You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements included in Appendix I—"Accountant's Report," which has been prepared in accordance with the IFRSs, and Appendix II—"Unaudited Pro Forma Financial Information," in each case together with the accompanying notes. The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors," "Forward Looking Statements," and other sections in this prospectus.

OVERVIEW

We are engaged in the design, research and development, manufacture and sale of an extensive and diversified portfolio of passenger vehicles and the provision of relevant services in China. We offer a number of models of passenger vehicles, including mid- to large-size sedan, mid-size sedan, compact sedan, small-size sedan, SUV, MPV and CUV products to satisfy customer demands for different vehicle types.

Since inception in September 2010, we have conducted a series of major acquisitions and disposals, which we set forth in "History, Reorganization and Corporate Structure." On January 4, 2013, we acquired a 50% equity interest in Beijing Benz, which became our joint venture. On November 18, 2013, we acquired an additional 1% equity interest in Beijing Benz, which made it our subsidiary on the same date. We refer to the period from January 4, 2013 to November 17, 2013 as the "Joint Venture Period" and the period from November 18, 2013 to December 31, 2013 as the "Subsidiary Period" when we discuss the accounting treatment and operating results of Beijing Benz for 2013. Stand-alone financial information of Beijing Benz in 2011 and 2012 and from January 1, 2013 to November 17, 2013, prior to our acquisition of a controlling interest in Beijing Benz, is included in Section III of the Accountant's Report in Appendix I to this prospectus. Beijing Benz was accounted for as an investment in joint venture in our consolidated financial statements during the Joint Venture Period. Beijing Benz's financial statements were consolidated into our Group during the Subsidiary Period based on the fair value of Beijing Benz by applying the acquisition accounting method in accordance with IFRSs. As our accounting treatment of Beijing Benz in the Subsidiary Period is different from that in the Joint Venture Period, our results of operations during the Track Record Period may not be necessarily indicative of our future financial performance. See "Risk Factor—Risks relating to Our Business—Our results of operations during the Track Record Period may not be indicative of our future performance due to our acquisitions and disposals."

Our continuing operations include two segments, namely Beijing Motor and Beijing Benz:

- Beijing Motor: Our proprietary brand passenger vehicle business manufactures passenger vehicles under three product series, namely, Senova, BJ and Wevan.
- Beijing Benz: Beijing Benz currently manufactures and sells the E-Class sedan, the C-Class sedan and GLK SUV.

In addition, we also manufacture and sell Hyundai passenger vehicles through our joint-venture, Beijing Hyundai, in which BAIC Investment, a subsidiary of Beijing Motor, and

Hyundai Motor each holds a 50.0% equity interest. Beijing Hyundai focuses on the development and manufacture of mid- to high-end sedans and SUVs, and targets young middle-class customers in China.

Our revenue increased from RMB1,915.7 million in 2011 to RMB3,519.7 million in 2012, and further to RMB12,781.9 million in 2013. Our profit from continuing operations was RMB2,762.8 million, RMB3,558.7 million and RMB3,013.4 million in 2011, 2012 and 2013, respectively. Our revenue and profit for the six months ended June 30, 2014 was RMB25,126.9 million and RMB2,339.6 million, respectively.

RECENT DEVELOPMENTS

In the ten months ended October 31, 2014, we sold 358,130 units of passenger vehicles, including 242,157 units from Beijing Motor and 115,973 units from Beijing Benz. Beijing Hyundai sold 904,854 units of passenger vehicles during the same period. Due primarily to the consolidation of Beijing Benz and our business growth, our revenue and gross profit for the ten months ended October 31, 2014 improved substantially compared with those in the same period in 2013. As a result, our gross margin also improved during the ten months ended October 31, 2014.

We acquired the entire equity interest in Guangzhou Company from BAIC Group in July 2014. The purchase price for this acquisition, as determined with reference to the asset valuation carried out by an independent valuer, is approximately RMB2,369.8 million, of which we paid RMB710.9 million in June 2014 and expect to pay the remaining by installments in December 2014 and June 2015. This asset valuation is intended to reflect the present value of the Guangzhou Company's future earning capacity. Guangzhou Company did not engage in any automobile production before our acquisition. We plan to manufacture Senova D60 and Senova X65 at Guangzhou Company. As of June 30, 2014, the assets of Guangzhou Company totaled RMB2,927.8 million. The operating loss of Guangzhou Company was RMB65.1 million and RMB32.7 million in 2013 and the six months ended June 30, 2014, respectively. See note 39 in Section II and Section IV of Appendix I to this prospectus for the financial information of Guangzhou Company for 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014.

On August 12, 2014, we issued RMB1.0 billion of private placement bonds with an annual interest rate of 5.4% and a term of three years. We intend to use the proceeds from this bond offering for research and development activities and working capital purposes.

In September 2014, we issued two tranches of medium-term notes with an aggregate principal amount of RMB1.0 billion which we will use for research and development activities and working capital purposes. These two tranches of notes have a term of seven years with an annual interest rate of 5.54% and 5.74%, respectively. Subject to market conditions, we plan to issue an additional RMB500.0 million of medium-term notes shortly after the Global Offering.

BASIS OF PRESENTATION

Our consolidated financial information has been prepared in accordance with the IFRSs issued by the International Accounting Standards Board ("**IASB**") and the Listing Rules. The consolidated financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value.

Consolidated financial information prepared in accordance with the IFRSs include certain accounting estimates and management is required to make judgment in applying the accounting policies of the Group.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following are the principal factors that have affected, and that we expect will continue to affect, our business, results of operations, financial condition and prospects.

Economic Condition and Demand for Passenger Vehicles in China

Our results of operations are mainly affected by the growth of the PRC economy and the demand for passenger vehicles in China. China is one of the fastest growing economies in the world, although China's GDP growth is expected to slow in 2014 as compared with previous years. In recent years, China's GDP has experienced significant growth and the standard of living in China has improved, resulting in increases of purchasing power in China's households and demand for passenger vehicles consumption in China. Furthermore, we believe that increasing urbanization and improvements in China's transportation infrastructure have also contributed to the increasing demand for passenger vehicles in China. Other factors, such as changes in the PRC government's macroeconomic policies, may also have a substantial impact on the demand for passenger vehicles in China. The sales volume of passenger vehicles in China increased from 5.2 million units in 2006 to 17.9 million units in 2013, representing a CAGR of 19.4%, according to ACMR. However, any significant adverse change in economic growth and condition, demand for passenger vehicles in China or government policies may negatively affect our results of operations.

Our Ability to Introduce New Models and Changes to our Product Mix

It is essential that we introduce new passenger vehicles that appeal to our customers, or facelift or upgrade our current models to cater to the evolving demand of our customers in a timely manner in order for us to maintain and strengthen our market position. Our ability to continuously launch new models based on existing models that are well-received by the market and our customers could increase our sales volume and market share, as well as increase our economies of scale. Please see section headed "Business—Products" for a list of our current models and plans to introduce new models.

However, the introduction of new models is subject to certain risks. If our new products are not well received by the market, or if we are unable to develop and manufacture competitive products in response to market demand, our future development and market position may be significantly undermined, and our financial condition and results of operations may be materially and adversely affected. In addition, the introduction of a new model may divert demand from our existing models if such vehicles target a similar customer group. The development and launch of new models also requires investing substantial resources in research and development and, in some cases, expanding of our production capacity. Such investments will inevitably increase our risks, particularly if the new models fail to generate enough demand.

In addition, we offer a wide range of passenger vehicles, and our gross margins vary across our passenger vehicle models. Our product mix and changes in such mix in response to our business strategies, prevailing market demand and other factors may affect our revenue and profitability over time.

Competition and Pricing

PRC automobile manufacturers face increasing competition from both domestic and international competitors. We face intensifying competition from foreign automobile manufacturers which have expanded, or are expected to expand, their presence in the PRC automobile market through offering products and providing technology licenses and technical assistance to their joint ventures with local partners. Domestic automobile manufacturers which produce their own proprietary brands have also been strengthening their positions over recent years and this has intensified the competition in the PRC automobile market. Increasing competition may lead to oversupply and cause downward pressure on the pricing of our products, which may adversely affect our profitability. Also, see "Industry Overview" for our market share and the market share of our major competitors.

Production Capacity

Our sales volume and results of operations have been, and will continue to be, affected by our production capacity. We expand our production capacity primarily based on our forecasts of demand for our products and market competition. If we are unable to respond to increased market demand by expanding our production capacity in time, our sales volume may not grow and we may lose market share.

We plan to continually launch new products, enhance our capacity utilization and increase our economies of scale. As part of our business strategy, we plan to continue to expand our production capacity to meet market demand for our passenger vehicles. We believe that our expansion plan will enable us to meet the anticipated growth in demand for our passenger vehicles and will help us strengthen our market position in China. See "Business—Manufacturing Facilities and Process—Manufacturing Facilities and Production Capacity."

Cost and Supply of Raw Materials, Parts and Components

Costs of raw material, parts and components represent a substantial majority of our costs of sales. As a result, fluctuations in their supply or prices may materially affect our results of operations. We have purchased and will continue to purchase raw materials, parts and components from independent third parties and related parties. In 2011, 2012 and 2013 and the six months ended June 30, 2014, excluding the procurement costs of vehicles from Yinxiang Motor, our costs of raw materials used, including engines, steel plates, chemicals and other automobile components and parts, amounted to RMB1,664 million, RMB3,506 million, RMB10,784 million and RMB19,431.7 million, representing 88.1%, 95.1%, 87.2% and 89.5% of our cost of sales, respectively, during those periods.

The Profitability of Beijing Motor

Commenced production in 2011, Beijing Motor is a relatively new player in the PRC passenger vehicle market. Beijing Motor launched the Wevan 306 CUV in 2011, the E-Series in 2012 (subsequently rebranded as Senova D20 in November 2014), Senova D70 sedan, Wevan 307 CUV and BJ40 off-road vehicle in 2013 and Senova D50 sedan in 2014. The development of a new product series is highly dependent on a number of factors, including without limitation, our marketing strategies, customer acceptance, quality control and dealership network, which we believe will require consistent monitoring and adjustments to accommodate changing preferences of our customers. The results of our efforts to develop Beijing Motor are likely to be realized only in the long term. See "Risk Factors—Risks relating to Our Business—We cannot assure you that our proprietary brand, will succeed and become profitable."

Our Beijing Motor segment (excluding BAIC Limited) recorded gross losses, operating losses and negative operating cash flows during the Track Record Period due to a combination of the following:

- Beijing Motor offered significant sales discounts and rebates to its customers, especially in 2012 and 2013, to capture market share and promote our proprietary brand. As part of our marketing strategy, we intend to continue to offer sales discounts and rebates to Beijing Motor's customers. However, the exact amount of such discount and rebate will depend upon the market reaction to Beijing Motor's new vehicles, brand recognition of Beijing Motor, and the marketing activities of Beijing Motor's competitors;
- most vehicle models of Beijing Motor entered commercial production during and after 2012, and therefore the sales volumes of Beijing Motor were not sufficiently high during the Track Record Period, especially during the ramp-up period for each vehicle model, to allow us to achieve economies of scale in production;
- significant raw material costs as a result of higher set-up costs due to the need for our relatively new third party suppliers (with which Beijing Motor has had limited periods of business relations) to make custom parts and components to meet our specifications, such as infotainment systems, dashboards, seats, air-conditioning systems and lighting systems;
- significant amount of depreciation and amortization associated with new production facilities and development costs; and
- intense market competition adversely affected the growth of Beijing Motor's sales volumes.

Beijing Motor's results of operations improved during the first half of 2014. Beijing Motor's gross loss decreased from RMB313.5 million in the first half of 2013 to RMB195.5 million during the same period in 2014, and its gross margin improved from negative 13.7% in the first half of 2013 to negative 3.3% during the same period in 2014. However, our Beijing Motor segment may continue to suffer losses after the Global Offering, which will adversely affect our consolidated financial condition and results of operations. Nonetheless, our Directors expect Beijing Motor's gross profit and operating profit to become positive within three financial years after the Global Offering on the following assumptions and conditions:

- our proprietary brand becomes more widely recognized and achieves greater market share, which in turn is expected to help reduce the need to provide significant sales discounts and rebates;
- Beijing Motor gradually reaches economies of scale in terms of sales and production, which lowers its unit cost of production;
- Beijing Motor continues to adopt stringent supplier selection and optimize engineering designs to reduce raw material costs; and
- Beijing Motor continues to adopt a strict budgetary system to control advertising and promotion expenses as well as general and administrative expenses.

