives projects operational service and policy support.
Workplace democracy	The Company follows the requirements of the "Labour Contract Law of the People's Republic of China" and actively fulfils the democratic procedures and notification obligations in respect of rules and policies that affect the vital interests of employees. We strictly implement a series of in-house policies, including the "Measures of BAIC Motor for the Management of Employee Incentives and Disincentives", the "Measures of BAIC Motor for Attendance Management", and the "Measures of BAIC Motor for Management of Employee Remuneration", in order to seek for democratic opinions and perform democratic procedures. The labour union signs the Collective Contract with the Company and gets it registered with the competent authorities, so as to fully protect the rights and interests of employees.

4.3 Safety and Health

In strict accordance with the requirements of various occupational health laws and regulations such as the "Law of the People's Republic of China on Work Safety" and the "Law on Prevention and Treatment of Occupational Diseases of the People's Republic of China", the Company has formulated 30 occupational safety management policies such as the "Performance Appraisal, Accountability and Incentive Policy for Work Safety and Environmental Protection of the Headquarters" and the "Environmental, Occupational Health, Safety and Energy Management Procedures for Construction Projects of the Headquarters", so as to manage occupational health at work properly. We got certified by the new version of ISO45001 in 2020 and passed the re-certification audit in October 2023.

A safety and health management system:

The Company has set up sound safety management organisations, duties and charters, put in place a mature work safety responsibility system, and adjusted/formulated safety and health targets/indicators every year, which are refined level by level and signed with a target responsibility letter at each level.
The Company prioritises ensuring intrinsic safety and meeting requirements for work safety, fire safety and occupational health at the same time.
A safety risk identification and assessment control system, a hidden danger screening and management system, and an emergency management system are established as three lines of defence for safety and health, to minimise the occurrence of accidents and injuries.
The Company has passed the certification of work safety standardisation and occupational health & safety management systems, and makes continuous improvement in this regard.
The Company has revised the measures for managing safety and environmental protection incentives to ensure the effective operation of the entire system.
The Company builds a culture of safety, guiding all employees to know about and act on safety requirements.

The Company conducts compliance evaluations, analyses the internal and external requirements identified therefrom and implements such requirements by adjusting internal documents every year. Meanwhile, we maintain the efficient operation of the safety management system through the establishment of organisations, allocation of responsibilities and establishment of mechanisms, with sound results achieved therefrom. In December 2023, the Company was once again awarded the title of "Beijing Safety Culture Demonstration Enterprise (Group)". At the same time, we have taken a number of initiatives to further protect the health of employees, including the use of safety equipment and low-risk materials, the distribution of labour protection supplies, employee health check-ups and workplace wellness activities.

Use of safety equipment and low-risk materials	The Company selects non-toxic, harmless and eco-friendly materials at the product design stage to protect the health of customers and employees and ensure environmental friendliness. Zhuzhou Branch implemented a combustible gas alarm networking project to link the alerting signals of the combustible gas alarms in the NEV plant and the super plant into the fire control centre with a view to guarding against gas-related hazards. BAIC Guangzhou accredited 32 safety-related technical upgrades to the newly introduced production equipment during the Reporting Period to ensure the use of safe equipment.
Distribution of labour protection supplies	The Company establishes a ledger to record the distribution of labour protection supplies, and builds a special warehouse to store such supplies. We provide every employee with three labour suits for winter, summer, and spring/autumn, and distribute labour protection shoes, safety helmets, gloves, sleeves, goggles, etc. to employees who need to enter the production site to protect their health and safety.
Employee health check-ups	The Company offers health check-up packages with a variety of optional items for employees of different ages and genders. We ensure that employees are healthy during their work at the Company and prevent occupational health hazards. Zhuzhou Branch takes moves to raise the medical check-up rate of departing employees effectively. It notifies all employees who have not undergone medical check-ups through a variety of channels to avoid the risk of occupational diseases after departure.
Workplace wellness activities	The Company upgrades the cultural and sports facilities and equipment in the staff activity centre and the on-site facilities of the workers' homes, and opens the sports ground and gym to employees. We keep employees cool during summer by replenishing the drugs for heatstroke prevention at the production site, and take good care of female employees.

The Company attaches great importance to work safety and carries out work safety activities and related training. During the Reporting Period, we spent RMB22,970,200 on work safety, organised 533 safety training sessions with an attendance of 214,740 persons, and had 681 working days lost due to work-related injuries.

Case: Holding an all-employee activity to foster safety awareness

BAIC Guangzhou carried out the "Safety Officer on Duty" activity to strengthen the team-based safety management, fully arouse the enthusiasm of all employees for participating in safety management, and let employees change from "bystanders" to "responsible persons" in respect of work safety, thus raising safety awareness among the staff. At the same time, it launched the "Work Safety Month" campaign to help employees enhance their safety skills, accident prevention ability, and awareness of safety.

Case: Carrying out themed activities to protect physical and mental health of workers
With the goal of "improving the working environment and conditions, protecting workers' physical and mental health", Zhuzhou Branch in April 2023 proceeded from its actual conditions to organise various forms of activities such as using online platforms to push promotional materials, providing on-site counselling services, and holding occupational disease prevention and control knowledge contests. With an attendance of 1,780 participants, these activities greatly enhanced the awareness of occupational health hazards prevention and control among all employees.

Indicator	Unit	2023	2022	2021
Number of work-related deaths	(person)	**1**	0	0
Work-related death rate	(%)	**0.0038%**	0	0

4.4 Growth and Development

In 2023, the Company revised the "Training Management Measures of BAIC Motor" by integrating scattered resources, streamlining complicated processes, and reducing heavy workload to provide flexible, convenient and consistent training, thus laying the foundation for building a vibrant workforce.

During the Reporting Period, the Company carried out training around three themes, namely, talent development, business expansion and organisational support. We formulated the "B-EST" training system, each part of which is introduced as follows. Plan E (engine) is a strategy-driven programme to broaden the horizons of senior executives; Plan S (strength) is a problem-oriented programme to improve the performance of middle-level management personnel; Plan T (turn) is a programme to provide newly promoted executives and new employees with an impetus for development; and Plan B (base) is a programme that drives top-performing talents, senior managers and employees to enhance their professional competence and achieve their goals. The system is intended to provide diversified and targeted training for employees of different levels and from varying backgrounds.

Training	Fresh graduate employees: The Company introduces the Rising Star Programme and the Shining Star Programme. The Rising Star Programme is designed to train fresh graduate employees for the first six months of employment and each trainee is assigned a mentor. The Shining Star Programme is targeted at employees during their phase of accelerated growth, that is, the first 0.5-3 years of their career. New employees recruited from the job market: Induction training is provided for new hires through the online learning platform. Senior managers: Online quality courses are provided, leadership enhancement courses are organised in cooperation with the University of Science and Technology Beijing, and learning content from the Executive Channel is recommended to managerial personnel.
Skills competitions	Employees participate in technical skills competitions and integrated skills competitions on a three-tier platform to reach their full potential.
Training allowances	The Company and its affiliated units actively disburse subsidies to skilled personnel, to stimulate the enthusiasm of employees for sharpening their skills.

Case: Strengthening skilled personnel training to build a highly skilled workforce
To create a skills-oriented workplace, the Company hosted the Beijing Employee Vocational Skills Competition for Automotive (Engine) Assembly and Commissioning Technicians. There were 2 senior technicians, 2 technicians, 1 senior workers, 2 intermediate workers, and 4 junior workers selected across the Group. Meanwhile, we held 59 skills competitions of all levels with an attendance of 4,406 persons and organised 41 special labour competitions, with 7,516 participants in total.

The Company is committed to recruiting, nurturing, appreciating and valuing talents as per the principle of fairness and impartiality, with quality and knowledge as the basis and ability and experience as the criteria for promotion. We have set up a dual-track promotion mode for management and occupational development, so as to open up career pathways for employees, and establish a talent development system guided by "post value", vertical promotion, horizontal expansion and career ladders. The Company has always regarded employees as its most important assets. We have increased the matching degree between employees and jobs, implemented talent training programmes, and intensified efforts to develop career ladders. In the future, we will continue to follow "dual-track planning" as the guide, and use job qualifications as criteria to provide comprehensive training for promising and outstanding employees at different levels and sequences.

Indicator	2023
Percentage of trained employees (%)	100.0%
Of which: percentage of male employees completing the training (%)	100.0%
Of which: percentage of female employees completing the training (%)	100.0%
Of which: percentage of senior management members completing the training (%)	100.0%
Of which: percentage of middle management members completing the training (%)	100.0%
Total hours of employee training (hour)	688,341.1
Average completed training hours per employee (hour/person)	25.2
Of which: average completed training hours per male employee (hour/person)	25.2
Of which: average completed training hours per female employee (hour/person)	25.2
Of which: average completed training hours per senior management employee (hour/person)	110.0
Of which: average completed training hours per middle management employee (hour/person)	16.0
Training expenses (RMB100 million)	0.31

4.5 Staff Care

The Company resolutely safeguards the rights of employees, including the rights of being informed, participating, expressing themselves and supervising. We regularly convene the employee representative congress to listen to the democratic appraisal of employee representatives as well as the comments and suggestions of staff members. With respect to the well-being of employees, we have set up a dedicated fund to fulfil our commitment to and care for the wellness of employees through practical actions.