If Beijing Motor's proprietary brand fails to capture sufficient market share and achieve the sales volumes we expected, we may be unable to either achieve economies of scale in production or recover our capital, development, production and marketing investments to make Beijing Motor a profitable business.

Reorganization, Acquisitions and Disposals

We acquired a 50.0% equity interest in Beijing Benz in January 2013, and further increased our shareholding to 51.0% on November 18, 2013. As a result, Beijing Benz has become our subsidiary and has been consolidated in our financial statements since November 18, 2013. The impact of the consolidation of Beijing Benz is shown in the separate presentation of financial information of Beijing Motor in 2013 and Beijing Benz during the Subsidiary Period throughout this Financial Information section. This acquisition has expanded our total production and sales volumes, increased our revenue and profit, and enhanced our total asset value. Moreover, the acquisition of Beijing Benz has strengthened our cooperation with Diamler AG. See "Business—Competitive Strengths." We believe the acquisition of Beijing Benz will continue to positively impact our business, results of operations and financial position going forward.

We also disposed of equity interests in certain subsidiaries, joint ventures and associates during the Track Record Period. Changes in our corporate structure during the Track Record Period had an impact on our consolidated financial statements. See note 1.2 in Section II to the Accountant's Report in Appendix I of this prospectus, and "History, Reorganization and Corporate Structure—Major Acquisitions and Disposals" for further details.

Although we currently have no plans to do, we may increase our production capacity through acquisitions in the future. Our ability to successfully identify and integrate businesses that we acquire may affect various aspects of our results of operations, such as the impairment of goodwill, amortization expenses related to intangible assets, and assumption of liabilities.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in notes 2 and 4 in Section II to the Accountant's Report included in Appendix I of this prospectus. Some of our accounting policies involve subjective assumptions and estimates as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. Our management has formulated and implemented control measures with respect to our management's estimates in accordance with our internal management manual. We have not experienced any material deviation between our management's estimates and actual results and we have not changed the accounting policies over these estimates during the Track Record Period. Our management currently does not expect any changes in our accounting policies. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial statements.

Revenue Recognition

Our revenue is measured at the fair value of the consideration received or receivable. It represents amounts receivable for goods supplied, and is stated net of discounts, returns and value-added taxes. We recognize revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity, and when specific criteria stated below have been met for each of our activities. Our policies of revenue recognition in respect of these activities are as follows:

Products

We manufacture and sell automobiles and components and parts to our customers. The revenue is recognized when significant risks and rewards of ownership of the products are transferred to the purchasers and the revenue can be measured reliably. 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 during the period.

In a tripartite financing arrangement, a dealer pledges the vehicles it purchased from us to the bank to obtain financing, and in case of default by the dealer, we are obligated to repurchase the pledged vehicles and use the purchase price to repay the bank borrowing. We do not record revenue from these sales until our repurchase obligation lapses, which occurs when the dealer repays the bank borrowing and the dealer obtains the ownership certificates of the pledged vehicles from the banks.

Services

The revenue is recognized when service is rendered.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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 us and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

Buildings	20-30 years
Machinery	10 years
Vehicles	5 years
Furniture and office equipment	5 years
Mouldings	5-10 years

Our assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in our statement of comprehensive income.

Intangible assets

Research and development costs

Expenditure on an internal research and development project is classified into research cost and development cost based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at the end of the project. 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's 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 costs of an internally generated intangible asset are 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 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.

Other development cost not satisfying the above criteria are recognized in the statement of comprehensive income as expenses when incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period.

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 (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Inventories

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

Accounts and other receivables

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

Accounts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Judgments and Estimates

Capitalization of intangible assets

Costs incurred on development projects are recognized as intangible assets when it is probable that the projects will be successful considering the criteria set out in Note 2.9(c) included in Appendix I—"Accountant's Report." Our development activities are tracked by our engineering department and documented to support the basis of determining if and when the criteria were met.

Impairment of long-lived assets

We are required to test goodwill and intangible development assets not available or 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 their recoverable amount. The recoverable amount is determined based on the higher of fair value less costs to sell and value in use.

Determination of the value in use is an area involving management judgment in order to assess whether the carrying value of the intangible development assets not available for use 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 matters including management's expectations of (i) future unlevered free cash flows; (ii) long-term growth rates; and (iii) the selection of discount rates to reflect the risks involved.

We prepare and approve formal five-year management plans for our operations, which are used in estimating the value in use of the assets or cash generating units being tested. Any change in the assumptions selected by our management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the outcome of our impairment evaluation.

Provisions

We recognize 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, we may record a contingent liability. Obligations arising in respect of contingent liabilities could have a material effect on our financial position.

We recognize expected warranty costs for products sold principally at the time of sale of the product or when it is determined that such obligations are probable and can be reasonably estimated. Amounts recorded are based on our estimates of the amount that will eventually be required to settle such obligations. These accruals are based on factors such as specific customer arrangements, past experience, production changes, related industry developments and various other considerations. Our estimates are adjusted from time to time based on facts and circumstances that affect the status of existing claims.

Depreciation and amortization

Our management determines the estimated useful lives and related depreciation/amortization charges for the property, plant and equipment and intangible assets with reference to the estimated periods that we intend to derive future economic benefits from the use of these assets. Our management will revise the depreciation and amortization charges where useful lives are different to those previously estimated, or our management will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Income taxes

We are 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 affect 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 our management's significant judgment 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 affect the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

The following table sets forth a summary of our results of operations for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
				(unaudited)	
			(RMB'000)		
Continuing operations					
Revenue	1,915,738	3,519,669	12,781,868	2,293,837	25,126,877
Cost of sales	(1,888,490)	(3,687,797)	(12,366,687)	(2,607,290)	(21,711,810)
Gross profit/(loss)	**27,248**	**(168,128)**	**415,181**	**(313,453)**	**3,415,067**
Selling and distribution expenses	(398,640)	(1,030,547)	(2,203,297)	(489,616)	(2,071,834)
General and administrative expenses	(354,469)	(505,532)	(1,251,360)	(290,836)	(1,275,454)
Other gains, net	106,426	1,855,459	619,650	50,892	13,407
Operating (loss)/profit	**(619,435)**	**151,252**	**(2,419,826)**	**(1,043,013)**	**81,186**
Finance costs, net	(81,876)	(158,253)	(475,712)	(206,502)	(236,568)
Share of profits of joint ventures	3,571,598	3,834,902	5,986,518	2,951,154	2,777,840
Share of (losses)/profits of associates	(86,147)	(42,844)	35,749	11,881	35,364
Profit before income tax	**2,784,140**	**3,785,057**	**3,126,729**	**1,713,520**	**2,657,822**
Income tax expense	(21,324)	(226,316)	(113,316)	(8,790)	(318,244)
Profit for the year/period from continuing operations	**2,762,816**	**3,558,741**	**3,013,413**	**1,704,730**	**2,339,578**
Discontinued operations					
Loss for the year from discontinued operations	(196,184)	(80,670)	—	—	—
Profit for the year/period	**2,566,632**	**3,478,071**	**3,013,413**	**1,704,730**	**2,339,578**
Attributable to:					
Equity holders of the Company	2,598,483	3,417,427	2,776,380	1,650,211	1,809,713
Non-controlling interests	(31,851)	60,644	237,033	54,519	529,865

Business Segments

Our continuing operations currently consist of two segments: (i) Beijing Motor and (ii) Beijing Benz. In the discussions below, profit before income tax and profit of Beijing Motor include our share of profits or losses of joint ventures and associates, including Beijing Benz during the Joint Venture Period.

Our continuing operations were entirely composed of Beijing Motor in 2011 and 2012, and consisted of both Beijing Motor and Beijing Benz following our acquisition of 1% additional equity interest in Beijing Benz on November 18, 2013. During the Joint Venture Period, we accounted for the financial results of Beijing Benz by using the equity method. Since the commencement of the Subsidiary Period on November 18, 2013, the financial results of Beijing Benz have been consolidated into our Group based on the fair value of Beijing Benz by applying the acquisition accounting method in accordance with IFRSs. For comparison and illustrative purposes only, certain tables in this Financial Information section separately present the financial information of Beijing Motor in 2013 and Beijing Benz during the Subsidiary Period, which is extracted from our unaudited management accounts.

Our Beijing Motor segment recorded gross losses in 2012, 2013 and the six months ended June 30, 2014, and may continue to suffer losses, which will adversely affect our financial condition and results of operations. See "Risk Factors—Risks Relating to Our Business—We cannot assure you that our proprietary brand, will succeed and become profitable" and "—Major Factors Affecting our Results of Operations."

The following table sets forth the summary consolidated statements of comprehensive income of (i) Beijing Motor in 2011, 2012 and 2013, (ii) Beijing Benz in the Subsidiary Period, and (iii) our Group in 2013 and the six months ended June 30, 2013 and 2014.

	Beijing Motor			Beijing Benz	Our Group(1)		
	Year ended December 31,			The Subsidiary Period	Year ended December 31,	Six months ended June 30,	
	2011	2012	2013		2013	2013	2014
			(unaudited)	(unaudited) (RMB'000)		(unaudited)	
Revenue	1,915,738	3,519,669	6,847,499	5,934,369	12,781,868	2,293,837	25,126,877
Cost of sales	(1,888,490)	(3,687,797)	(7,825,417)	(4,541,270)	(12,366,687)	(2,607,290)	(21,711,810)
Gross profit/ (loss)	**27,248**	**(168,128)**	**(977,918)**	**1,393,099**	**415,181**	**(313,453)**	**3,415,067**
Selling and distribution expenses	(398,640)	(1,030,547)	(1,610,660)	(592,637)	(2,203,297)	(489,616)	(2,071,834)
General and administrative expenses	(354,469)	(505,532)	(796,920)	(454,440)	(1,251,360)	(290,836)	(1,275,454)
Other gains/ (losses), net	106,426	1,855,459	634,847	(15,197)	619,650	50,892	13,407
Operating (loss)/ profit	**(619,435)**	**151,252**	**(2,750,651)**	**330,825**	**(2,419,826)**	**(1,043,013)**	**81,186**
Finance income/ (costs), net	(81,876)	(158,253)	(480,088)	4,376	(475,712)	(206,502)	(236,568)
Share of profits of joint ventures	3,571,598	3,834,902	5,986,518	—	5,986,518	2,951,154	2,777,840
Share of (losses)/ profits of associates	(86,147)	(42,844)	35,749	—	35,749	11,881	35,364
Profit before income tax	**2,784,140**	**3,785,057**	**2,791,528**	**335,201**	**3,126,729**	**1,713,520**	**2,657,822**
Income tax expenses	(21,324)	(226,316)	(26,577)	(86,739)	(113,316)	(8,790)	(318,244)
Profit from continuing operations	**2,762,816**	**3,558,741**	**2,764,951**	**248,462**	**3,013,413**	**1,704,730**	**2,339,578**

(1) For the six months ended June 30, 2013, our only business segment was Beijing Motor.

Continuing Operations

Revenue

The following table sets forth a breakdown of our revenue from the continuing operations by segment for the periods indicated:

Beijing Motor						Beijing Benz		Our Group					
Year ended December 31,								Year ended December 31,		Six months ended June 30,			
2011		2012		2013		The Subsidiary Period		2013		2013		2014	
Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution	Revenue	Contribution
(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%) (unaudited)	(RMB'000) (unaudited)	(%) (unaudited)	(RMB'000)	(%)	(RMB'000) (unaudited)	(%) (unaudited)	(RMB'000)	(%)
1,915,738(1)	100.0	3,519,669(1)	100.0	6,847,499	53.6	5,934,369	46.4	12,781,868	100.0	2,293,837	100.0	25,126,877	100.0

(1) In 2011 and 2012, revenue attributable to the continuing operations of BAIC Limited amounted to RMB1,390.2 million and RMB1,045.1 million, respectively, accounting for 72.6% and 29.7% of the segment revenue of Beijing Motor, respectively. BAIC Limited was disposed of in November 2012.