Listening to staff's demands	In January 2023, the Company convened the 2023 Annual Work Conference/the 10th Session of the First Employee Representative Congress, to hear the business report and consider and adopt the resolutions reached at the meeting. In June 2023, the Company held the First Session of the Second Employee Representative Congress, to elect a new set of 110 employee representatives, hear the production and operation report, and consider and adopt a number of policies such as the "Implementation Rules on the Employee Representative Congress of BAIC Motor" and the "Working System for Employee Directors and Employee Supervisors of BAIC Motor" as well as the resolutions of reached at the employee representative congress.
Enhancing staff's well-being	The Company launched the 11th "Fitness-for-All" sports event with over 9,000 people enrolled and more than 90% of them competing. The Company organised the first Dragon Boat Race/Customer Marketing campaign. The Company organised a series of cultural and sports activities such as walkathons, table tennis competitions, basketball matches, and annual celebrations to inspire team spirit and spirit of competition among employees.
Paying visits to employees along with various supplies	To keep employees cool in summer, the Company distributed 9,043 summer heat relief kits to them. The Company cares about model workers by taking a number of initiatives, which are divided into three categories, that is, management, service and care. We promptly update the basic information of model workers, pay visits to them during holiday seasons, and organise symposiums, health check-ups, and sanatorium-rest treatments to raise their sense of fulfilment, responsibility and honour.
Providing assistance for employees in need	The Company paid door-to-door visits to workers in temporary difficulties, model workers, and employees engaged in key projects, which involved a total investment of RMB1,542,600.
Caring for female employees	The labour union of the Company organised the "Amazing Us" female employee commendation activity to celebrate the International Women's Day. All units were organised to build lactation rooms and upgrade their facilities by standard. Female employees were organised to receive first aid training, and top-performing female workers were invited to attend the workshop for women and the women in leadership course.

5. COMMUNITY SERVICES

5.1 Charity

Spearheaded by the values of "openness and sharing", the Group remains steadfast in the combination of business responsibility and social responsibility. Given its characteristics and advantages, it actively participates in public benefit programmes, and drives other parties along the industrial chain to jointly create a better future.

Case: Providing earthquake relief to Jishishan County, Linxia Prefecture, Gansu Province

A devastating 6.2 magnitude earthquake struck Jishishan County, Linxia Prefecture, Gansu Province on December 18, 2023. Beijing Benz, together with Mercedes-Benz Group and its national network of dealer partners, activated the "Mercedes-Benz Star Fund Donation Project Management Mechanism for Public Emergencies", understood the emergency relief needs in the first place, and raised a large amount of emergency supplies, including thermal clothing and daily necessities, and sent them to the affected areas through its public welfare partners.

Case: "A Beautiful BAIC Motor, Walking with Love" programme, providing paired assistance for difficult students in ethnic minority areas

The Company continued to carry out the "A Beautiful BAIC Motor, Walking with Love" programme to provide paired assistance for indigent students in ethnic minority areas. By offering financial assistance to poor children, we helped them return to school, promoted rural revitalisation, and fulfilled corporate social responsibilities. In 2023, the Company provided assistance to 29 needy students in Lhasa of Tibet, Ganzi of Sichuan and Hotan of Xinjiang.

5.2 Volunteer Activities

Employees of the Group actively participate in various youth volunteer activities at the national and corporate levels, to serve the community and help disadvantaged groups, cultivate team spirit and sense of social responsibility, and practise CSRs to shape a good corporate image and give back to society with practical actions.

Case: Providing volunteer services as a socially responsible enterprise

The Youth League Committee of Beijing Benz continued to carry out volunteer service activities of all sorts at important points in time such as the Lei Feng Day (5 March of each year) and the inauguration of key projects in Beijing, the economic development zone, and the Company. A total of 150 young employees took part in these activities to serve 20,000 people.

In March 2023, Beijing Benz, along with the Beijing Youth Development Foundation, carried out a paired assistance programme, which benefited 50 primary school students in need.

Indicator	2023	2022	2021
Terms of volunteer activities (term)	**53**	375	375
Number of participants in employee volunteer activities (person)	**796**	8,230	9,311
Hours of volunteer activities during the Reporting Period (hour)	**424**	13,240	44,756
Number of beneficiaries in volunteer activities during the Reporting Period (person)	**7,129**	19,315	97,812

5.3 Response to Rural Revitalisation

The Company has continued to facilitate the rural revitalisation drive on all fronts, coordinated various units to provide assistance in employment, consumption and public welfare, and prepared and issued the "Implementation Plan and Work Plan of BAIC Motor to Help Promote Rural Revitalisation in a Comprehensive Manner".

During the Reporting Period, the Group achieved the following results in the field of rural revitalisation:

Assistance in the form of employment	In the light of its actual conditions, the Company gave priority to recruiting people from the areas lifted out of poverty for appropriate jobs, cooperated with vocational schools in the areas receiving assistance to create access to employment, and provided internship and job opportunities for graduates from these schools.
Assistance in the form of consumption	The Company bought agricultural and sideline products from the areas receiving assistance and the local villages with weak collective economy, which amounted to RMB1,931,000, accounting for 30% of its total agricultural and sideline product purchases over the same period.
Assistance in the form of public welfare	With the goal of actively fulfilling its CSRs and improving the well-being of the people in the primary-level areas, the Company coordinated brand building and public welfare activities to provide assistance in education, culture, science and technology, and other areas. Its donations in cash and in kind totalled RMB914,000.

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Aspects	Description	Page
B6 Product Responsibility	General Disclosure Information relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	95-96, 105
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	96
	B6.2 Number of products and service related complaints received and how they are dealt with.	103-104
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	102
	B6.4 Description of quality assurance process and recall procedures.	97
	B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	105
B7 Anti-corruption	General Disclosure Information relating to bribery, extortion, fraud and money laundering: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	92
	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, and how they are implemented and monitored.	92
	B7.3 Description of anti-corruption training provided to directors and staff.	93
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.	126-127
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	126-127
	B8.2 Resources contributed (e.g. money or time) to the focus area.	126-127

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"), which are set out on pages 138 to 220, comprise:

- the consolidated balance sheet as at December 31, 2023;
- 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, comprising material accounting policy information and other explanatory information.

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, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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

Key Audit Matter	How our audit addressed the Key Audit Matter
Capitalization of internal development costs Refer to Note 4 (Critical accounting estimates and judgements) and Note 8 (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. RMB2,512 million of internal development costs have been capitalized and recorded as addition to intangible assets for the year ended December 31, 2023. 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.	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	How our audit addressed the 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 4 (Critical accounting estimates and judgements), Note 6 (Property, plant and equipment), Note 7 (Land use rights) and Note 8 (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, 2023. Management has engaged an independent valuer to determine the recoverable amount of this CGU, being the higher of the fair value less costs of disposal and 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, 2023. 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.	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 the higher of the fair value less costs of disposal and 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 assessed management's identification of the CGU and the allocation of assets to the CGU for the purpose of impairment assessment. 3. 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. 4. We involved our internal valuation experts to assess the appropriateness of the valuation methodologies used to determine the fair value less costs of disposal and benchmarked the EV/S rates applied to other comparable companies in the same industry. 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for warranties Refer to Note 4 (Critical accounting estimates and judgements) and Note 23 (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 23, the Group's warranties provision balance is RMB6,652 million as at December 31, 2023. 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.	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 IFRS Accounting Standards 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 skepticism 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.

- 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 NG Tsun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 22, 2024

Consolidated Balance Sheet

As at December 31, 2023

	Note	As at December 31, 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**47,086,248**	49,086,066
Land use rights	7	**6,606,030**	6,787,039
Investment properties		**227,093**	242,107
Intangible assets	8	**10,938,512**	10,474,252
Investments accounted for using equity method	10,11	**9,304,861**	13,113,315
Financial assets at fair value through other comprehensive income	12	**5,400,973**	1,597,924
Deferred income tax assets	13	**7,763,960**	8,739,006
Other receivables and prepayments	17	**504,678**	880,895
		87,832,355	90,920,604
Current assets			
Inventories	14	**23,867,358**	26,092,623
Accounts receivable	15	**21,026,946**	15,738,853
Advances to suppliers	16	**97,269**	219,126
Other receivables and prepayments	17	**2,761,952**	2,312,559
Restricted cash and term deposits with initial term of over three months	18	**2,013,044**	864,662
Cash and cash equivalents	19	**31,124,229**	37,227,015
		80,890,798	82,454,838
Total assets		**168,723,153**	173,375,442
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	20	**8,015,338**	8,015,338
Other reserves	21	**22,556,124**	21,711,410
Retained earnings		**26,437,757**	24,770,018
		57,009,219	54,496,766
Non-controlling interests		**22,374,399**	24,440,339
Total equity		**79,383,618**	78,937,105

As at December 31, 2023

	Note	As at December 31, 2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	22	**6,539,268**	8,580,404
Lease liabilities	6(b)(i)	**61,511**	169,525
Deferred income tax liabilities	13	**12,524**	16,208
Provisions	23	**3,787,350**	3,590,878
Deferred income	24	**2,485,420**	2,710,497
Other payables		**–**	23,534
		12,886,073	15,091,046
Current liabilities			
Accounts payable	25	**35,847,709**	29,869,141
Contract liabilities	26	**889,385**	1,214,906
Other payables and accruals	27	**29,913,089**	32,095,423
Current income tax liabilities		**95,071**	1,772,890
Borrowings	22	**6,735,673**	11,732,976
Lease liabilities	6(b)(i)	**108,315**	105,076
Provisions	23	**2,864,220**	2,556,879
		76,453,462	79,347,291
Total liabilities		**89,339,535**	94,438,337
Total equity and liabilities		**168,723,153**	173,375,442

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

The financial statements on pages 138 to 220 were approved by the Board of Directors on March 22, 2024 and were signed on its behalf.

Chen Wei, Director

Song Wei, Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2023

	Note	For the year ended December 31, 2023 RMB'000	2022 RMB'000
Revenue	5	**197,949,177**	190,462,586
Cost of sales		**(157,878,715)**	(148,128,379)
Gross profit		**40,070,462**	42,334,207
Selling and distribution expenses		**(11,840,189)**	(11,176,768)
General and administrative expenses		**(5,112,859)**	(5,337,959)
Net impairment losses on financial assets		**(565,224)**	(474,556)
Other gains, net	28	**16,923**	663,966
Operating profit		**22,569,113**	26,008,890
Finance income	31	**525,834**	659,631
Finance costs	31	**(495,079)**	(658,459)
Finance income, net		**30,755**	1,172
Share of loss of investments accounted for using equity method		**(1,599,907)**	(1,280,849)
Profit before income tax		**20,999,961**	24,729,213
Income tax expense	32	**(7,373,652)**	(8,393,911)
Profit for the year		**13,626,309**	16,335,302
Profit attributable to:			
Equity holders of the Company		**3,030,346**	4,196,597
Non-controlling interests		**10,595,963**	12,138,705
		13,626,309	16,335,302
Earnings per share for profit attributable to ordinary shareholders of the Company for the year (expressed in RMB)			
Basic and diluted	33	**0.38**	0.52

	For the year ended December 31,	
	2023	**2022**
	RMB'000	**RMB'000**
Profit for the year	**13,626,309**	16,335,302
Other comprehensive income		
Items that may be reclassified to profit or loss		
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	**(118,889)**	(98,683)
Items that will not be reclassified to profit or loss		
Changes in fair values of financial assets at fair value through other comprehensive income	**924,166**	(1,090,982)
Other comprehensive income/(loss) for the year	**827,375**	(825,401)
Total comprehensive income for the year	**14,453,684**	15,509,901
Attributable to:		
Equity holders of the Company	**3,875,060**	3,196,461
Non-controlling interests	**10,578,624**	12,313,440
	14,453,684	15,509,901

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, 2023

	Attributable to equity holders of the Company					
	Share capital RMB'000 (Note 20)	Other reserves RMB'000 (Note 21)	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2023	8,015,338	21,711,410	24,770,018	54,496,766	24,440,339	78,937,105
Profit for the year	-	-	3,030,346	3,030,346	10,595,963	13,626,309
Other comprehensive income/(loss)	-	844,714	-	844,714	(17,339)	827,375
Total comprehensive income for the year	-	844,714	3,030,346	3,875,060	10,578,624	14,453,684
Transactions with owners						
2022 final dividends (Note 34)	-	-	(1,362,607)	(1,362,607)	-	(1,362,607)
Dividends to non-controlling interest holders of a subsidiary (Note 9(a))	-	-	-	-	(12,789,000)	(12,789,000)
Contribution from non-controlling interest holder of a subsidiary	-	-	-	-	144,436	144,436
	-	-	(1,362,607)	(1,362,607)	(12,644,564)	(14,007,171)
Balance at December 31, 2023	8,015,338	22,556,124	26,437,757	57,009,219	22,374,399	79,383,618

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Attributable to equity holders of the Company					
	Share capital RMB'000 (Note 20)	Other reserves RMB'000 (Note 21)	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2022	8,015,338	22,711,546	21,855,875	52,582,759	22,304,316	74,887,075
Profit for the year	–	–	4,196,597	4,196,597	12,138,705	16,335,302
Other comprehensive (loss)/income	–	(1,000,136)	–	(1,000,136)	174,735	(825,401)
Total comprehensive income for the year	–	(1,000,136)	4,196,597	3,196,461	12,313,440	15,509,901
Transactions with owners						
2021 final dividends	–	–	(1,282,454)	(1,282,454)	–	(1,282,454)
Dividends to non-controlling interest holders of a subsidiary (Note 9(a))	–	–	–	–	(10,241,000)	(10,241,000)
Contribution from non-controlling interest holder of a subsidiary	–	–	–	–	63,583	63,583
	–	–	(1,282,454)	(1,282,454)	(10,177,417)	(11,459,871)
Balance at December 31, 2022	8,015,338	21,711,410	24,770,018	54,496,766	24,440,339	78,937,105

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, 2023

	Note	For the year ended December 31, 2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash generated from operations	35(a)	**32,332,262**	27,331,630
Interest paid		**(338,660)**	(520,129)
Interest received		**412,596**	659,631
Income tax paid		**(8,157,337)**	(8,817,059)
Net cash generated from operating activities		**24,248,861**	18,654,073
Cash flows from investing activities			
Purchase of property, plant and equipment		**(6,101,806)**	(4,707,636)
Addition of intangible assets		**(2,715,699)**	(1,517,698)
Addition of investments accounted for using equity method		**-**	(3,100,319)
Payments for financial assets at fair value through other comprehensive income		**(2,878,883)**	-
Receipt of government grants for capital expenditures		**67,120**	118,181
Proceeds from disposals of property, plant and equipment, land use rights and intangible assets	35(b)	**56,087**	56,486
Proceeds from disposal of investments accounted for using equity method		**22,107**	67,545
Dividends received from investments accounted for using equity method		**2,185,862**	1,226,288
Dividends received from financial assets		**-**	73
Net cash used in investing activities		**(9,365,212)**	(7,857,080)
Cash flows from financing activities			
Proceeds from borrowings		**7,620,371**	15,426,252
Repayments of borrowings		**(14,680,187)**	(17,648,678)
Repayments of loans form a fellow subsidiary		**(109,243)**	-
Repayment of loans from immediate parent company		**-**	(888,722)
Contribution from non-controlling interest holder of a subsidiary		**144,436**	63,583
Principal elements of lease payments		**(104,775)**	(109,552)
Dividends paid by the Company		**(1,362,607)**	(1,282,454)
Dividends paid to non-controlling interest holders of subsidiaries		**(12,789,000)**	(10,241,000)
Net cash used in financing activities		**(21,281,005)**	(14,680,571)
Net decrease in cash and cash equivalents		**(6,397,356)**	(3,883,578)
Cash and cash equivalents at January 1		**37,227,015**	40,968,622
Exchange differences on cash and cash equivalents		**294,570**	141,971
Cash and cash equivalents at December 31		**31,124,229**	37,227,015

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

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 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 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 recognised the cumulative effect of initially applying the new standard on 1 January 2022. There was no impact on retained earnings on 1 January 2022.

2 BASIS OF PREPARATION (CONTINUED)

New standards, amendments to standards and interpretations (Continued)

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

	Amount of adjustment	
	1 January 2022 RMB'000	**31 December 2022 RMB'000**
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 recognised in prior periods and are not expected to significantly affect the current or future periods.

Certain new standard 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 IAS 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 material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 FINANCIAL RISK MANAGEMENT

3.1 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(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.

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,			
	2023		2022	
	Euro RMB'000	Other foreign currencies RMB'000	Euro RMB'000	Other foreign currencies RMB'000
Accounts receivable	**647,346**	**129,656**	810,914	83,267
Other receivables and prepayments	**293,276**	**64,986**	352,027	20,644
Cash and cash equivalents	**1,876,864**	**190,647**	4,008,560	186,091
Accounts payable	**5,378,132**	**4,649**	4,104,513	6,261
Other payables and accruals	**3,174,336**	**105,991**	3,887,829	221,706

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, 2023, the asset carrying value of the forward foreign exchange contracts was RMB293,276,000 (December 31, 2022: RMB352,027,000 (Note 17(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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

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 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,	
	2023 RMB'000	**2022 RMB'000**
Increase/(decrease) in profit for the year	**177,406**	(39,889)
Decrease in other comprehensive income	**434,532**	278,211

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.

(ii) 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, 2023, 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, 2023 would have been approximately RMB40,474,000 (2022: RMB73,515,000) 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, 2023, 100% (December 31, 2022: 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) Risk management (Continued)

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.

(ii) Impairment of financial assets

Impairment of financial assets are determined on the basis outlined in Note 41.11(d). To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. As at December 31, 2023 the provision for impairment in respect of those collectively assessed trade receivables was approximately RMB1,286,135,000 (December 31, 2022: RMB890,428,000) based on expected loss rates applied on different groupings as follows.

Trade receivables from sales of products and services

	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, 2023							
Expected loss rate	**0.3%**	**11.4%**	**23.3%**	**25.5%**	**52.2%**	**100.0%**	**9.7%**
Trade receivables, gross	**9,381,940**	**316,791**	**45,598**	**134,965**	**271,113**	**815,850**	**10,966,257**
Provision for impairment	**26,946**	**36,239**	**10,646**	**34,445**	**141,525**	**815,850**	**1,065,651**
As at December 31, 2022							
Expected loss rate	0.1%	2.4%	11.2%	30.5%	68.8%	98.0%	9.2%
Trade receivables, gross	7,465,862	278,620	137,274	263,284	347,200	487,932	8,980,172
Provision for impairment	3,492	6,797	15,432	80,334	239,013	478,136	823,204

Trade receivables from government subsidies of new energy vehicle sales

As at December 31, 2023, trade receivables, gross, from government subsidies of new energy vehicle sales amounted to approximately RMB5,756,086,000 (December 31, 2022: RMB6,722,461,000) with provision for impairment of approximately RMB220,484,000 (December 31, 2022: RMB67,224,000)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

The loss allowances for accounts receivables and other receivables as at 31 December reconcile to the opening loss allowances as follows:

	Accounts receivables		Other receivables	
	2023 RMB'000	**2022 RMB'000**	**2023 RMB'000**	**2022 RMB'000**
Opening loss allowance at 1 January	**890,428**	616,828	**619,047**	418,091
Increase in loss allowance recognised in profit or loss during the year	**412,328**	328,714	**199,504**	240,806
Receivables written off during the year as uncollectible	**(2,094)**	–	**(39)**	–
Unused amount reversed	**(4,148)**	(55,114)	**(42,460)**	(39,850)
Closing loss allowance at 31 December	**1,296,514**	890,428	**776,052**	619,047

Accounts receivables and other receivables are written off where there is no reasonable expectation of recovery.