Revenue of Beijing Motor mainly included revenue from the sales of vehicles under our proprietary brand product series (namely Senova, BJ and Wevan) and related components and parts. In addition, revenue of Beijing Motor in 2011 and 2012 also included the revenue generated by the continuing operations of BAIC Limited, then a subsidiary of ours, primarily from the sales of certain off-road vehicles, SUVs and MPVs produced by it. In November 2012, we disposed of BAIC Limited to BAIC Group. In 2011 and 2012, revenue attributable to the continuing operations of BAIC Limited amounted to RMB1,390.2 million and RMB1,045.1 million, respectively, accounting for 72.6% and 29.7% of the segment revenue of Beijing Motor, respectively.

In 2011, 2012, 2013 and the six months ended June 30, 2014, approximately 90%, 94%, 100% and 100%, respectively, of our revenue was derived in the PRC. The export sales in 2011 and 2012 were conducted by BAIC Limited.

Sales of passenger vehicles and automobile components and parts are generally subject to a 17% value-added tax ("VAT"). Our revenue is presented exclusive of VAT.

Cost of Sales

The following table sets forth a breakdown of our cost of sales by segment for the periods indicated:

	Beijing Motor			Beijing Benz	Our Group		
	Year ended December 31,			The Subsidiary Period	Year ended December 31,	Six months ended June 30,	
	2011	2012	2013		2013	2013	2014
			(unaudited)	(unaudited) (RMB'000)		(unaudited)	
Raw materials used	1,663,652	3,505,830	7,652,585	4,273,249	11,925,834	4,070,346	21,184,244
Change in inventories of finished goods and work-in-progress[(1)]	(28,885)	(284,882)	(1,318,102)	(71,241)	(1,389,343)	(2,085,609)	(2,252,697)
Employee benefit costs	68,222	153,240	392,259	128,176	520,435	131,424	706,013
Depreciation and amortization	125,827	144,825	527,536	85,965	613,501	120,666	691,238
Provisions for inventory	12,334	81,035	214,577	9,017	223,594	119,732	116,897
Transportation and warehouse expenses	409	5,635	36,557	10,884	47,441	16,634	133,872
Others	46,931	82,114	320,005	105,220	425,225	234,097	1,132,243
Total	**1,888,490**[(2)]	**3,687,797**[(2)]	**7,825,417**	**4,541,270**	**12,366,687**	**2,607,290**	**21,711,810**

(1) The negative number in inventory changes of finished goods and work in progress reflects the fact that our production exceeded sales. Such amounts represent unallocated costs relating to our production that are in our finished goods and work in progress inventories which include raw materials used, staff costs, depreciation and amortization, provisions for inventory and other expenses.

(2) In 2011 and 2012, the cost of sales attributable to the continuing operations of BAIC Limited amounted to RMB1,269.2 million and RMB933.6 million, respectively.

In 2011, 2012, 2013 and the six months ended June 30, 2014, our cost of sales represented 98.6%, 104.8%, 96.8% and 86.4% of our revenue, respectively.

We purchase passenger vehicles produced by Yinxiang Motor, and subsequently re-sell them to our customers. Raw materials used include the purchase costs of those finished vehicles. In 2013 and the six months ended June 30, 2014, our purchase costs of finished vehicles amounted to RMB1,141.9 million and RMB1,752.5 million, respectively, representing 9.6% and 8.3% of our raw materials used, respectively. See "Business—Manufacturing Facilities and Process—Arrangement with Yinxiang Motor."

Gross Profit/(Loss) and Gross Margin

The following table sets forth a breakdown of our gross profit and gross margin by segment for the periods indicated:

Beijing Motor						Beijing Benz		Our Group					
Year ended December 31,						The Subsidiary Period		Year ended December 31,		Six months ended June 30,			
2011		2012		2013				2013		2013		2014	
Gross Profit (RMB'000)	Gross Margin (%)	Gross Profit (RMB'000)	Gross Margin (%)	Gross Profit (RMB'000) (unaudited)	Gross Margin (%) (unaudited)	Gross Profit (RMB'000) (unaudited)	Gross Margin (%) (unaudited)	Gross Profit (RMB'000)	Gross Margin (%)	Gross Profit (RMB'000) (unaudited)	Gross Margin (%) (unaudited)	Gross Profit (RMB'000)	Gross Margin (%)
27,248[(1)]	1.4	(168,128)[(1)]	(4.8)	(977,918)	(14.3)	1,393,099	23.5	415,181	3.2	(313,453)	(13.7)	3,415,067	13.6

(1) In 2011 and 2012, gross profit attributable to the continuing operations of BAIC Limited amounted to RMB121.0 million and RMB111.5 million, respectively.

Selling and Distribution Expenses

The following table sets forth a breakdown of our selling and distribution expenses by segment for the periods indicated:

	Beijing Motor			Beijing Benz	Our Group		
	Year ended December 31,			The Subsidiary Period	Year ended December 31,	Six months ended June 30,	
	2011	2012	2013		2013	2013	2014
			(unaudited)	(unaudited) (RMB'000)		(unaudited)	
Advertising and promotion	238,839	657,228	1,068,296	215,076	1,283,372	319,739	577,733
Transportation and warehouse expenses	55,853	120,169	241,402	68,338	309,740	104,429	317,543
Employee benefit costs	38,835	87,478	124,019	1,515	125,534	40,988	69,165
Warranty expenses	16,851	53,543	87,453	13,803	101,256	703	168,640
Office and travel expenses	8,754	18,419	24,531	291	24,822	7,020	8,696
Others(1)	39,508	93,710	64,959	293,614	358,573	16,737	930,057
Total	**398,640(2)**	**1,030,547(2)**	**1,610,660**	**592,637**	**2,203,297**	**489,616**	**2,071,834**

(1) Others of Beijing Motor mainly include operating lease payments; others of Beijing Benz mainly include service fees and charges.

(2) In 2011 and 2012, selling and distribution expenses attributed to the continuing operations of BAIC Limited amounted to RMB111.4 million and RMB83.9 million, respectively.

In 2011, 2012, 2013 and the six months ended June 30, 2014, our selling and distribution expenses were RMB398.6 million, RMB1,030.5 million, RMB2,203.3 million and RMB2,071.8 million, respectively, representing 20.8%, 29.3%, 17.2% and 8.2% of our revenue, respectively.

General and Administrative Expenses

The following table sets forth a breakdown of our general and administrative expenses by segment for the periods indicated:

	Beijing Motor			Beijing Benz	Our Group		
	Year ended December 31,			The Subsidiary Period	Year ended December 31,	Six months ended June 30,	
	2011	2012	2013		2013	2013	2014
			(unaudited)	(unaudited) (RMB'000)		(unaudited)	
Employee benefit costs	185,057	250,118	399,969	90,346	490,315	142,771	512,618
Research costs	14,987	43,826	23,479	—	23,479	8,368	14,439
Operating lease expenses	12,597	18,520	95,174	720	95,894	43,666	47,206
Office and travel expenses	15,927	20,576	37,935	16,103	54,038	12,507	20,350
Tax and levies	17,829	32,052	68,189	86,871	155,060	19,715	354,791
Others(1)	108,072	140,440	172,174	260,400	432,574	63,809	326,050
Total	**354,469(2)**	**505,532(2)**	**796,920**	**454,440**	**1,251,360**	**290,836**	**1,275,454**

(1) Others of Beijing Motor mainly include depreciation, amortization, conference and consultancy fees; others of Beijing Benz mainly include depreciation, amortization and amortization of low-value consumables.

(2) In 2011 and 2012, general and administrative expenses attributable to the continuing operations of BAIC Limited amounted to RMB61.8 million and RMB55.0 million, respectively.

In 2011, 2012, 2013 and the six months ended June 30, 2014, our general and administrative expenses were RMB354.5 million, RMB505.5 million, RMB1,251.4 million and RMB1,275.5 million, representing 18.5%, 14.4%, 9.8% and 5.1% of our revenue, respectively.

Other Gains/(Losses), Net

The following table sets forth a breakdown of our other net gains or losses by segment for the periods indicated:

	Beijing Motor			Beijing Benz	Our Group		
	Year ended December 31,			The Subsidiary Period	Year ended December 31,	Six months ended June 30,	
	2011	2012	2013		2013	2013	2014
			(unaudited)	(unaudited) (RMB'000)		(unaudited)	
Gain from sales of scrap materials	13,411	19,589	32,277	7,255	39,532	11,192	29,733
Net foreign exchange gain/(loss)	65,983	6,417	43,577	(17,980)	25,597	25,155	(52,714)
Government grants	23,072	714,968	213,886	—	213,886	15,356	49,215
Gain/(loss) on disposal of							
- property, plant and equipment and intangible assets	7,882	5,020	(982)	(525)	(1,507)	(426)	(50)
- investments in subsidiaries	—	440,608	126,201	—	126,201	—	—
- investments in joint ventures	—	603,745	—	—	—	—	—
- investments in associates	—	74,344	—	—	—	—	—
Gain on remeasuring existing 50% interests in Beijing Benz upon business combination	—	—	156,552	—	156,552	—	—
Others	(3,922)	(9,232)	63,336	(3,947)	59,389	(385)	(12,777)
Total	**106,426**[(1)]	**1,855,459**[(1)]	**634,847**	**(15,197)**	**619,650**	**50,892**	**13,407**

(1) In 2011 and 2012, other net gains attributable to the continuing operations of BAIC Limited amounted to RMB13.8 million and RMB4.5 million, respectively.

In 2011, 2012, 2013 and the six months ended June 30, 2014, our other net gains were RMB106.4 million, RMB1,855.5 million, RMB619.7 million and RMB13.4 million, respectively.

Our government grants in 2012 mainly included an unconditional grant of RMB613.0 million from the Beijing government to encourage us to establish a dealership network and enhance the image of our proprietary brand. Gains on disposal of investments in subsidiaries represent our disposals of three subsidiaries in 2012 and one subsidiary in 2013. See note 1.2 in Section II to the Accountant's Report in Appendix I of this prospectus and "History, Reorganization and Corporate Structure —Major Acquisitions and Disposals" for details. Gains on disposals of investments in joint ventures and associates represent our disposals of investments in five joint ventures and associates in 2012 which were primarily unrelated to our core business.

Finance Income/(Costs), Net

Our finance income consists of interest on bank deposits. Our finance costs mainly consist of interest expenses on bank borrowings and other borrowings. The following table sets forth a breakdown of our net finance costs for the periods indicated:

	Beijing Motor			Beijing Benz	Our Group		
	Year ended December 31,			The Subsidiary Period	Year ended December 31,	Six months ended June 30,	
	2011	2012	2013		2013	2013	2014
			(unaudited)	(unaudited) (RMB'000)		(unaudited)	
Finance income							
Interest on bank deposits	31,921	43,161	85,303	28,327	113,630	25,210	156,283
Finance costs							
Interest expense on bank borrowings							
—Wholly repayable within five years	127,255	361,070	577,543	14,226	591,769	265,951	401,858
—Not wholly repayable within five years	23,316	31,203	—	4,080	4,080	—	—
Interest expense on corporate bonds							
—Wholly repayable within five years	—	84,325	275,131	—	275,131	116,828	144,326
—Not wholly repayable within five years	78,909	78,849	—	—	—	—	—
Amortization of discount on non-current provisions	—	—	—	10,762	10,762	—	67,044
	229,480	555,447	852,674	29,068	881,742	382,779	613,228
Less: amount capitalized in qualifying assets	(115,683)	(354,033)	(287,283)	(5,117)	(292,400)	(151,067)	(220,377)
	113,797	201,414	565,391	23,951	589,342	231,712	392,851
Finance income/(costs), net	**(81,876)**	**(158,253)**	**(480,088)**	**4,376**	**(475,712)**	**(206,502)**	**(236,568)**

In 2011, 2012, 2013 and the six months ended June 30, 2014, our net finance costs were RMB81.9 million, RMB158.3 million, RMB475.7 million and RMB236.6 million, respectively, representing 4.3%, 4.5%, 3.7% and 0.9% of our revenue, respectively, during the same periods. In 2013, Beijing Motor's net finance costs amounted to RMB480.1 million. During the Subsidiary Period, Beijing Benz's net finance income amounted to RMB4.4 million. We capitalized finance costs for qualifying assets, principally construction in progress and development costs, before our new production facilities completed construction and became operational. See notes 6(b) and 8(b) in Section II of the Accountant's Report in Appendix I for further information.

Share of profits of joint ventures

In 2011, 2012, 2013 and the six months ended June 30, 2014, our share of profits of joint ventures was RMB3,571.6 million, RMB3,834.9 million, RMB5,986.5 million and RMB2,777.8 million, respectively, representing 129.3%, 107.8%, 198.7% and 118.7% of our profits from continuing operations for the same periods, respectively.

During the Track Record Period, our material joint ventures mainly included Beijing Benz (for the Joint Venture Period) and Beijing Hyundai. The following table sets forth the summarized statements of comprehensive income of our material joint ventures for the periods indicated:

	Beijing Benz	Beijing Hyundai				
	The Joint Venture Period	Year ended December 31,			Six months ended June 30,	
		2011	2012	2013	2013	2014
					(unaudited)	
	(RMB'000)					
Revenue	27,285,863	68,711,035	77,311,514	103,167,309	50,367,831	54,392,954
Depreciation and amortization	(816,752)	(1,212,375)	(1,391,737)	(1,604,052)	(781,998)	(851,204)
Interest income	80,091	210,106	82,253	86,617	67,405	100,980
Interest expenses	(22,313)	(343,745)	(133,958)	(235,891)	(159,489)	(172,806)
Other expenses	(25,004,931)	(58,390,470)	(65,882,895)	(86,988,384)	(42,282,287)	(45,971,862)
Income tax expenses	(379,604)	(2,142,170)	(2,515,212)	(3,626,392)	(1,877,935)	(1,960,535)
Profit and total comprehensive income	**1,142,354**	**6,832,381**	**7,469,965**	**10,799,207**	**5,333,527**	**5,537,527**

Also see note 10 in Section II of the Accountant's Report in Appendix I for further information on our joint ventures.

Income Tax Expenses

We are subject to income tax for the profits generated by or derived from the jurisdictions where the members of our Group were established or operated. Subsidiaries incorporated in Hong Kong are subject to a profit tax at a rate of 16.5% during the Track Record Period. No provisions for Hong Kong profit tax has been made as our Group had no taxable profits arising in Hong Kong during the Track Record Period. Our PRC subsidiaries are subject to the enterprise income tax of the PRC. During the Track Record Period, except for the following entities which were recognized as new and high-technology enterprises with a preferential income tax rate of 15.0%, our other subsidiaries located in China were subject to the statutory enterprise income tax rate of 25.0%:

	Applicable period for preferential tax rate
The Company	2012 to 2014
Powertrain	2013 to 2015
Beijing Beinei Engine Parts and Components Co., Ltd.	2009 to 2014

We will apply for the extensions of the foregoing preferential treatments before their expiry. As of the Latest Practicable Date and during the Track Record Period, we fully paid our taxes in full when due and had no unresolved tax dispute.

The following table sets forth a breakdown of our income tax expenses by segment for the periods indicated:

	Beijing Motor			Beijing Benz	Our Group		
	Year ended December 31,			The Subsidiary Period	Year ended December 31,	Six months ended June 30,	
	2011	2012	2013		2013	2013	2014
			(unaudited)	(unaudited)		(unaudited)	
				(RMB '000)			
Income tax expenses	(21,324)	(226,316)	(26,577)	(86,739)	(113,316)	(8,790)	(318,244)
Effective tax rates	0.8%	6.0%	1.0%	25.9%	3.6%	0.5%	12.0%

As Beijing Motor recorded losses during the Track Record Period, its effective tax rates were significantly lower than the statutory tax rate during the same periods.

Discontinued Operations

In 2011 and 2012, we produced commercial vehicles under our proprietary brand through BAIC Limited and engaged in logistics and auction businesses through Zhongdu Logistics and Beiqi Penglong, respectively. In 2012, we disposed of our entire 51% equity interest in Zhongdu Logistics, 100% of our equity interest in Beiqi Penglong and our entire 51% equity interest in BAIC Limited to BAIC Group. In 2011 and 2012, revenue from the related discontinued operations amounted to RMB1,398.2 million and RMB751.5 million, respectively, and net losses from discontinued operations amounted to RMB196.2 million and RMB80.7 million, respectively.

As of December 31, 2011, our management classified the assets and liabilities of these three subsidiaries sold to BAIC Group as held-for-sale assets and liabilities. See "—Held-for-sale assets for disposal."

RESULTS OF OPERATIONS

In the following discussions of our operating results, we mainly focus on the historical financial performance of Beijing Motor. See "—Financial Information of Beijing Benz" and "—Summarized Financial Information of Beijing Hyundai" for the analysis of the historical financial performance of Beijing Benz and Beijing Hyundai, respectively.

Six months ended June 30, 2014 compared with six months ended June 30, 2013

Revenue

Our revenue increased significantly from RMB2,293.8 million in the six months ended June 30, 2013 to RMB25,126.9 million during the same period in 2014. This increase was due to the contribution of revenue from Beijing Benz of RMB19,156.7 million and an increase in Beijing Motor's revenue during the period.

The revenue attributable to Beijing Motor increased by 160.3% from RMB2,293.8 million (including RMB2,022.5 million from the sales of Beijing Motor's passenger vehicles and RMB271.3 million from the sales of automobile parts and other revenue) in the six months ended June 30, 2013 to RMB5,970.2 million (including RMB5,660.6 million from the sales of Beijing Motor's passenger vehicles and RMB309.6 million from the sales of automobile parts and other revenue) during the same period in 2014. This increase was due primarily to a combination of the following:

- an increase in the overall average selling price of Beijing Motor's vehicles from RMB32,100 per unit during the first half of 2013 to RMB37,900 per unit during the first half of 2014 mainly due to an increased sales of vehicles with higher selling prices, such as Senova, in the first half of 2014; and

- Beijing Motor's passenger vehicle sales volume increased from 62,983 units during the first half of 2013 to 149,345 units during the first half of 2014 due to significant increases in the sales volume of E-Series by 189.9%, and Wevan by 107.7%. The following table sets forth the sales volume of passenger vehicles of Beijing Motor by product series in the six months ended June 30, 2013 and 2014:

	Six months ended June 30,	
	2013	2014
	(Units)	
Senova	1,037	7,997
E-Series	15,110	43,809
Wevan	46,775	97,149
New energy vehicles	61	390
Total	62,983	149,345

* The difference between the data presented in this table and the sales volume disclosed in the section headed "Business" in this prospectus is mainly because the recognition of revenue for certain vehicles is deferred due to the tripartite financing arrangements, the sales volume under which is not included in this table.

Cost of Sales

Our cost of sales increased significantly from RMB2,607.3 million in the six months ended June 30, 2013 to RMB21,711.8 million during same period in 2014. This increase was due primarily to the consolidation of the cost of sales of Beijing Benz of RMB15,546.1 million and an increase in the cost of sales of Beijing Motor during the period.

The cost of sales attributable to Beijing Motor increased by 136.5% from RMB2,607.3 million in the six months ended June 30, 2013 to RMB6,165.7 million during the same period in 2014, which was generally in line with the increased sales volume of Beijing Motor.

Gross profit/(loss)

As a result of the foregoing, we recorded a gross profit of RMB3,415.1 million in the six months ended June 30, 2014 compared with a gross loss of RMB313.5 million during the same period in 2013. The increase was due primarily to the consolidation of Beijing Benz's gross profit of RMB3,610.6 million and an improvement in Beijing Motor's gross loss during the period. Accordingly, we recorded a gross margin of positive 13.6% in the six months ended June 30, 2014 compared with a negative 13.7% during the same period in 2013.

Beijing Motor's gross loss decreased by 37.6% from RMB313.5 million in the six months ended June 30, 2013 to RMB195.5 million during the same period in 2014. The gross margin of Beijing Motor improved from a negative 13.7% in the six months ended June 30, 2013 to a negative 3.3% during the same period in 2014. Improvements in Beijing Motor's gross loss and gross margin during the first half of 2014 reflected a combination of the following:

- Beijing Motor's increased bargaining power with raw materials suppliers which reduced the unit cost of production; and
- Beijing Motor's increased sales and production volumes in the first half of 2014 which improved the economies of scale.

Selling and distribution expenses

Our selling and distribution expenses increased significantly from RMB489.6 million in the six months ended June 30, 2013 to RMB2,071.8 million during the same period in 2014. This increase was due to the consolidation of the selling and distribution expenses of Beijing Benz of RMB1,447.4 million and an increase in Beijing Motor's selling and distribution expenses during the period.

Selling and distribution expenses of Beijing Motor increased by 27.5% from RMB489.6 million in the six months ended June 30, 2013 to RMB624.5 million during the same period in 2014, due primarily to increases in warranty, transportation and warehouse expenses as a result of the increased sales volumes of Beijing Motor and the launch of new vehicles models, such as Senova D50, with higher selling prices and warranty expenses. As a percentage of Beijing Motor's revenue, selling and distribution expenses of Beijing Motor decreased from 21.3% in the six months ended June 30, 2013 to 10.5% during the same period in 2014 as a result of Beijing Motor's increased revenue and our ability to adopt a more stringent budgetary system to control the advertising and promotion expenses of Beijing Motor.

General and administrative expenses

Our general and administrative expenses increased significantly from RMB290.8 million in the six months ended June 30, 2013 to RMB1,275.5 million during the same period in 2014. This increase was due primarily to the consolidation of the general and administrative expenses of Beijing Benz of RMB882.8 million and an increase in Beijing Motor's general and administrative expenses during the period.

General and administrative expenses of Beijing Motor increased by 35.0% from RMB290.8 million in the six months ended June 30, 2013 to RMB392.6 million during the same period in 2014 due primarily to increases in employee benefit costs, depreciation on property, plant and equipment and research costs as a result of the expansion of Beijing Motor. As a percentage of Beijing Motor's revenue, general and administrative expenses of Beijing Motor decreased from 12.7% in the six months ended June 30, 2013 to 6.6% during the same period in 2014 as a result of Beijing Motor's increased revenue and our ability to adopt a more stringent budgetary system to control the general and administrative expenses of Beijing Motor.

Other gains/(losses), net

Our other net gains decreased significantly from RMB50.9 million in the six months ended June 30, 2013 to RMB13.4 million during the same period in 2014, due primarily to foreign exchange losses of Beijing Benz as a result of the depreciation of the Renminbi against the Euro during the first half of 2014, which was partly offset by the receipt of government grants by Beijing Motor. In the first half of 2014, Beijing Benz had other net losses of RMB37.5 million and Beijing Motor had other net gains of RMB50.9 million.

Operating profit/(loss)

As a result of the foregoing, we recorded an operating profit of RMB81.2 million in the six months ended June 30, 2014 compared to an operating loss of RMB1,043.0 million during the same period in 2013. This change was due to the consolidation of Beijing Benz's operating profit of RMB1,242.9 million and an improvement in Beijing Motor's operating loss during the first half of 2014.

Beijing Motor's operating loss increased by 11.4% from RMB1,043.0 million in the six months ended June 30, 2013 to RMB1,161.7 million during the same period in 2014, due primarily to increased operating expenses of Beijing Motor partly offset by an improvement in Beijing Motor's gross loss as discussed above.

Finance income/(costs), net

Our net finance costs increased by 14.6% from RMB206.5 million in the six months ended June 30, 2013 to RMB236.6 million during the same period in 2014. This increase was due primarily to the increased finance costs of Beijing Motor as a result of the increased average balance of Beijing Motor's bank borrowings.

Share of profits of joint ventures

Our share of profits of joint ventures decreased by 5.9% from RMB2,951.2 million in the six months ended June 30, 2013 to RMB2,777.8 million during the same period in 2014 as we ceased to share the profit of Beijing Benz as a joint venture in 2014 since it was consolidated in November 2013. Excluding the share of joint venture profits of Beijing Benz, our share of profit in joint ventures increased by 4.6% from RMB2,654.8 million in the first half of 2013 to RMB2,777.8 million in the first half of 2014 due primarily to the increased profit of Beijing Hyundai.

Share of (losses)/profits of associates

Our share of profits of associates increased by 197.5% from RMB11.9 million in the six months ended June 30, 2013 to RMB35.4 million during the same period in 2014 due to improvements in our associates' results of operations during the period.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by 55.1% from RMB1,713.5 million in the six months ended June 30, 2013 to RMB2,657.8 million during the same period in 2014. For the six months ended June 30, 2014, Beijing Benz contributed RMB1,288.4 million to our profit before income tax.