Impairment losses on accounts receivables and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Net impairment losses on financial assets recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

	2023 RMB'000	2022 RMB'000
Impairment losses		
– movement in loss allowance for account receivables and other receivables	**(601,453)**	(569,520)
Impairment losses on notes receivable	**(295)**	–
Reversal of previous impairment losses	**46,608**	94,964
Impairment losses on financial assets at amortised cost	**(555,140)**	(474,556)
Impairment losses on financial assets at FVOCI	**(10,084)**	–
Net impairment losses on financial assets	**(565,224)**	(474,556)

(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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

As at December 31, 2023, the Group has net current assets of approximately RMB4,437 million (December 31, 2022: net current assets of RMB3,108 million). 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 22 to these financial statements.

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)	Total RMB'000
At December 31, 2023					
Borrowings	**6,959,805**	**6,263,859**	**440,320**	**–**	**13,663,984**
Lease liabilities	**110,659**	**863**	**3,026**	**11,933,965**	**12,048,513**
Accounts payable	**35,847,709**	**–**	**–**	**–**	**35,847,709**
Other payables	**27,055,945**	**–**	**–**	**–**	**27,055,945**
At December 31, 2022					
Borrowings	12,041,689	5,257,098	3,587,473	–	20,886,260
Lease liabilities	110,952	110,726	3,017	12,852,939	13,077,634
Accounts payable	29,869,141	–	–	–	29,869,141
Other payables	29,256,661	23,926	–	–	29,280,587

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 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 at December 31, 2023 and 2022, the balance of total cash and cash equivalents exceeded the balance of borrowings.

3.3 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 assets 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. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. (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).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 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 12, 15)				
At December 31, 2023	**5,397,973**	**–**	**5,384,152**	**10,782,125**
At December 31, 2022	1,594,924	–	920,168	2,515,092
Derivative financial instruments (Note 17)				
At December 31, 2023	**–**	**293,276**	**–**	**293,276**
At December 31, 2022	–	352,027	–	352,027

4 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 41.9(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Impairment of long-lived assets (Continued)

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.

For impairment testing, cash flows beyond the five-year period are extrapolated using the estimated annual sales growth rate of 2.5%. The discount rate applied to the cash flow projections used for value-in-use calculations is 16.16% (December 31, 2022: 15.53%).

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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.

5 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 business 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.

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

5 SEGMENT INFORMATION (CONTINUED)

(b) Profit and loss disclosures, segment assets and segment liabilities (Continued)

	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	182,499,415	7,963,171	190,462,586
Timing of revenue recognition			
– At a point in time	180,598,734	7,852,507	188,451,241
– Over time	1,900,681	110,664	2,011,345
	182,499,415	7,963,171	190,462,586
Segment gross profit/(loss)	44,549,887	(2,215,680)	42,334,207
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			(1,280,849)
Profit before income tax			24,729,213
Income tax expense			(8,393,911)
Profit for the year			16,335,302
Other information:			
Significant non-cash expenses			
Depreciation and amortization	(7,573,380)	(1,383,091)	(8,956,471)
Provisions for impairments on assets	(1,393,928)	(90,923)	(1,484,851)
As at December 31, 2022			
Total assets	146,669,639	26,705,803	173,375,442
Total liabilities	(84,780,000)	(9,658,337)	(94,438,337)

5 SEGMENT INFORMATION (CONTINUED)

(b) Profit and loss disclosures, segment assets and segment liabilities (Continued)

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%).

(c) Accounting policies of 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:

(i) 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.

(ii) 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.

(iii) Financing components

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

6 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, 2023	17,489,864	14,108,654	344,602	1,979,049	5,226,371	9,937,526	49,086,066
Additions	1,307	49,885	16,795	4,522	-	4,661,457	4,733,966
Transfers upon completion to – property, plant and equipment	387,867	2,909,036	32,542	939,211	2,718,712	(6,987,368)	-
Disposals	(596)	(51,289)	(7,504)	(6,193)	(43,039)	-	(108,621)
Depreciation	(1,251,142)	(2,493,278)	(78,899)	(971,720)	(1,789,376)	-	(6,584,415)
Impairment	(2,206)	-	-	-	-	-	(2,206)
Exchange differences	(31,512)	(5,362)	-	(1,668)	-	-	(38,542)
Net book amount at December 31, 2023	16,593,582	14,517,646	307,536	1,943,201	6,112,668	7,611,615	47,086,248
At December 31, 2023							
Cost	24,842,941	35,317,790	1,018,010	9,184,451	16,115,058	7,611,615	94,089,865
Accumulated depreciation and impairment	(8,249,359)	(20,800,144)	(710,474)	(7,241,250)	(10,002,390)	-	(47,003,617)
Net book amount	16,593,582	14,517,646	307,536	1,943,201	6,112,668	7,611,615	47,086,248

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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, 2022	17,925,741	14,953,722	323,089	2,188,492	4,284,184	10,897,871	50,573,099
Additions	330,013	271,854	113,802	99,706	20,838	4,610,690	5,446,903
Transfers upon completion to							
– investment properties	–	–	–	–	–	(85,544)	(85,544)
– property, plant and equipment	425,508	1,840,381	71,456	762,548	2,385,598	(5,485,491)	–
Disposals	(56,975)	(177)	(22,620)	(15,269)	(42,127)	–	(137,168)
Depreciation	(1,134,423)	(2,948,188)	(141,125)	(1,056,428)	(1,422,122)	–	(6,702,286)
Impairment	–	(8,938)	–	–	–	–	(8,938)
Net book amount at December 31, 2022	17,489,864	14,108,654	344,602	1,979,049	5,226,371	9,937,526	49,086,066
At December 31, 2022							
Cost	24,488,680	32,805,427	1,054,871	8,452,138	13,469,151	9,937,526	90,207,793
Accumulated depreciation and impairment	(6,998,816)	(18,696,773)	(710,269)	(6,473,089)	(8,242,780)	–	(41,121,727)
Net book amount	17,489,864	14,108,654	344,602	1,979,049	5,226,371	9,937,526	49,086,066

Notes:

(a) The Group has capitalized borrowing costs amounting to RMB11,341,000 on qualifying assets of property, plant and equipment for the year ended December 31, 2023 (2022: RMB18,326,000). Borrowing costs were capitalized at the weighted average of its borrowing rate of 5.89% during the year (2022: 6.08%).

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) This note provides information for leases where the Group is a lessee.

(i) Amounts recognized in the balance sheet

	As at December 31,	
	2023 RMB'000	**2022 RMB'000**
Right-of-use assets		
Included in property, plant and equipment		
– Buildings	**186,290**	294,700
– Machinery	**34**	115
	186,324	294,815
Included in land use rights (Note 7)	**6,606,030**	6,787,039
Lease liabilities		
Non-current	**61,511**	169,525
Current	**108,315**	105,076
	169,826	274,601

There are no additions to the right-of-use assets included in property, plant and equipment during the 2023 financial year (2022: RMB302,239,000).

(ii) Amounts recognized in the statement of profit or loss

	For the year ended December 31,	
	2023 RMB'000	**2022 RMB'000**
Depreciation/amortization charge of right-of-use assets		
Included in property, plant and equipment		
– Buildings	**101,634**	127,264
– Machinery	**81**	104
	101,715	127,368
Included in land-use rights (Note 7)	**181,009**	181,193
Interest expense (included in finance costs) (Note 31)	**10,627**	14,781
Expenses relating to short-term leases (included in cost of sales, selling and distribution expenses and general and administrative expenses)	**20,496**	19,854

(iii) Amounts recognized in the statement of cash flows

The total cash outflow for leases in 2023 was RMB135,898,000 (2022: RMB144,186,000).

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) This note provides information for leases where the Group is a lessee (Continued).

(iv) Accounting policies of 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.

See note 41.26 for the other accounting policies relevant to leases.

(c) Depreciation on property, plant and equipment of the Group is analyzed as follows:

	For the year ended December 31,	
	2023 **RMB'000**	**2022** **RMB'000**
Cost of sales	**6,045,876**	6,105,533
Selling and distribution expenses	**3,238**	2,962
General and administrative expenses	**394,574**	463,640
	6,443,688	6,572,135
Capitalized in intangible assets – development costs	**140,727**	130,151
	6,584,415	6,702,286

(d) Depreciation methods and useful lives

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	15-30 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.

See note 41.6 for the other accounting policies relevant to property, plant and equipment.

7 LAND USE RIGHTS

	For the year ended December 31,	
	2023	**2022**
	RMB'000	**RMB'000**
Net book amount at January 1	**6,787,039**	6,977,295
Disposals	**–**	(9,063)
Amortization	**(181,009)**	(181,193)
Net book amount at December 31	**6,606,030**	6,787,039
At December 31		
Cost	**8,317,594**	8,317,594
Accumulated amortization	**(1,711,564)**	(1,530,555)
Net book amount	**6,606,030**	6,787,039

Note:

The Group's land use rights are held under leases for periods of 31.5 to 50 years.

8 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, 2023	**9,381,234**	**191,073**	**901,945**	**10,474,252**
Additions	**2,511,878**	**165,129**	**–**	**2,677,007**
Disposals	**–**	**(5,125)**	**–**	**(5,125)**
Amortization	**(2,130,282)**	**(77,340)**	**–**	**(2,207,622)**
Net book amount at December 31, 2023	**9,762,830**	**273,737**	**901,945**	**10,938,512**
At December 31, 2023				
Cost	**27,435,653**	**1,297,454**	**901,945**	**29,635,052**
Accumulated amortization	**(17,672,823)**	**(1,023,717)**	**–**	**(18,696,540)**
Net book amount	**9,762,830**	**273,737**	**901,945**	**10,938,512**
Net book amount at January 1, 2022	9,914,844	199,759	901,945	11,016,548
Additions	1,597,140	73,196	–	1,670,336
Amortization	(2,130,750)	(81,882)	–	(2,212,632)
Net book amount at December 31, 2022	9,381,234	191,073	901,945	10,474,252
At December 31, 2022				
Cost	24,896,762	1,142,119	901,945	26,940,826
Accumulated amortization	(15,515,528)	(951,046)	–	(16,466,574)
Net book amount	9,381,234	191,073	901,945	10,474,252

8 INTANGIBLE ASSETS (CONTINUED)

Notes:

(a) Goodwill is monitored by management at the level of the two operating segments identified.