Income tax expense

Our income tax expense increased significantly from RMB8.8 million in the six months ended June 30, 2013 to RMB318.2 million during the same period in 2014 due to the substantial increase in our taxable income. Our effective tax rate increased from 0.5% in the first half of 2013 to 12.0% in the first half of 2014.

Compared to an income tax expense of RMB8.8 million in the six months ended June 30, 2013, Beijing Motor had a tax credit of RMB5.6 million in the same period in 2014 primarily due to the amortization of deferred income tax liabilities.

Profit from continuing operations

As a result of the foregoing, our profit from continuing operations increased by 37.2% from RMB1,704.7 million in the six months ended June 30, 2013 to RMB2,339.6 million during the same period in 2014. For the six months ended June 30, 2014, Beijing Benz contributed RMB964.6 million to our profit for the period.

Profit from discontinuing operations

We did not record any profit or loss from any discontinued operations in the six months ended June 30, 2013 and 2014, respectively.

2013 compared with 2012

Revenue

Our revenue increased significantly from RMB3,519.7 million in 2012 to RMB12,781.9 million in 2013. Revenue attributable to the continuing operations of BAIC Limited in 2012 amounted to RMB1,045.1 million. Excluding the revenue from BAIC Limited, our revenue increased from RMB2,474.6 million in 2012 to RMB12,781.9 million in 2013. This was due to an increase in Beijing Motor's revenue and the contribution of the revenue from Beijing Benz for the Subsidiary Period.

The revenue attributable to Beijing Motor, excluding BAIC Limited, increased by 176.7% from RMB2,474.6 million in 2012 (including RMB2,179.7 million from the sales of Beijing Motor's passenger vehicles and RMB294.9 million from the sales of auto parts and other revenue) to RMB6,847.5 million in 2013 (including RMB6,295.1 million from the sales of Beijing Motor's passenger vehicles and RMB552.4 million from the sales of automobile parts and other revenue). This increase was due primarily to a combination of the following:

- a slight increase in the overall average selling price of Beijing Motor's passenger vehicles from RMB34,499 per unit in 2012 to RMB35,023 per unit in 2013 after the launch of Senova D70 sedan in 2013 with a higher selling price compared to Wevan CUVs and E-Series that were in production in 2012;
- Beijing Motor's passenger vehicle sales volume (excluding BAIC Limited) increased from 63,183 units in 2012 to 179,745 units in 2013 due to: (i) significant increases in the sales volume of E-Series by 196%, and Wevan by 164%; and (ii) the initiation of sales of passenger vehicles under the Senova brand after the commercial launch of our Senova D70 sedan in May 2013. The following table sets forth the sales volume of passenger vehicles of Beijing Motor by product series in 2012 and 2013:

	Year ended December 31,	
	2012	2013
	(Units)	
Senova	—	7,050
E-Series	17,029	50,450
Wevan	45,712	120,568
New energy vehicles	442	1,677
Sub-total	**63,183**	**179,745**
Off-road vehicles, SUVs and MPVs produced by BAIC Limited	10,486	—
Total	**73,669**	**179,745**

* The difference between the data presented in this table and the sales volume disclosed in the section headed "Business" in this prospectus is mainly because the recognition of revenue for certain vehicles is deferred due to the tripartite financing arrangements, the sales volume under which is not included in this table.

In addition, we have consolidated the financial results of Beijing Benz since November 18, 2013. Beijing Benz's revenue was RMB5,934.4 million for the Subsidiary Period, representing 46.4% of our total revenue in 2013.

Cost of sales

Our cost of sales increased from RMB3,687.8 million in 2012 to RMB12,366.7 million in 2013. Cost of sales attributable to the continuing operations of BAIC Limited in 2012 was RMB933.6 million. Excluding the cost of sales of BAIC Limited, our cost of sales increased from RMB2,754.2 million in 2012 to RMB12,366.7 million in 2013. This increase was due to an increase in the cost of sales of Beijing Motor and the consolidation of the cost of sales of Beijing Benz for the Subsidiary Period.

Cost of sales of Beijing Motor, excluding BAIC Limited, increased by 184.1% from RMB2,754.2 million in 2012 to RMB7,825.4 million in 2013 due to the expansion of Beijing Motor and the resulting increases in: (i) our raw materials used as a result of our increased sales volume; (ii) depreciation as a result of the new property, plant and equipment constructed and deployed; (iii) our staff benefit costs due to our increased headcount in response to the expansion of our production lines; and (iv) amortization as a result of the recognition of the newly added development cost of Senova D70 sedan as intangible assets.

Beijing Benz's cost of sales amounted to RMB4,541.3 million for the Subsidiary Period, representing 36.7% of our total cost of sales in 2013.

In 2013, our cost of sales accounted for 96.8% of our total revenue. The cost of sales of Beijing Motor accounted for 114.3% of Beijing Motor's revenue in 2013 while the cost of sales of Beijing Benz accounted for 76.5% of Beijing Benz's revenue in the Subsidiary Period.

Gross profit/(loss)

As a result of the foregoing, we recorded a gross profit of RMB415.2 million in 2013 compared to a gross loss of RMB168.1 million in 2012. Gross profit attributable to the continuing operations of BAIC Limited in 2012 was RMB111.5 million. Excluding BAIC Limited, our gross loss in 2012 was RMB279.6 million compared to a gross profit of RMB415.2 million in 2013, and accordingly we recorded a gross margin of negative 11.3% in 2012 compared to a positive 3.2% in 2013 due to the consolidation of Beijing Benz for the Subsidiary Period. Beijing Benz contributed RMB1,393.1 million to our gross profit for the Subsidiary Period.

Excluding BAIC Limited, Beijing Motor recorded a gross loss of RMB279.6 million in 2012 and RMB977.9 million in 2013. The gross margin of Beijing Motor, excluding BAIC Limited, decreased from negative 11.3% in 2012 to negative 14.3% in 2013 as Senova D70, Wevan 306 and E-Series all had negative gross margins in 2013. This was due primarily to the combination of the following:

- we offered significant sales discounts and rebates to our customers, especially for Wevan CUVs and Senova D70, in order to capture market share and promote our proprietary brand. The gross margin of Wevan CUVs continued to decrease in 2013 compared to 2012;
- the launch of Senova D70 resulted in increases in: (i) raw material costs due to our relatively low bargaining power with suppliers and heavy reliance on quality raw materials with higher prices; (ii) depreciation associated with the new property, plant and equipment constructed and deployed at our Beijing branch facility; and (iii) amortization as a result of the recognition of the development costs associated with Senova D70 sedan as intangible

assets. In addition, the sales volume of Senova D70 in 2013 was not sufficiently high during the ramp-up period to allow us to achieve economies of scale in production; and

- the gross margin of E-Series decreased in 2013 because most of its sales were generated from low-end E-Series sedans with lower margins compared to fully-equipped E-Series sedans.

Selling and distribution expenses

Our selling and distribution expenses increased by 113.8% from RMB1,030.5 million in 2012 to RMB2,203.3 million in 2013. Selling and distribution expenses for the continuing operations of BAIC Limited in 2012 was RMB83.9 million. Excluding BAIC Limited, our selling and distribution expenses increased from RMB946.6 million in 2012 to RMB2,203.3 million in 2013. This increase was due to an increase in the selling and distribution expenses of Beijing Motor and the consolidation of the selling and distribution expenses of Beijing Benz for the Subsidiary Period.

Selling and distribution expenses of Beijing Motor, excluding BAIC Limited, increased by 70.2% from RMB946.6 million in 2012 to RMB1,610.7 million in 2013, primarily due to increases in our advertising and promotion expenses as well as transportation and warehouse expenses as a result of the expansion of Beijing Motor, in particular the launch of Senova D70 in May 2013. In addition, as a percentage of revenue, selling and distribution expenses of Beijing Motor, excluding BAIC Limited, decreased to 23.5% in 2013 from 38.3% in 2012.

Beijing Benz's selling and distribution expenses amounted to RMB592.6 million during the Subsidiary Period, representing 26.9% of our total selling and distribution expenses in 2013.

General and administrative expenses

Our general and administrative expenses increased by 147.6% from RMB505.5 million in 2012 to RMB1,251.4 million in 2013. General and administrative expenses for the continuing operations of BAIC Limited in 2012 was RMB55.0 million. Excluding BAIC Limited, our general and administrative expenses increased from RMB450.5 million in 2012 to RMB1,251.4 million in 2013. This increase was primarily due to an increase in the general and administrative expenses of Beijing Motor and the consolidation of the general and administrative expenses of Beijing Benz for the Subsidiary Period.

General and administrative expenses of Beijing Motor, excluding BAIC Limited, increased by 76.9% from RMB450.5 million in 2012 to RMB796.9 million in 2013, primarily due to the expansion of Beijing Motor resulting in: (i) an increase in staff costs as a result of the increased management head-count in view of our business expansion; and (ii) an increase in operating leases rentals as a result of our business expansion. In addition, as a percentage of revenue, general and administrative expenses of Beijing Motor, excluding BAIC Limited, decreased to 11.6% in 2013 from 18.2% in 2012.

Beijing Benz's general and administrative expenses amounted to RMB454.4 million during the Subsidiary Period, representing 36.3% of our total general and administrative expenses in 2013.

Other gains/(losses), net

Our other net gains decreased by 66.6% from RMB1,855.5 million in 2012 to RMB619.7 million in 2013. Other net gains for the continuing operations of BAIC Limited in 2012 was

RMB4.5 million. Excluding BAIC Limited, our other net gains decreased from RMB1,851.0 million in 2012 to RMB619.7 million in 2013, primarily because: (i) Beijing Motor received a one-off grant of RMB613.0 million from the Beijing government to encourage us to establish a dealership network and enhance the image of our proprietary brand in 2012; and (ii) Beijing Motor disposed of investments in three subsidiaries and five joint ventures and associates in 2012, while we did not dispose of any investment in any joint venture or associate in 2013, and the gains from disposal of investment in a subsidiary were smaller in 2013 compared to 2012. Other net gains in 2013 included the gain of RMB156.6 million on the remeasurement of our 50% interest in Beijing Benz upon our acquisition of the additional 1% interest in Beijing Benz on November 18, 2013.

Operating profit/(loss)

As a result of the foregoing, we recorded an operating profit of RMB151.3 million in 2012 compared to an operating loss of RMB2,419.8 million in 2013. Excluding BAIC Limited, we recorded an operating loss of RMB2,419.8 million in 2013 compared to an operating profit of RMB174.2 million in 2012 primarily due to the combination of the following:

- an increase in the gross loss of Beijing Motor in 2013 as discussed above;
- increased operating expenses of Beijing Motor, primarily advertising and promotion expenses, to promote our proprietary brand and expand our sales network for both our existing models and newly launched models; and
- one-off gains from disposals of subsidiaries, joint ventures and associates and the one-off government grant in 2012 which did not recur in 2013.

Finance income/(costs), net

Our net finance costs increased significantly from RMB158.3 million in 2012 to RMB475.7 million in 2013. This increase was primarily due to an increase in the net finance costs of Beijing Motor.

Net finance costs of Beijing Motor increased significantly from RMB158.3 million in 2012 to RMB480.1 million in 2013 due to: (i) an increase in its finance costs from RMB555.4 million in 2012 to RMB852.7 million in 2013; and (ii) a decrease in Beijing Motor's finance costs capitalized in qualifying assets.

The increase in Beijing Motor's finance costs was primarily due to: (i) an increase in interest expense on increased bank borrowings as a result of Beijing Motor's business expansion; and (ii) the issuance of RMB1.5 billion of private placement bonds in April 2013. Beijing Motor's finance costs capitalized in qualifying assets decreased from RMB354.0 million in 2012 to RMB287.3 million due to a smaller amount of construction in progress in 2013.

Beijing Benz's net finance income amounted to RMB4.4 million during the Subsidiary Period.

Share of profits of joint ventures

Our joint ventures mainly include Beijing Benz (for the Joint Venture Period) and Beijing Hyundai (for the Track Record Period). Our share of profits of joint ventures increased by 56.1% from RMB3,834.9 million in 2012 to RMB5,986.5 million in 2013, primarily due to an increase in the share of net profit of Beijing Hyundai and the consolidation of our share of profit from Beijing Benz for the Joint Venture Period.

Beijing Hyundai's profit and total comprehensive income increased by 44.6% from RMB7,470.0 million in 2012 to RMB10,799.2 million in 2013. Our share of Beijing Hyundai's profit increased to RMB5,399.6 million in 2013 compared to RMB3,735.0 million in 2012. See "—Summarized Financial Information of Beijing Hyundai."

In addition, Beijing Benz contributed to our share of profits of joint ventures in 2013. During the Joint Venture Period, Beijing Benz's profit and total comprehensive income was RMB1,142.4 million, of which 50.0%, or RMB571.2 million, was attributable to us. See "—Financial Information of Beijing Benz" for further information on Beijing Benz.

Share of (losses)/profits of associates

Our share of profits of associates was RMB35.7 million in 2013 compared to a share of losses of associates of RMB42.8 million in 2012 due to the improvement in our remaining associates' operating results in 2013.

Profit before income tax

As a result of the foregoing, our profit before income tax decreased by 17.4% from RMB3,785.1 million in 2012 to RMB3,126.7 million in 2013.

Income tax expense

Our income tax expense decreased by 49.9% from RMB226.3 million in 2012 to RMB113.3 million in 2013 due to the decrease in our taxable income. Our effective tax rate decreased from 6.0% in 2012 to 3.6% in 2013.

Beijing Motor's income tax expense decreased significantly from RMB226.3 million in 2012 to RMB26.6 million in 2013, primarily because Beijing Motor recorded an operating loss in 2013 compared to an operating profit in 2012. Beijing Motor's effective tax rate decreased from 6.0% in 2012 to 1.0% in 2013.

Beijing Benz's income tax expense was RMB86.7 million for the Subsidiary Period.

Profit from continuing operations

As a result of the foregoing, our profit from continuing operations decreased by 15.3% from RMB3,558.7 million in 2012 to RMB3,013.4 million in 2013. Beijing Motor's profit was RMB2,765.0 million in 2013 and Beijing Benz's profit was RMB248.5 million for the Subsidiary Period. Excluding BAIC Limited, our profit from continuing operations was RMB3,582.7 million in 2012.

Loss from discontinued operations

Loss from discontinued operations was RMB80.7 million in 2012. We did not record any profit or loss from any discontinued operations in 2013.

2012 compared with 2011

Revenue

Because we acquired the interests in Beijing Benz in 2013, our operating results from the continuing operations were only derived from Beijing Motor in 2011 and 2012. Our revenue increased by 83.7% from RMB1,915.7 million in 2011 to RMB3,519.7 million in 2012. In 2011 and 2012, revenue attributable to the continuing operations of BAIC Limited amounted to RMB1,390.2 million and RMB1,045.1 million, respectively, accounting for 72.6% and 29.7% of the segment revenue of Beijing Motor, respectively. Our revenue (excluding BAIC Limited) increased from RMB525.5 million in 2011 (including RMB270.6 million from the sales of Beijing Motor's passenger vehicles and RMB254.9 million from the sales of automobile parts and other revenue) to RMB2,474.6 million in 2012 (including RMB2,179.7 million from the sales of Beijing Motor's passenger vehicles and RMB294.9 million from the sales of automobile parts and other revenue). The increase was primarily due to a combination of the following:

- an increase in the overall average selling price of Beijing Motor's passenger vehicles from RMB27,012 per unit in 2011 to RMB34,499 per unit in 2012 after the launch of E-Series sedans and new energy vehicles in 2012 with higher selling prices compared to Wevan 306 which was Beijing Motor's only vehicle model in production in 2011 after its launch in March 2011; and
- an increase in sales volume of passenger vehicles from 10,016 units to 63,183 units because: (i) we commercially launched the E-Series sedans in 2012; and (ii) we experienced a significant increase in the sales volume of Wevan CUVs in 2012. The table below sets forth the sales volume of passenger vehicles of Beijing Motor in 2011 and 2012:

	Year ended December 31,	
	2011	**2012**
	(Units)	
E-Series	—	17,029
Wevan	10,016	45,712
New energy vehicles	—	442
Sub-total	**10,016**	**63,183**
Off-road vehicles, SUVs and MPVs produced by BAIC Limited	14,252	10,486
Total	**24,268**	**73,669**

* The difference between the data presented in this table and the sales volume disclosed in the section headed "Business" in this prospectus is mainly because the recognition of revenue for certain vehicles is deferred due to the tripartite financing arrangements, the sales volume under which is not included in this table.

Cost of sales

Our cost of sales increased by 95.3% from RMB1,888.5 million in 2011 to RMB3,687.8 million in 2012. In 2011 and 2012, cost of sales attributable to the continuing operations of BAIC Limited amounted to RMB1,269.2 million and RMB933.6 million, respectively. Excluding BAIC Limited, our cost of sales increased from RMB619.3 million in 2011 to RMB2,754.2 million in 2012. This increase was primarily due to: (i) the increase in our raw materials used as a result of our sales growth; and (ii) the increase in our staff costs due to the increase in our production staff resulting from our business expansion.

Gross profit/(loss)

We recorded a gross loss of RMB168.1 million in 2012 compared to a gross profit of RMB27.2 million in 2011. In 2011 and 2012, gross profit attributable to the continuing operations of BAIC Limited amounted to RMB121.0 million and RMB111.5 million, respectively. Gross loss attributable to Beijing Motor excluding BAIC Limited therefore amounted to RMB93.8 million and RMB279.6 million in 2011 and 2012, respectively. As a result, our gross margin (excluding BAIC Limited) improved from negative 17.8% in 2011 to negative 11.3% in 2012. Despite such an increase, we recorded negative gross margin in both 2011 and 2012 as our Wevan 306 and E-Series vehicles had negative gross margins for these two years. This was due primarily to the combination of the following:

- the launch of our new vehicle models, especially Wevan 306, in 2011 and 2012 resulted in increases in raw material costs due to our relatively low bargaining power with suppliers;
- the ramp-up period in 2011 and 2012 and intensified market competition adversely affected the our sales growth, thus we were unable to achieve the economies of scale in production; and
- we offered sales discounts and rebates to our customers in order to capture market share and promote our proprietary brand.

Selling and distribution expenses

Our selling and distribution expenses increased by 158.5% from RMB398.6 million in 2011 to RMB1,030.5 million in 2012. In 2011 and 2012, selling and distribution expenses attributable to the continuing operations of BAIC Limited amounted to RMB111.4 million and RMB83.9 million, respectively. Selling and distribution expenses attributable to Beijing Motor (excluding BAIC Limited) increased from RMB287.2 million in 2011 to RMB946.6 million in 2012. This increase was primarily due to increases in our advertising and promotion expenses as well as transportation and warehouse expenses as a result of our business growth and increased sales and marketing activities for promoting the sales of our passenger vehicles, including our E-Series sedans launched in 2012.

General and administrative expenses

Our general and administrative expenses increased by 42.6% from RMB354.5 million in 2011 to RMB505.5 million in 2012. In 2011 and 2012, general and administrative expenses attributable to the continuing operations of BAIC Limited amounted to RMB61.8 million and RMB55.0 million, respectively. General and administrative expenses attributable to Beijing Motor excluding BAIC Limited increased from RMB292.7 million in 2011 to RMB450.5 million in 2012. This increase was primarily due to: (i) the increase in headcount and related staff costs as a result of our business expansion; and (ii) our increased research and development expenses, also attributable to the growth of our business.

Other gains/(losses), net

Our other net gains increased significantly from RMB106.4 million in 2011 to RMB1,855.5 million in 2012, primarily due to: (i) the disposals of three subsidiaries and five joint ventures and associates in 2012; and (ii) a one-off local government grant of RMB613.0 million in 2012 for us to establish a dealership network and enhance the image of our proprietary brand.

In 2011 and 2012, other net gains attributable to the continuing operations of BAIC Limited amounted to RMB13.8 million and RMB4.5 million, respectively. Other net gains attributable to Beijing Motor (excluding BAIC Limited) amounted to RMB92.6 million and RMB1,851.0 million, respectively, for the same periods.

Operating loss/(profit)

As a result of the foregoing, we recorded an operating profit of RMB151.3 million in 2012, representing an operating profit margin of 4.3%. We had an operating loss of RMB619.4 million in 2011.

In 2011 and 2012, operating loss attributable to the continuing operations of BAIC Limited amounted to RMB38.4 million and RMB22.9 million, respectively. Operating loss attributable to Beijing Motor (excluding BAIC Limited) amounted to RMB581.0 million in 2011 while operating profit attributable to Beijing Motor (excluding BAIC Limited) amounted to RMB174.2 million in 2012, due primarily to the one-off gains from the disposals of subsidiaries, joint ventures and associates and the one-off government grant in 2012, which were largely offset by: (i) the increase in the gross loss of Beijing Motor (excluding BAIC Limited) in 2012 as discussed above; and (ii) increased operating expenses of Beijing Motor in 2012, primarily advertising and promotion expenses, to promote our proprietary brand and expand our sales network.

Finance costs, net

Our net finance costs increased by 93.3% from RMB81.9 million in 2011 to RMB158.3 million in 2012, primarily due to a significant increase in our finance costs from RMB229.5 million in 2011 to RMB555.4 million in 2012, partially offset by an increase in finance costs capitalized in qualifying assets and an increase in finance income.

The significant increase in our finance costs was primarily due to: (i) an increase in interest expense on increased bank borrowings as a result of our business expansion; and (ii) an increase in interest expense on increased other borrowings, primarily attributable to RMB1.0 billion of private placement bonds issued in February 2012 and additional RMB1.5 billion of bonds issued in August 2012. Our finance costs capitalized in qualifying assets increased from RMB115.7 million in 2011 to RMB354.0 million in 2012 due to a greater amount of construction in progress in 2012. The increase in our finance income from bank deposits in 2012 was primarily due to our increased average balance of bank deposits as a result of the increases in our revenue and proceeds from borrowings.

Share of profits of joint ventures

Our share of profits of joint ventures increased by 7.4% from RMB3,571.6 million in 2011 to RMB3,834.9 million in 2012, primarily due to an increase in the share of profit of Beijing Hyundai.

Beijing Hyundai's profit and total comprehensive income increased by 9.3% from RMB6,832.4 million in 2011 to RMB7,470.0 million in 2012. Our share of Beijing Hyundai's profit increased to RMB3,735.0 million in 2012 compared to RMB3,416.2 million in 2011. See "—Summarized Financial Information of Beijing Hyundai."

Share of (losses)/profits of associates

Our share of losses of associates decreased by 50.3% from RMB86.1 million in 2011 to RMB42.8 million in 2012, primarily due to our disposals of four associates unrelated to our core business in 2012.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by 36.0% from RMB2,784.1 million in 2011 to RMB3,785.1 million in 2012.

Income tax expense

Our income tax expense increased significantly from RMB21.3 million in 2011 to RMB226.3 million in 2012, primarily due to our increased income before income tax. Our effective tax rate increased from 0.8% in 2011 to 6.0% in 2012.

Profit from continuing operations

As a result of the foregoing, our profit from continuing operations increased by 28.8% from RMB2,762.8 million in 2011 to RMB3,558.7 million in 2012. Excluding BAIC Limited, our profit from continuing operations was RMB2,808.7 million in 2011 and RMB3,582.7 million in 2012.

Loss from discontinued operations

Loss from discontinued operations decreased by 58.9% from RMB196.2 million in 2011 to RMB80.7 million in 2012.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed our liquidity requirements through a combination of capital contributions from shareholders and dividends from joint venture partners, cash flows generated from our operations, as well as bank loans and debt financing. We expect our working capital needs to increase as our inventory level and prepayments for raw materials grow due to the continuing expansion of our business. Beijing Motor's net operating cash flows in 2011, 2012, 2013 and the six months ended June 30, 2014 were negative, while Beijing Benz's net operating cash flows over the same periods were positive. During the Track Record Period, we did not experience any significant difficulties in obtaining or renewing our bank loans.