A segment-level summary of the goodwill allocation is presented below.

	As at December 31,	
	2023 RMB'000	2022 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.

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 2.5%-3% beyond which is extrapolated at 2.5%. The discount rate applied to the cash flow projections used for value-in-use calculations is 15.38% (December 31, 2022: 16.55%).

(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 5% – 40% beyond which is extrapolated at 2.5%. The discount rate applied to the cash flow projections used for value-in-use calculations is 16.16% (December 31, 2022: 15.53%).

8 INTANGIBLE ASSETS (CONTINUED)

(b) 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.

The Group has capitalized borrowing costs amounting to RMB106,011,000 on qualifying intangible assets for the year ended December 31, 2023 (2022: RMB108,902,000). Borrowing costs were capitalized at the weighted average of its borrowing rate of 2.64% during the year (2022: 3.28%).

(c) Amortization on intangible assets of the Group is analyzed as follows:

The group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Intellectual rights	5-10 years
Computer software	5 years

	For the year ended December 31,	
	2023 RMB'000	**2022 RMB'000**
Cost of sales	**2,047,907**	2,121,888
General and administrative expenses	**144,637**	67,410
	2,192,544	2,189,298
Capitalized in intangible assets – development costs	**15,078**	23,334
	2,207,622	2,212,632

9 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,	
	2023	**2022**
	RMB'000	**RMB'000**
Non-current assets	**51,498,056**	53,343,424
Current assets	**55,412,760**	61,331,665
Total assets	**106,910,816**	114,675,089
Non-current liabilities	**4,883,983**	5,055,774
Current liabilities	**55,130,153**	58,919,181
Total liabilities	**60,014,136**	63,974,955
Net assets	**46,896,680**	50,700,134
Less: goodwill	**(807,505)**	(807,505)
	46,089,175	49,892,629
The Group's non-controlling interests in Beijing Benz	**22,583,695**	24,447,388

9 SUBSIDIARIES (CONTINUED)

(a) Material non-controlling interests (continued)

(ii) Summarized statement of comprehensive income

	For the year ended December 31,	
	2023 **RMB'000**	**2022** **RMB'000**
Revenue	**178,819,595**	183,154,764
Net profit	**22,267,558**	25,368,398
Other comprehensive income	**28,987**	345,359
Total comprehensive income	**22,296,545**	25,713,757

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,	
	2023 **RMB'000**	**2022** **RMB'000**
Net profit attributable to non-controlling interests	**10,911,103**	12,430,515
Other comprehensive income attributable to non-controlling interests	**14,204**	169,226
Total comprehensive income attributable to non-controlling interests	**10,925,307**	12,599,741
Dividends to non-controlling interest holders	**12,789,000**	10,241,000

(iii) Summarized statement of cash flows

	For the year ended December 31,	
	2023 **RMB'000**	**2022** **RMB'000**
Net cash flows generated from operating activities	**26,295,817**	20,405,383
Net cash flows used in investing activities	**(5,905,469)**	(4,226,991)
Net cash flows used in financing activities	**(26,100,000)**	(20,962,928)
Exchange differences on cash and cash equivalents	**289,413**	128,272
Net decrease in cash and cash equivalents	**(5,420,239)**	(4,656,264)

(b) The list of the principal subsidiaries at December 31, 2023 is disclosed in Note 38. All of the subsidiaries established in the PRC are limited liability companies.

10 INVESTMENTS IN JOINT VENTURES

	For the year ended December 31, 2023 RMB'000	2022 RMB'000
At January 1	**6,072,803**	5,432,848
Additional investments	**–**	3,100,319
Disposals	**(15,796)**	–
Share of loss for the year	**(2,105,334)**	(1,930,362)
Share of other comprehensive (loss)/income for the year	**(6,889)**	18,905
Share of total comprehensive loss for the year	**(2,112,223)**	(1,911,457)
Dividends received	**(666,087)**	(548,907)
At December 31	**3,278,697**	6,072,803

Notes:

(a) None of the joint ventures are considered individually material as at December 31, 2023.

(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, 2023 RMB'000	2022 RMB'000
Aggregate carrying amount of the net assets	**7,812,671**	13,899,475
Aggregate amount of the Group's share thereon	**3,278,697**	6,072,803

	For the year ended December 31, 2023 RMB'000	2022 RMB'000
Aggregate total comprehensive loss	**(3,691,006)**	(3,381,250)
Aggregate amount of the Group's share of total comprehensive loss	**(2,112,223)**	(1,911,457)

(c) The list of the principal joint ventures at December 31, 2023 is disclosed in Note 38.

11 INVESTMENTS IN ASSOCIATES

	For the year ended December 31,	
	2023 RMB'000	**2022 RMB'000**
At January 1	**7,040,512**	7,096,296
Disposals	**–**	(41,916)
Share of profit for the year	**505,427**	649,513
Share of total comprehensive income for the year	**505,427**	649,513
Dividends received	**(1,519,775)**	(663,381)
At December 31	**6,026,164**	7,040,512

Notes:

(a) None of the associates are considered individually material as at December 31, 2023.

(b) 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,	
	2023 RMB'000	**2022 RMB'000**
Aggregate carrying amount of the net assets	**20,639,452**	23,647,419
Aggregate amount of the Group's share thereon	**6,026,164**	7,040,512

	For the year ended December 31,	
	2023 RMB'000	**2022 RMB'000**
Aggregate total comprehensive income	**1,839,998**	2,194,983
Aggregate amount of the Group's share of total comprehensive income	**505,427**	649,513

(c) The list of the principal associates at December 31, 2023 is disclosed in Note 38.

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the year ended December 31, 2023 RMB'000	2022 RMB'000
At January 1	**1,597,924**	2,688,906
Additional investments	**2,878,883**	–
Changes in fair values	**924,166**	(1,090,982)
At December 31	**5,400,973**	1,597,924

Note:

Balance at December 31, 2023 mainly represents 15.80% (December 31, 2022: 6.25%) equity interests in BAIC BluePark New Energy Technology Co., Ltd. ("BAIC BluePark") being held by the Company and 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 July 15, 2022, the Company and BAIC BluePark entered into a conditional share subscription agreement for non-public issuance. BAIC BluePark completed the formalities in registration of the aforesaid share issuance on May 25, 2023 and the total subscription amount paid by the Company is RMB2.879 billion. Upon the completion of the subscription, the Company and BAIC Guangzhou hold 10.99% and 4.81% of the total share capital of BAIC BluePark, respectively, together holding 15.80% in aggregate.

13 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, 2023	**228,947**	**8,493,460**	**1,284,404**	**10,006,811**
Credited/(charged) to statement of comprehensive income	**68,278**	**(639,973)**	**(298,072)**	**(869,767)**
At December 31, 2023	**297,225**	**7,853,487**	**986,332**	**9,137,044**
At January 1, 2022	310,815	7,034,710	1,566,796	8,912,321
(Charged)/credited to statement of comprehensive income	(81,868)	1,458,750	(282,392)	1,094,490
At December 31, 2022	228,947	8,493,460	1,284,404	10,006,811

13 DEFERRED INCOME TAXES (CONTINUED)

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

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

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) pursuant to set-off provisions as set out in Note 41.21(b).

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.

14 INVENTORIES

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Raw materials	10,296,327	8,831,023
Work in progress	491,490	489,125
Finished goods	13,904,690	18,715,645
	24,692,507	28,035,793
Less: provision for impairment (note (a))	(825,149)	(1,943,170)
	23,867,358	26,092,623

Notes:

(a) 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.

(b) Inventories recognised as an expense during the year ended 31 December 2023 amounted to RMB124,787 million (2022: RMB123,466 million). These were included in cost of sales, selling and distribution expenses and general and administrative expenses in note 29.

15 ACCOUNTS RECEIVABLE

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

15 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,	
	2023 RMB'000	**2022 RMB'000**
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	**6,074,347**	6,475,077
	16,722,343	15,702,633

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

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

(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 RMB'000	**2022 RMB'000**
Notes receivable (i)	**3,701,644**	545,005

(i) collateral for notes payable issued by banks

16 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.

17 OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2023 RMB'000	2022 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 (note (a))	**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 28. Movements in the hedging reserve in equity are shown in Note 21. 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.

See note 41.13 for the other accounting policies relevant to derivatives and hedging activities.

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

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
As at January 1	**619,047**	418,091
Provision for impairment recognized during the year	**157,005**	200,956
As at December 31	**776,052**	619,047

18 RESTRICTED CASH AND TERM DEPOSITS WITH INITIAL TERM OF OVER THREE MONTHS

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Pledged deposits (note (a))	1,713,044	564,662
Term deposits with initial term of over three months (note (b))	300,000	300,000
	2,013,044	864,662

Notes:

(a) Pledged deposits are maintained with banks mainly for issuance of notes payable. They earn interests at annual rates ranging from 0.20% to 3.35% in 2023 (2022: 0.25% to 4.83%).

(b) These term deposits earn interests at annual rate of 3.35% (2022: 3.35%).

19 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Cash at bank and on hand	21,912,685	23,639,997
Short-term deposits	9,211,544	13,587,018
	31,124,229	37,227,015

Notes:

(a) As at December 31, 2023, cash and cash equivalents of RMB15,257,588,000 (December 31, 2022: RMB13,325,601,000) were deposited in Beijing Automotive Group Finance Co., Ltd. (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, 2023, approximately 93% (December 31, 2022: 88%) 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.

20 SHARE CAPITAL

	Number of ordinary shares of RMB1 each (thousands)	RMB'000
At January 1, 2023 and December 31, 2023	8,015,338	8,015,338
At January 1, 2022 and December 31, 2022	8,015,338	8,015,338

21 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	Total RMB'000
At January 1, 2023	17,541,520	4,691,251	(466,511)	72,329	(127,179)	21,711,410
Other comprehensive income/(loss)						
Gain on cash flow hedges	-	-	-	14,784	-	14,784
Share of other comprehensive income of investments accounted for using the equity method	-	-	-	(6,889)	-	(6,889)
Currency translation differences	-	-	-	-	(87,347)	(87,347)
Changes in fair value of financial assets at FVOCI	-	-	924,166	-	-	924,166
At December 31, 2023	17,541,520	4,691,251	457,655	80,224	(214,526)	22,556,124

21 OTHER RESERVES (CONTINUED)

	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	Total RMB'000
At January 1, 2022	17,541,520	4,691,251	624,471	(122,709)	(22,987)	22,711,546
Other comprehensive income/(loss)						
Gain on cash flow hedges	–	–	–	176,133	–	176,133
Share of other comprehensive income of investments accounted for using the equity method	–	–	–	18,905	–	18,905
Currency translation differences	–	–	–	–	(104,192)	(104,192)
Changes in fair value of financial assets at FVOCI	–	–	(1,090,982)	–	–	(1,090,982)
At December 31, 2022	17,541,520	4,691,251	(466,511)	72,329	(127,179)	21,711,410

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.

22 BORROWINGS

	As at December 31, 2023 RMB'000	2022 RMB'000
Non-current		
Borrowings from financial institutions (note (a))	**4,043,110**	2,655,662
Corporate bonds (note (b))	**2,496,158**	5,924,742
	6,539,268	8,580,404
Current		
Borrowings from financial institutions (note (a))	**1,565,237**	6,283,888
Add: current portion of non-current borrowings from financial institutions	**1,648,333**	3,278,064
Corporate bonds (note (b))	**3,522,103**	2,171,024
	6,735,673	11,732,976
Total borrowings	**13,274,941**	20,313,380

Maturity of borrowings

	As at December 31, 2023 RMB'000	2022 RMB'000
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
	13,274,941	20,313,380

Contractual repricing dates upon interest rate changes

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

22 BORROWINGS (CONTINUED)

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 RMB'000	2022 RMB'000
RMB	**10,775,142**	17,570,096
United States Dollar ("USD")	**2,492,454**	2,704,338
South African Rand	**7,345**	38,946
	13,274,941	20,313,380

Undrawn facilities at floating rates

	As at December 31, 2023 RMB'000	2022 RMB'000
Within 1 year	**24,365,650**	17,194,021
Over 1 year	**7,964,000**	6,140,434
	32,329,650	23,334,455

22 BORROWINGS (CONTINUED)

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
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**
			6,018,261	
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
			8,095,766	

(c) 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.

23 PROVISIONS

Balances represent warranty provisions for vehicles sold.

	As at December 31,	
	2023 RMB'000	**2022 RMB'000**
Current	**2,864,220**	2,556,879
Non-current	**3,787,350**	3,590,878
Total	**6,651,570**	6,147,757

23 PROVISIONS (CONTINUED)

Movements of warranty provisions are as follows:

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
At January 1	**6,147,757**	5,163,102
Additions	**3,341,436**	3,363,118
Amortization of discount on non-current provisions (Note 31)	**165,885**	161,555
Payments	**(3,003,508)**	(2,540,018)
At December 31	**6,651,570**	6,147,757

24 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,	
	2023 RMB'000	2022 RMB'000
At January 1	**2,710,497**	3,228,685
Additions	**170,100**	134,943
Amortization	**(395,177)**	(653,131)
At December 31	**2,485,420**	2,710,497

25 ACCOUNTS PAYABLE

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

25 ACCOUNTS PAYABLE (CONTINUED)

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

	As at December 31,	
	2023 RMB'000	2022 RMB'000
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
	29,652,250	27,183,330

26 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,	
	2023 RMB'000	2022 RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	1,211,011	1,355,419

27 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2023 RMB'000	2022 RMB'000
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
	29,913,089	32,095,423

28 OTHER GAINS, NET

	For the year ended December 31,	
	2023 RMB'000	**2022 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)
	16,923	663,966

29 EXPENSES BY NATURE

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

	For the year ended December 31,	
	2023 RMB'000	**2022 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 (Note 30)	**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
Other	**12,340,227**	13,141,453
Total cost of sales, selling and distribution expenses, and general and administrative expenses	**174,831,763**	164,643,106

Note:

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

30 EMPLOYEE BENEFIT COSTS

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Wages and salaries	4,138,672	4,022,570
Pension scheme and other social security costs (note (a))	624,061	581,725
Welfare, medical and other expenses	818,947	841,146
Housing benefits	387,105	363,624
	5,968,785	5,809,065

Note:

(a) The Group makes fixed contributions on a monthly basis to various retirement benefit plans based on a specified percentage of the salaries of eligible employees and the relevant contribution ceilings, including:

Mandatory PRC government-sponsored pension plan

The Group is required to make contributions to pension plans established by municipal and provincial governments in the PRC under these plans. According to the relevant government policies, the Group shall not use the relevant contributions to reduce the existing level of contributions even if an employee leaves the relevant plan prior to vesting fully. In 2023, the Group did not use any forfeited contributions under the relevant plans to reduce the existing level of contributions (2022: Nil); nor did the Group have a balance of forfeited contributions available for such purposes as of December 31, 2023 (December 31, 2022: Nil).

Voluntary supplementary pension plan

The Group has not used any forfeited contributions under this plan (i.e. contributions handled by the Group on behalf of employees who left the plan prior to vesting fully) to reduce existing level of contributions; the Group's balance of forfeited contributions available for such purposes as of December 31, 2023 amounted to RMB11,302,000 (December 31, 2022: RMB9,413,000).

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group did not include any director (2022: Nil) or supervisor (2022: Nil) for the year ended December 31, 2023. The directors' and supervisors' emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the five(2022: five) highest individuals are as follows:

	For the year ended December 31,	
	2023 RMB'000	2022 RMB'000
Salaries, allowances and other benefits	18,140	15,393
Employer's contribution to pension scheme	351	435
	18,491	15,828

30 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,	
	2023 Number of individuals	**2022 Number of individuals**
Emolument band (in HK dollar)		
HK$2,500,001 – HK$3,000,000	**–**	1
HK$3,000,001 – HK$3,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**–**	2
HK$4,000,001 – HK$4,500,000	**5**	1

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 (2022: Nil).

31 FINANCE INCOME, NET

	For the year ended December 31,	
	2023 RMB'000	**2022 RMB'000**
Finance income		
Interest income on deposits in financial institutions	**525,834**	659,631
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 (Note 6(b)(ii))	**10,627**	14,781
Amortization of discount on non-current provisions (Note 23)	**165,885**	161,555
	612,431	785,687
Less: amounts capitalized in qualifying assets (Notes 6(a), 8(b))	**(117,352)**	(127,228)
	495,079	658,459
Finance income, net	**30,755**	1,172

32 INCOME TAX EXPENSE

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

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 RMB'000	2022 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

33 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.

34 DIVIDENDS

	For the year ended December 31,	
	2023 RMB'000	**2022 RMB'000**
Proposed final dividend of RMB 0.13 per share (2022: RMB 0.17 per share) (note (a))	**1,041,994**	1,362,607

Note:

(a) The Board of Directors 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 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.

35 CASH FLOW INFORMATION

(a) Cash generated from operations

	For the year ended December 31,	
	2023 **RMB'000**	**2022** **RMB'000**
Profit before income tax	**20,999,961**	24,729,213
Adjustments for:		
Share of loss of investments accounted for using equity method	**1,599,907**	1,280,849
Dividends from financial assets	**–**	(73)
Loss on liquidation of investments in a subsidiary	**12,780**	–
Gain on disposal of investments accounted for using equity method	**–**	(48,202)
Loss on disposals of property, plant and equipment, land use rights and intangible assets	**56,879**	72,989
Depreciation and amortization	**8,829,468**	8,956,471
Provision for impairment on non-financial assets	**656,042**	1,010,295
Net impairment losses on financial assets	**565,224**	474,556
Foreign exchange gains	**(294,570)**	(141,971)
Finance income, net	**(30,755)**	(1,172)
Amortization of deferred income	**(395,177)**	(653,131)
	31,999,759	35,679,824
Changes in working capital:		
– Inventories	**1,571,429**	(5,952,898)
– Accounts receivable	**(5,696,273)**	1,976,267
– Advances to suppliers, other receivables and prepayments	**621,900**	3,301,870
– Accounts payable	**6,027,686**	(9,766,700)
– Contract liabilities, other payables and accruals	**(2,530,167)**	1,270,167
– Provisions	**337,928**	823,100
Cash generated from operations	**32,332,262**	27,331,630

(b) Proceeds from disposals of property, plant and equipment, land use rights and intangible assets

	For the year ended December 31,	
	2023 **RMB'000**	**2022** **RMB'000**
Net book amounts disposed	**113,746**	146,231
Loss on disposals	**(56,879)**	(72,989)
Change in related receivables	**(780)**	(16,756)
Cash proceeds	**56,087**	56,486

35 CASH FLOW INFORMATION (CONTINUED)

(c) 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, 2023 RMB'000	2022 RMB'000
Cash and cash equivalents	**31,124,229**	37,227,015
Borrowings – repayable within one year	**(6,735,673)**	(11,732,976)
Borrowings – repayable after one year	**(6,539,268)**	(8,580,404)
Loans from immediate parent company and a fellow subsidiary	**(393,525)**	(498,378)
Lease liabilities	**(169,826)**	(274,601)
	17,285,937	16,140,656
Cash and cash equivalents	**31,124,229**	37,227,015
Gross debt – fixed interest rates	**(8,287,543)**	(12,663,105)
Gross debt – variable interest rates	**(5,550,749)**	(8,423,254)
	17,285,937	16,140,656