Our Directors expect that we will require an aggregate amount of approximately RMB16.0 billion in the second half of 2014 and RMB20.1 billion in 2015 to finance our capital expenditures, research and development, debt repayment plans and other foreseeable cash requirements (including the dividends of RMB678.0 million declared in June 2014 which we paid during the third quarter of 2014). Our available and expected sources of funding to meet our working capital requirements for the second half of 2014 and 2015 include the following:

Cash and cash equivalents	RMB14,440.7 million as of June 30, 2014, including RMB6,391.3 million from Beijing Motor and RMB8,049.4 million from Beijing Benz. As of October 31, 2014, our cash and cash equivalents were RMB12,599.2 million.
Bank facilities	RMB34,050.0 million (all undrawn and unrestricted) as of June 30, 2014, including RMB18,883.5 million for Beijing Motor and RMB15,166.5 million for Beijing Benz. As of October 31, 2014, our undrawn and unrestricted bank facilities were RMB27,881.3 million.
Net proceeds from the Global Offering	Approximately RMB7,641.4 million (assuming an Offer Price of HK$8.70 per H Share (being the mid-point of the stated range of the Offer Price between HK$7.60 and HK$9.80 per H Share))
Total	RMB56.1 billion as of June 30, 2014 (RMB48.1 billion as of October 31, 2014)

In addition, we also intend to finance our future liquidity requirements using: (i) net cash generated from the operating activities of Beijing Benz; and (ii) dividends from Beijing Hyundai.

Taking into account our existing cash and cash equivalents, anticipated cash flow from our operating activities, our bank facilities and the expected net proceeds from the Global Offering, our Directors are satisfied that, after due and careful inquiry, we have sufficient working capital available to meet or refinance our working capital requirements for at least 12 months following the date of this prospectus.

After due consideration and discussions with our senior management and based on the above, the Joint Sponsors have no reason to believe that we are unable to meet the working capital requirements for the 12-month period from the date of this prospectus.

We do not anticipate any changes to the availability of financing to fund our operations in the future, although there is no assurance that we will be able to access any financing on favorable terms or at all.

CASH FLOW

The following table presents selected cash flow data from our consolidated cash flow statements for the periods indicated:

	Beijing Motor(1)			Beijing Benz	Business combination of Beijing Benz and elimination of capital injection	Our Group(2)		
	Year ended December 31,				Year ended December 31,	Year ended December 31,	Six months ended June 30,	
	2011	2012	2013	The Subsidiary Period	2013	2013	2013	2014
			(unaudited)	(unaudited)	(unaudited)		(unaudited)	
	(RMB'000)							
Net cash generated from/(used in) operating activities	(1,017,282)	(623,502)	(3,918,911)	1,516,409	—	(2,402,502)	(539,877)	(1,400,993)
Net cash (used in)/ generated from investing activities	(2,449,156)	(5,689,720)	(4,344,535)	(2,410,059)	10,392,141	3,637,547	(554,543)	1,021,314
Net cash generated from/(used in) financing activities	2,047,673	7,385,510	11,734,929	816,302	(216,000)	12,335,231	4,495,227	(1,638,102)
Net (decrease)/ increase in cash and cash equivalents	(1,418,765)	1,072,288	3,471,483	(77,348)	10,176,141	13,570,276	3,400,807	(2,017,781)
Cash and cash equivalents at the end of year	**1,817,526**	**2,891,385**	**6,360,451**	**10,098,593**	**—**	**16,459,044**	**6,290,402**	**14,440,746**

(1) Beijing Motor's cash generated from investing activities includes cash flow generated from dividends paid by joint ventures and associates.
(2) For the six months ended June 30, 2013, our only business segment was Beijing Motor.

Cash Flow Generated from/(used in) Operating Activities

Our net cash flow from operating activities was negative during the Track Record Period, primarily due to: (i) Beijing Motor's relatively low or negative operating profit during the Track Record Period; and (ii) substantial working capital needs due to the rapid expansion of Beijing Motor since its inception in 2010. We plan to further improve the profitability of Beijing Motor and efficiency of turnover of its working capital in order to further increase our cash flow from operating activities.

In the six months ended June 30, 2014, our net cash used in operating activities was RMB1,401.0 million, which was mainly attributable to profit before income tax of RMB2,657.8 million, adjusted by the share of profits of joint ventures, primarily Beijing Hyundai, of RMB2,777.8 million, certain non-cash items and negative changes in working capital, which primarily included: (i) a decrease of RMB1,386.4 million in advance from customers, other payables and accruals due to our substantially decreased payables for advertising and promotion and sales discounts and rebates as a result of our cost-cutting measures; (ii) an increase in accounts receivable of RMB524.4 million as a result of increased sales; and (iii) a decrease in accounts payable due primarily to a decrease in Beijing

Benz's trade payables. These negative changes in working capital were partially offset by an RMB1,258.7 million decrease in inventories due primarily to Beijing Benz's increased efforts to reduce unsold vehicles in our inventory.

In 2013, our net cash used in operating activities was RMB2,402.5 million (all from continuing operations). Net cash flow used in operating activities of Beijing Motor was RMB3,918.9 million, which was mainly attributable to profit before income tax of RMB2,791.5 million, adjusted by (i) the share of profits of joint ventures of RMB5,986.5 million; (ii) an increase of receivables of RMB2,529.7 million as a result of increased sales due to our business expansion; and (iii) an increase of inventories of RMB1,872.8 million as a result of increased production activities due to our business expansion; partially offset by (i) an increase in payables of RMB2,965.9 million due to our business expansion which resulted in increased procurement of raw materials, parts and components from our suppliers, and the improvement of our production and procurement which enabled us to obtain better payment terms; and (ii) an increase in advance from customers, other payables and accruals of RMB1,344.6 million, primarily due to an expansion in business scale. Net cash flow generated from operating activities of Beijing Benz was RMB1,516.4 million for the Subsidiary Period.

In 2012, our net cash used in operating activities was RMB623.5 million (RMB551.2 million from continuing operations and RMB72.3 million from discontinued operations), which was mainly attributable to profit before income tax of RMB3,785.1 million, adjusted by: (i) the share of profits of joint ventures of RMB3,834.9 million; (ii) an increase in advances to suppliers, other receivables and prepayments of RMB1,896.2 million as a result of our increased production activities due to our business expansion; (iii) an increase in inventories of RMB625.7 million as a result of our increased production activities due to our business expansion, (iv) a gain on disposal of investments in joint ventures of RMB603.7 million; and (v) a gain on disposal of investments in subsidiaries of RMB440.6 million, partially offset by (i) an increase in advance from customers, other payables and accruals of RMB2,120.9 million, primarily due to an increase in the sales of passenger vehicles; and (ii) an increase in accounts payables of RMB1,173.3 million due to our business expansion which resulted in increased procurement of raw materials, parts and components from our suppliers, and the improvement of our production and procurement which enabled us to obtain better payment terms.

In 2011, our net cash used in operating activities was RMB1,017.3 million (RMB868.6 million from continuing operations and RMB148.7 million from discontinued operations), which was mainly attributable to profit before income tax of RMB2,784.1 million, adjusted by: (i) the share of profits of joint ventures of RMB3,571.6 million; (ii) an increase in advances to suppliers, other receivables and prepayments of RMB377.4 million as a result of our increased production activities due to our business expansion; and (iii) an increase in inventories of RMB363.4 million as a result of our increased production activities due to our business expansion.

Cash Flow used in Investing Activities

In the six months ended June 30, 2014, our net cash generated from investing activities was RMB1,021.3 million, consisting primarily of dividends we received from joint ventures of RMB4,893.6 million, mainly including dividends received from Beijing Hyundai. These cash inflows were partially offset by: (i) purchase of property, plant and equipment of RMB3,110.6 million, primarily due to the expansion of Beijing Benz's production facilities during the first half of 2014; (ii) prepayment of RMB710.9 million for the acquisition of Guangzhou Company; and (iii) additions of intangible assets, principally development costs, of RMB698.7 million.

In 2013, our net cash generated from investing activities was RMB3,637.5 million (all from continuing operations). Net cash flow used in investing activities of Beijing Motor was RMB4,344.5 million, consisting primarily of: (i) dividends received from joint ventures of RMB3,392.5 million, mainly including dividends received from Beijing Hyundai; and (ii) decrease of restricted cash of RMB2,666.2 million as a result of the completion of the capital verification on capital contributed by our shareholders. These cash inflows were partially offset by: (i) the increase in our investment in a joint venture of RMB7,109.0 million, which included RMB5,770.0 million that we paid to the BAIC Group in 2013 for the 50% equity interest in Beijing Benz, and the subsequent additional capital contribution to Beijing Benz of RMB1,289.0 million; and (ii) purchase of property, plant and equipment of RMB2,469.1 million, primarily due to the expansion of our production facilities in Beijing and Zhuzhou. Net cash flow used in investing activities of Beijing Benz was RMB2,410.1 million for the Subsidiary Period.

In 2012, our net cash used in investing activities was RMB5,689.7 million (RMB5,664.5 million from continuing operations and RMB25.2 million from discontinued operations), consisting primarily of: (i) purchases of property, plant and equipment of RMB4,511.3 million, primarily due to the expansion of our production facilities in Beijing and Zhuzhou; (ii) an increase in restricted cash of RMB3,211.1 million for the purpose of the capital verification and (iii) purchase of intangible assets of RMB984.1 million. These cash outflows were partially offset by; (i) dividends received from joint ventures of RMB2,782.4 million, mainly including dividends received from Beijing Hyundai; and (ii) receipt of government grants for capital expenditures and research and development of RMB773.0 million, primarily in relation the continuing operations of BAIC Limited, which we disposed of in November 2012.

In 2011, our net cash used in investing activities was RMB2,449.2 million (RMB2,440.1 million from continuing operations and RMB9.0 million from discontinued operations), consisting primarily of purchases of property, plant and equipment, land use right and intangible assets of RMB4,257.6 million, primarily due to the expansion of our production facilities in Beijing and Zhuzhou, partially offset by dividends received from joint ventures of RMB2,503.0 million, mainly including dividends received from Beijing Hyundai.

Cash Flow Generated from Financing Activities

Our net cash flow from financing activities was positive in 2011, 2012 and 2013, which reflected our increased need for capital, primarily due to (i) our increased need for working capital as a result of our business expansion; and (ii) our increased need for capital expenditures for our production expansion plans. Our net cash flow from financing activities was negative during the first half of 2014 as we paid a substantial amount of dividends to our shareholders during the period.

In the six months ended June 30, 2014, our net cash used in financing activities was RMB1,638.1 million, mainly consisting of: (i) repayment of borrowings of RMB9,284.6 million; and (ii) dividends paid to shareholders of RMB1,595.5 million, offset by proceeds from borrowings of RMB9,273.2 million.

In 2013, our net cash generated from financing activities was RMB12,335.2 million (all from continuing operations). Net cash flow generated from financing activities of Beijing Motor was RMB11,734.9 million, mainly consisting of: (i) proceeds from borrowings of Beijing Motor of RMB10,000.0 million; and (ii) proceeds from issuance of new shares of RMB6,132.0 million, partially offset by (a) repayment of borrowings of RMB4,111.8 million; and (b) dividend paid to shareholders of RMB212.5 million. Net cash flow generated from financing activities of Beijing Benz was RMB816.3 million for the Subsidiary Period.

In 2012, our net cash generated from financing activities was RMB7,385.5 million (all from continuing operations), consisting primarily of: (i) proceeds from borrowings of RMB10,650.7 million; and (ii) proceeds from issuance of new shares of RMB3,003.0 million, partially offset by (a) repayments of borrowings of RMB4,652.9 million; and (b) dividends paid to our shareholders of RMB1,500.0 million.

In 2011, our net cash generated from financing activities was RMB2,047.7 million (all from continuing operations), consisting primarily of: (i) proceeds from borrowings of RMB2,817.6 million; and (ii) proceeds from issuance of new shares of RMB1,500.0 million, which was partially offset by: dividend paid to original shareholders of a subsidiary of RMB2,009.0 million.