	Cash and cash equivalents RMB'000	Liabilities arising from financing activities 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, 2023	**37,227,015**	**(11,732,976)**	**(8,580,404)**	**(498,378)**	**(274,601)**	**16,140,656**
Cash flows	**(6,397,356)**	**4,988,175**	**2,071,641**	**109,243**	**115,402**	**887,105**
Addition of leases and interest on lease liabilities	**–**	**–**	**–**	**–**	**(10,627)**	**(10,627)**
Foreign exchange adjustments	**294,570**	**757**	**(41,424)**	**(8,853)**	**–**	**245,050**
Other non-cash movements	**–**	**8,371**	**10,919**	**4,463**	**–**	**23,753**
As at December 31, 2023	**31,124,229**	**(6,735,673)**	**(6,539,268)**	**(393,525)**	**(169,826)**	**17,285,937**
As at January 1, 2022	40,968,622	(14,750,968)	(7,632,677)	(1,351,980)	(81,914)	17,151,083
Cash flows	(3,883,578)	2,956,784	(734,358)	888,722	124,333	(648,097)
Addition of leases and interest on lease liabilities	–	–	–	–	(317,020)	(317,020)
Foreign exchange adjustments	141,971	–	(213,369)	(4,260)	–	(75,658)
Other non-cash movements	–	61,208	–	(30,860)	–	30,348
As at December 31, 2022	37,227,015	(11,732,976)	(8,580,404)	(498,378)	(274,601)	16,140,656

36 COMMITMENTS

The Group has the following capital commitments for property, plant and equipment not provided for as at December 31, 2023 and 2022 respectively.

	As at December 31,	
	2023 **RMB'000**	**2022** **RMB'000**
Contracted but not provided for	**6,200,094**	16,991,077
Authorized but not contracted for	**13,557,512**	17,521,529

37 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control the other party or exercise significant influence. 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, 2023 and 2022.

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties

	For the year ended December 31,	
	2023	**2022**
	RMB'000	**RMB'000**
Sale of goods and materials and property, plant and equipment to		
– fellow subsidiaries	**23,813,240**	18,073,902
– joint ventures	**881,021**	946,632
– an associate	**357**	–
– other related companies	**2,686,377**	2,278,074
Services provided to		
– fellow subsidiaries	**21,067**	22,286
– joint ventures	**2,790**	6,545
– an associate	**4,008**	–
– other related companies	**90,868**	90,863
Purchases of goods and materials from		
– fellow subsidiaries	**15,987,182**	9,553,433
– a joint venture	**93,981**	81,793
– other related companies	**64,918,646**	74,141,391
Services received from		
– immediate parent company	**763,417**	778,559
– fellow subsidiaries	**4,623,356**	3,365,434
– joint ventures	**1,269,259**	1,257,567
– an associate	**177,481**	–
– other related companies	**5,506,847**	5,899,938
Lease income from		
– fellow subsidiaries	**10,059**	4,606
– other related companies	**75,769**	69,418
Lease expenses to		
– fellow subsidiaries	**123,161**	122,366
Interest income from		
– an associate	**85,452**	196,598
– an other related company	**586**	1,427
Interest expenses to		
– immediate parent company	**–**	30,861
– a fellow subsidiary	**4,945**	10,235
– an associate	**30,514**	82,405
Key management compensations		
– salaries, allowances and other benefits	**7,286**	7,260
– employer's contributions to pension schemes	**831**	628
– discretionary bonuses	**4,415**	4,463

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties

	As at December 31,	
	2023	**2022**
	RMB'000	**RMB'000**
Assets		
Financial assets at FVOCI		
– a fellow subsidiary	**5,397,973**	1,594,924
Trade receivables		
– fellow subsidiaries	**1,130,805**	1,133,554
– joint ventures	**128,322**	100,521
– other related companies	**826,039**	1,049,273
Notes receivables		
– fellow subsidiaries	**955,479**	12,650
– a joint venture	**13,317**	–
Advances to suppliers		
– immediate parent company	**–**	3,462
– fellow subsidiaries	**46,294**	31,910
– an associate	**–**	65
Other receivables		
– fellow subsidiaries	**339,310**	138,135
– joint ventures	**210,982**	427,751
– an associate	**4,248**	–
– other related companies	**543,389**	483,413
Cash and cash equivalents		
– an associate (Note 19(a))	**15,257,588**	13,325,601
– an other related company	**26,709**	46,224

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties (Continued)

	As at December 31,	
	2023 RMB'000	2022 RMB'000
Liabilities		
Trade payables		
– fellow subsidiaries	**3,887,127**	3,079,852
– a joint venture	**64,867**	30,296
– other related companies	**10,180,899**	8,836,917
Notes payable		
– fellow subsidiaries	**1,360,194**	200,315
– a joint venture	**72,066**	45,941
– other related companies	**80,609**	44,253
Contract liabilities		
– fellow subsidiaries	**21,784**	28,768
Other payables and accruals		
– immediate parent company	**732,974**	1,413,375
– fellow subsidiaries	**671,726**	953,736
– joint ventures	**147,376**	384,655
– associates	**–**	5,049
– other related companies	**3,701,146**	4,430,728
Borrowings from		
– an associate (Note 22(a))	**1,291,413**	1,175,490
Lease liabilities		
– a fellow subsidiary	**106,868**	210,241

38 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	RMB7,964	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	USD9	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	RMB7,600	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

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)

Company name	Place and date of establishment/ incorporation	Issued and paid-up capital (million)	Attributable equity interests	Principal activities
Joint Ventures				
Beijing Hyundai Motor Company	The PRC October 16, 2002	USD2,979	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.	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	RMB5,000	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

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at December 31, 2023 RMB'000	2022 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	4,234,272	4,771,374
Land use rights	482,197	494,143
Intangible assets	7,937,849	7,218,674
Investments in subsidiaries	37,514,045	37,514,045
Investments in joint ventures and associates	2,165,895	2,181,691
Financial assets at fair value through other comprehensive income	3,757,798	3,000
Other receivables and prepayments	369,253	416,485
	56,461,309	52,599,412
Current assets		
Inventories	299,647	583,995
Accounts receivable	10,443,567	14,286,846
Advances to suppliers	40,755	42,627
Other receivables and prepayments	19,060,137	15,174,339
Restricted cash	495,160	132,068
Cash and cash equivalents	6,819,622	8,176,719
	37,158,888	38,396,594
Total assets	93,620,197	90,996,006

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (Continued)

	As at December 31,	
	2023 RMB'000	2022 RMB'000
EQUITY		
Capital and reserves attributable to equity holders		
Share capital	**8,015,338**	8,015,338
Other reserves (note (a))	**27,715,758**	26,839,843
Retained earnings (note (a))	**37,754,882**	28,116,847
Total equity	**73,485,978**	62,972,028
LIABILITIES		
Non-current liabilities		
Borrowings	**6,539,268**	6,126,970
Lease liabilities	**–**	106,868
Provisions	**171,841**	96,134
Deferred income	**418,829**	360,112
	7,129,938	6,690,084
Current liabilities		
Accounts payable	**5,757,585**	6,755,525
Contract liabilities	**2,056**	39,069
Other payables and accruals	**3,163,890**	3,159,811
Borrowings	**3,860,671**	11,198,983
Lease liabilities	**106,868**	103,373
Provisions	**113,211**	77,133
	13,004,281	21,333,894
Total liabilities	**20,134,219**	28,023,978
Total equity and liabilities	**93,620,197**	90,996,006

The balance sheet of the Company was approved by the Board of Directors on March 22, 2024 and was signed on its behalf.

Chen Wei, Director

Song Wei, Director

39 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 22(a))	Statutory reserve RMB'000 (Note 22(b))	Financial assets at FVOCI RMB'000	Retained earnings RMB'000	Total RMB'000
At January 1, 2023	**22,832,172**	**4,007,671**	**–**	**28,116,847**	**54,956,690**
Profit for the year	**–**	**–**	**–**	**11,000,642**	**11,000,642**
2022 final dividends	**–**	**–**	**–**	**(1,362,607)**	**(1,362,607)**
Changes in fair value of financial assets at FVOCI	**–**	**–**	**875,915**	**–**	**875,915**
At December 31, 2023	**22,832,172**	**4,007,671**	**875,915**	**37,754,882**	**65,470,640**
At January 1, 2022	22,832,172	4,007,671	–	23,206,153	50,045,996
Profit for the year	–	–	–	6,193,148	6,193,148
2021 final dividends	–	–	–	(1,282,454)	(1,282,454)
At December 31, 2022	22,832,172	4,007,671	–	28,116,847	54,956,690

40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

(a) Directors', supervisors' and chief executive's emoluments

For the year ended December 31, 2023

	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)							
Song Wei (宋瑋)[2]	392	49	-	-	-	-	441
Huang Wenbing (黃文炳)[3]	462	47	516	-	-	-	1,025
Non-executive director							
Chen Wei (陳巍)	1,068	96	549	-	-	-	1,713
Hu Hanjun (胡漢軍)	-	-	-	-	-	-	-
Chen Hongliang (陳宏良)	-	-	-	-	-	-	-
Ye Qian (葉芊)	-	-	-	-	-	-	-
Hubertus Troska (唐仕凱)	-	-	-	-	-	-	-
Harald Emil Wilhelm	-	-	-	-	-	-	-
Gu Tiemin (顧鐵民)	-	-	-	-	-	-	-
Sun Li (孫力)	-	-	-	-	-	-	-

40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Directors', supervisors' and chief executive's emoluments (Continued)

For the year ended December 31, 2023 (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							
Ge Songlin (葛松林)	-	-	-	-	120	-	120
Yin Yuanping (尹援平)	-	-	-	-	120	-	120
Xu Xiangyang (徐向陽)	-	-	-	-	120	-	120
Tang Jun (唐鈞)	-	-	-	-	120	-	120
Edmund Sit (薛立品)	-	-	-	-	120	-	120
Supervisor							
Zhang Ran (張然)	688	96	344	-	-	-	1,128
Sun Zhihua (孫智華)[4]	-	-	-	-	-	-	-
Zhou Xuehui (周雪輝)	-	-	-	-	-	-	-
Qiao Yufei (喬雨菲)	-	-	-	-	-	-	-
Zhang Yanjun (張彥軍)	549	96	217	-	-	-	862
Jiao Feng (焦楓)[5]	-	-	-	-	-	-	-

Notes:

(1) Discretionary bonuses are determined based on the performance of the Group.
(2) Appointed in June 2023.
(3) Resigned in June 2023.
(4) Resigned in March 2023.
(5) Appointed in June 2023.

40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Directors', supervisors' and chief executive's emoluments (Continued)

For the year ended December 31, 2022

	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							
Huang Wenbing (黃文炳) (Chief Executive)	905	72	900	–	–	–	1,877
Zhang Guofu (張國富) [2]	371	31	–	–	–	–	402
Non-executive director							
Chen Wei (陳巍) [3]	624	44	–	–	–	–	668
Jiang Deyi (姜德義) [4]	–	–	–	–	–	–	–
Hu Hanjun (胡漢軍)	–	–	–	–	–	–	–
Chen Hongliang (陳宏良)	–	–	–	–	–	–	–
Ye Qian (葉芊)	–	–	–	–	–	–	–
Liao Zhenbo (廖振波) [5]	–	–	–	–	–	–	–
Hubertus Troska (唐仕凱)	–	–	–	–	–	–	–
Harald Emil Wilhelm	–	–	–	–	–	–	–
Gu Tiemin (顧鐵民)	–	–	–	–	–	–	–
Sun Li (孫力)	–	–	–	–	–	–	–

40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Directors', supervisors' and chief executive's emoluments (Continued)

For the year ended December 31, 2022 (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							
Ge Songlin (葛松林)	–	–	–	–	120	–	120
Yin Yuanping (尹援平)	–	–	–	–	120	–	120
Xu Xiangyang (徐向陽)	–	–	–	–	120	–	120
Tang Jun (唐鈞)	–	–	–	–	120	–	120
Edmund Sit (薛立品)	–	–	–	–	120	–	120
Supervisor							
Li Chengjun (李承軍)[5]	267	28	150	–	–	–	445
Zhang Ran (張然)[3]	379	44	26	–	–	–	449
Sun Zhihua (孫智華)	–	–	–	–	–	–	–
Zhou Xuehui (周雪輝)	–	–	–	–	–	–	–
Qiao Yufei (喬雨菲)	–	–	–	–	–	–	–
Zhang Yanjun (張彥軍)	540	58	212	–	–	–	810

40 BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Directors', supervisors' and chief executive's emoluments (Continued)

For the year ended December 31, 2022 (Continued)

Notes:

(1) Discretionary bonuses are determined based on the performance of the Group.

(2) Appointed in June 2022 and resigned in November 2022.

(3) Appointed in June 2022.

(4) Resigned in June 2022.

(5) Resigned in May 2022.

(b) During the year ended December 31, 2023, 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 (2022: Nil).

(c) During the year ended December 31, 2023, 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 (2022: Nil).

(d) During the year ended December 31, 2023, no consideration was provided to or receivable by third parties for making available director/supervisor's services (2022: Nil).

(e) There are no loans, quasi-loans or other dealings in favour of the director/supervisor, his controlled bodies corporate and connected entities (2022: 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 (2022: Nil).

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

41.1 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.

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.

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.1 Subsidiaries (Continued)

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received 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 IFRS Accounting Standards.

41.2 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.

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.2 Joint arrangements (Continued)

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.

41.3 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.

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.

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.4 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.

41.5 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.

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.6 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 41.26) 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.

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 41.10).

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.

41.7 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 41.26).

41.8 Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at cost less accumulated depreciation and accumulated impairment losses.

41.9 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.

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.9 Intangible assets (Continued)

(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.

(c) 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.

41.10 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.

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.11 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.

(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.

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.11 Investments and other financial assets (Continued)

(c) Measurement (Continued)

(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.

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.11 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.

41.12 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.

41.13 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 hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

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).

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.13 Derivatives and hedging activities (Continued)

Cash flow hedges that qualify for hedge accounting (Continued)

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.

41.14 Inventories

Raw materials, work in progress and finished goods 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. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

41.15 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 with the objective of collecting the contractual cash flows are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See note 15 for further information about the group's accounting for trade receivables and note 41.11(d) for a description of the group's impairment policies.

41.16 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.

41.17 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.

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.18 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.

41.19 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.

41.20 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.

41.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.21 Current and deferred income tax (Continued)

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.22 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.

41.23 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.

41.24 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.

41.25 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).

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.26 Leases

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,
- 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.

41 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

41.26 Leases (Continued)

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.

41.27 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.

41.28 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.

42 EVENT AFTER THE REPORTING PERIOD

The Board of Directors announces that, on 15 March 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 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 the general meeting for the purpose of, among other things, obtaining Independent Shareholders' approval for the Entrustment Agreement and the transactions contemplated thereunder.

"2022" or "the year 2022"	the year ended December 31, 2022
"2023" or "the year 2023" or "the year" or "Reporting Period"	the year ended December 31, 2023
"2024" or "the year 2024"	the year ending December 31, 2024
"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 2024 held on March 22, 2024
"Audit Committee"	audit committee of the Board
"BAIC Automobile SA"	BAIC Automobile SA Proprietary Limited
"BAIC BluePark"	BAIC BluePark New Energy Technology Co., Ltd.
"BAIC Finance"	BAIC Group Finance Co., Ltd.
"BAIC Group"	Beijing Automotive Group Co., Ltd.
"BAIC Guangzhou"	BAIC Guangzhou Automotive Co., Ltd.
"BAIC International"	BAIC International Development Co., Ltd.
"BAIC Investment"	BAIC Investment Co., Ltd.
"BAIC Off-road Vehicle"	BAIC Group Off-road Vehicle Co., Ltd.
"Beijing Benz"	Beijing Benz Automotive Co., Ltd. (previously known as Beijing Jeep Motor Co., Ltd. and Beijing Benz-Daimler Chrysler Automotive Co., Ltd.)
"Beijing Brand"	the passenger vehicle business of our proprietary brand
"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.
"Board of Directors" or "Board"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of the Company
"CAAM"	China Association of Automobile Manufacturers
"China Accounting Standards" or "PRC Accounting Standards"	China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC

"the Company" or "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 to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules
"Date of Issue of the Report"	March 22, 2024, 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 2022"	December 31, 2022
"end of 2023"	December 31, 2023
"ESG Guide"	the Environmental, Social and Governance Reporting Guide as set forth in Appendix C2 to the Listing Rules on The Stock Exchange of Hong Kong Limited
"Financial Services Framework Agreement"	the financial services framework agreement entered into between the Company and BAIC Group Finance Co., Ltd. on December 2, 2014
"Fujian Benz"	Fujian Benz Automotive Co., Ltd.
"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 dollar(s)"	the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hyundai Motor"	Hyundai Motor Company

"IFRS Accounting Standards"	IFRS Accounting Standards issued by the International Accounting Standards Board
"Latest Practicable Date"	April 11, 2024, being the latest practicable date for ascertaining relevant information contained in this annual report prior to printing
"Licensed Trademarks"	a non-exclusive license for the use of certain registered trademarks owned by BAIC Group granted by BAIC Group to the Group (excluding Beijing Benz Automotive Co., Ltd.) on a royalty-free basis
"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
"MBLC"	Mercedes-Benz Leasing Co., Ltd.
"Mercedes-Benz Group"	Mercedes-Benz Group AG (formerly known as Daimler AG)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix C3 to the Listing Rules
"NFRA"	National Financial Regulatory Administration
"Nomination Committee"	nomination committee of the Board
"PBOC"	the People's Bank of China
"President"	president of the Company
"Powertrain"	BAIC Motor Powertrain Co., Ltd.
"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
"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
"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

"Prospectus"	the prospectus of the Company dated December 9, 2014
"PwC"	PricewaterhouseCoopers
"PwC Zhong Tian"	PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)
"Remuneration Committee"	remuneration committee of the Board
"Renminbi" or "RMB"	the lawful currency of the PRC
"Rules of Procedure of the Board of Supervisors"	the Rules of Procedure of the Board of Supervisors of BAIC Motor Corporation Limited
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"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
"Strategy Committee"	strategy and sustainability committee of the Board (formerly known as the strategy committee, renamed in accordance with the Articles of Association approved by the Shareholders at the first extraordinary general meeting of the Company for 2024 held on March 22, 2024)
"subsidiary(ies)"	has the meaning ascribed thereto in section 2 of the Companies Ordinance
"Supervisor(s)"	supervisor(s) of the Company
"Supply of Products"	including facilities, raw materials, components and parts, and vehicles
"Supply of Services"	including sales agency, processing agency, labor, logistics, transportation and consultancy services
"Trademark Licensing Agreement"	the trademark licensing agreement entered into between Beijing Benz Automotive Co., Ltd., a non-wholly owned subsidiary of the Company and BAIC Group on February 28, 2013 with regard to its company name of "Beijing Benz", and the production and assembly of its existing vehicle models

北京汽车股份有限公司
BAIC MOTOR CORPORATION LIMITED*