NET CURRENT ASSETS AND LIABILITIES

The following table sets forth a breakdown of our current assets and current liabilities as of the dates indicated below:

	Beijing Motor			Beijing Benz	Our Group	Our Group	
	As of December 31,					As of June 30,	As of October 31,
	2011	2012	2013	2013	2013	2014	2014
			(unaudited)	(unaudited)			(unaudited)
			(RMB'000)				
Current assets							
Inventories	441,422	835,118	2,238,938	5,240,181	7,479,119	6,133,240	9,032,078
Accounts receivable	154,989	526,691	3,018,168	2,985,667	6,003,835	6,533,483	7,871,908
Advances to suppliers	177,246	311,831	232,618	—	232,618	496,406	570,283
Other receivables and prepayments	185,966	1,275,912	2,144,931	532,654	2,677,585	2,075,003	1,892,867
Restricted cash	2,000	3,213,050	546,901	—	546,901	596,546	290,085
Term deposits with initial term of over three months	—	40,000	4,500	—	4,500	6,050	4,500
Cash and cash equivalents	1,387,920	2,891,385	6,360,450	10,098,594	16,459,044	14,440,746	12,599,208
Assets of disposal group classified as held for sale	2,111,524	—	—	—	—	—	—
Total current assets	**4,461,067**	**9,093,987**	**14,546,506**	**18,857,096**	**33,403,602**	**30,281,474**	**32,260,929**
Current liabilities							
Accounts payable	471,803	1,492,737	4,287,713	6,824,034	11,111,747	10,347,462	13,703,838
Advances from customers	60,476	380,587	1,379,264	60,304	1,439,568	1,411,715	1,439,580
Other payables and accruals	1,501,361	1,566,985	4,072,539	11,467,667	15,540,206	13,490,469	16,808,846
Current income tax liabilities	4,265	167,824	26,739	493,328	520,067	358	145,594
Borrowings	3,790,264	3,627,000	4,176,928	3,656,480	7,833,408	10,993,563	11,437,691
Provisions	8,318	52,509	37,428	296,985	334,413	279,822	309,179
Liabilities of disposal group classified as held for sale	1,840,118	—	—	—	—	—	—
Total current liabilities	**7,676,605**	**7,287,642**	**13,980,611**	**22,798,798**	**36,779,409**	**36,523,389**	**43,844,728**
Net current assets/ (liabilities)	**(3,215,538)**	**1,806,345**	**565,895**	**(3,941,702)**	**(3,375,807)**	**(6,241,915)**	**(11,583,799)**

We had net current liabilities as of December 31, 2011 and 2013 as well as June 30, 2014 and October 31, 2014 primarily due to our financing of long-term property, plants and equipment (such as production facilities) by using cash and short-term borrowings (including current portion of long-term borrowings). After the Global Offering, we intend to improve our net current liability position by refinancing a portion of our short-term borrowings using long-term borrowings.

As of October 31, 2014, our net current liabilities increased to RMB11,583.8 million from RMB6,241.9 million as of June 30, 2014. This primarily reflected: (i) an increase in our accounts payables as a result of our increased purchase of raw materials to meet the substantial market demand for our new C-Class sedan during the fourth quarter of 2014; (ii) an increase in our other payables and accruals which was mainly attributable to payables to BAIC Group in connection with our acquisition of Guangzhou Company and payables for equipment incurred primarily by Beijing Benz in order to expand production capacity, and (iii) an increase in the short-term portion of certain long-term borrowings. The increase in our net current liabilities was partially offset by (i) an increase in our inventories during the third quarter of 2014 due primarily to the increased raw materials and work in progress relating to our new C-Class sedan to meet substantial market demand, and (ii) an increase in accounts receivable due primarily to increased sales.

As of June 30, 2014, our net current liabilities increased to RMB6,241.9 million from RMB3,375.8 million as of December 31, 2013. This primarily reflected: (i) a decrease in inventories as a result of Beijing Benz's increased efforts to reduce unsold vehicles in the first half of 2014; (ii) a decrease in cash and cash equivalents as a result of increased purchase of property, plant and equipment for our facilities under construction; and (iii) an increase in the short-term portion of certain long-term borrowings.

As of December 31, 2013, Beijing Motor's net current assets decreased to RMB565.9 million from RMB1,806.3 million as of December 31, 2012. This change reflected: (i) a significant increase in Beijing Motor's accounts payable and advances from customers in 2013 as a result of the improvement of our production and procurement which enabled us to obtain better payment terms; (ii) a significant increase in Beijing Motor's other payables and accruals due to a significant increase in amounts payable to related parties as well as the significant increases in intangible assets, payables for property, plant and equipment, and payables for advertisement and promotions in 2013 as a result of the business expansion; and (iii) a significant increase in borrowings due to the expansion in our production and financing needs in 2013. In addition, as of December 31, 2013, Beijing Benz had net current liabilities of RMB3,941.7 million. See "—Financial information of Beijing Benz." As a result of the consolidation of Beijing Benz in 2013, our Group had net current liabilities of RMB3,375.8 million as of December 31, 2013 compared to net current assets of RMB1,806.3 million as of December 31, 2012.

We had net current liabilities of RMB3,215.5 million as of December 31, 2011, primarily because we were established in 2010 and had limited current assets in 2011 while we had significant short-term borrowing to start and expand our operations. We had net current assets of RMB1,806.3 million as of December 31, 2012, primarily due to the increases in Beijing Motor's inventories, account receivables, advances to suppliers and cash and cash equivalents as a result of the expansion of Beijing Motor's production capacity and sales volume in 2012.

INVENTORY

During the Track Record Period, our inventories primarily consisted of raw materials, work in progress and finished goods.

The following table sets forth a summary of our total inventories as of the dates indicated:

	Beijing Motor			Beijing Benz	Our Group	
	As of December 31,					As of June 30,
	2011	2012	2013	2013	2013	2014
			(unaudited)	(unaudited)		
			(RMB'000)			
Raw materials	77,056	253,242	450,537	2,725,254	3,175,791	3,652,733
Work in progress	138,812	47,061	78,463	226,990	305,453	318,662
Finished goods	237,888	616,029	1,917,930	2,295,106	4,213,036	2,302,138
Less: provision for impairment	(12,334)	(81,214)	(207,992)	(7,169)	(215,161)	(140,293)
Total	**441,422**[(1)]	**835,118**	**2,238,938**	**5,240,181**	**7,479,119**	**6,133,240**

(1) Beijing Motor's inventories as of December 31, 2011 did not include the inventories of BAIC Limited, which were accounted for under "Held-for-sale assets for disposal." See "—Held-for-sale assets for disposal." We disposed of BAIC Limited in November 2012.

Our inventories decreased from RMB7,479.1 million as of December 31, 2013 to RMB6,133.2 million as of June 30, 2014, primarily due to a substantial decrease in our finished goods as a result of Beijing Benz's increased efforts to reduce unsold vehicles in our inventory, partially offset by an increase in our raw materials, principally for Beijing Motor, due to increased sales volume and the launch of Senova D50 sedan.

Our inventories increased from RMB835.1 million as of December 31, 2012 to RMB7,479.1 million as of December 31, 2013, primarily due to an increase in inventories of Beijing Motor and the consolidation of the inventories of Beijing Benz. Inventories of Beijing Motor increased from RMB835.1 million as of December 31, 2012 to RMB2,238.9 million as of December 31, 2013, primarily due to the significant increase in balance of finished goods resulting from the increases in our production. Beijing Benz's inventories were RMB5,240.2 million as of December 31, 2013. See "—Financial Information of Beijing Benz."

Our inventories increased from RMB441.4 million as of December 31, 2011 to RMB835.1 million as of December 31, 2012, primarily due to the significant increase in raw materials as a result of our increased procurement of raw materials and the increase in finished goods as a result of our increased production activities, which were both attributable to our business growth.

As of October 31, 2014, the latest practicable date for which such information is available, the subsequent utilization and sales of our gross inventories as of June 30, 2014 was 94.4% or RMB5,923.0 million.

Provision for impairment is recognized as the amount by which the carrying amount of the inventories exceeds its recoverable amount, and was recorded in cost of sales in the statements of comprehensive income. Beijing Motor's provision for inventory impairment was RMB12.3 million, RMB81.2 million and RMB208.0 million as of December 31, 2011, 2012 and 2013, respectively. This increase was due primarily to the general increase in Beijing Motor's inventories, particularly finished goods, during those years. As of June 30, 2014, our Group's provision for inventory impairment was RMB140.3 million, of which RMB131.3 million was attributable to Beijing Motor. The decrease in

Beijing Motor's provision for inventory impairment during the first half of 2014 was due primarily to a decrease in the carrying amount of Beijing Motor's inventories as a result of our efforts to reduce raw material costs.

The following table sets forth the average inventory turnover days of Beijing Motor (excluding the continuous operations of BAIC Limited) for the periods indicated:

	Beijing Motor			
	Year ended December 31,			Six months ended June 30,
	2011	2012	2013	2014
			(unaudited)	
Adjusted average inventory turnover days(1)	149	90	77	75

(1) The adjusted average inventory turnover days for a certain period is the average of opening and closing inventory balances divided by the cost of sales for that period (adjusted to exclude the cost of sales of the continuous operations of BAIC Limited in 2011 and 2012) and multiplied by 360 days (for 2011, 2012 and 2013) or 180 days (for the six months ended June 30, 2014).

Beijing Motor's adjusted average inventory turnover days have decreased in the Track Record Period primarily due to: (i) the launch of E-Series sedan in 2012 and Senova D70 sedan in 2013 and the ramp-up period associated with the production of new vehicle models which have caused Beijing Motor's sales volume (excluding BAIC Limited) to grow significantly from 10,016 units in 2011 to 179,745 units in 2013, which resulted in a significant increase in our revenue and cost of sales; and (ii) the growth of our average inventory balance in 2011, 2012 and 2013 was slower than the growth of our cost of sales given our significantly increased sales volume and revenue. In the six months ended June 30, 2014, Beijing Motor's average inventory turnover days remained relatively stable at 75 days. During the same period, our Group's average inventory turnover days was 58 days.

ACCOUNTS RECEIVABLE

Our trade receivables are mainly attributable to sales of automobile components and parts as well as passenger vehicles (primarily from Beijing Benz) to our dealers and other automobile manufacturers. Our notes receivable mainly relates to passenger vehicles we sold to our dealers.

The following table sets forth our accounts receivable for the periods indicated:

	Beijing Motor			Beijing Benz	Our Group	
	As of December 31,					As of June 30,
	2011	2012	2013	2013	2013	2014
			(unaudited)	(unaudited)		
	(RMB'000)					
Trade receivables, gross	62,432	61,659	462,139	2,945,589	3,407,728	3,479,433
Less: provision for impairment	(636)	(1,341)	(10,078)	—	(10,078)	(4,825)
Notes receivable	93,193	466,373	2,566,107	40,078	2,606,185	3,058,875
Total	**154,989(1)**	**526,691**	**3,018,168**	**2,985,667**	**6,003,835**	**6,533,483**

(1) Beijing Motor's accounts receivable as of December 31, 2011 did not include the accounts receivable of BAIC Limited, which was accounted for under "Held-for-sale assets for disposal." See "—Held-for-sale assets for disposal and discounted operations." We disposed of BAIC Limited in November 2012.

Beijing Motor typically requires dealers to pay for the procurement of new passenger vehicles in full, either in cash or bank acceptance notes, before delivery. Beijing Benz provides a credit term between three to six months to its dealers with strong credit history and long-term relationships with

Beijing Benz. During the Track Record Period, we have not experienced any material default by our dealers or direct sales customers.

Our Group's accounts receivable increased from RMB6,003.8 million as of December 31, 2013 to RMB6,533.5 million as of June 30, 2014, primarily due to an increase in our notes receivables as a result of the increased use of bank acceptance notes by our dealers, especially for vehicles produced by Beijing Motor.

Accounts receivable increased from RMB526.7 million as of December 31, 2012 to RMB3,018.2 million as of December 31, 2013, primarily due to a significant increase in notes receivable from Beijing Motor's dealerships as a result of an increase in passenger vehicle sales by Beijing Motor.

Accounts receivable increased significantly from RMB155.0 million as of December 31, 2011 to RMB526.7 million as of December 31, 2012, primarily due to a significant increase in notes receivable as a result of an increase in the sales of passenger vehicles to our dealers who used bank acceptance notes.

As of October 31, 2014, the latest practicable date for which such information was available, we had settled trade receivables of RMB5,823.9 million, or 89.1%, of the trade receivables as of June 30, 2014.

The table below sets forth an aging analysis of our gross trade receivables as of the dates indicated:

	Beijing Motor			Beijing Benz	Our Group	
	As of December 31,					As of June 30,
	2011	2012	2013	2013	2013	2014
			(unaudited)	(unaudited) (RMB'000)		
Current to one year	59,968	58,707	457,350	2,945,589	3,402,939	3,478,960
One year to two years	127	513	2,182	—	2,182	457
Two years to three years	—	102	270	—	270	—
Over three years	2,337	2,337	2,337	—	2,337	16
Total	**62,432**	**61,659**	**462,139**	**2,945,589**	**3,407,728**	**3,479,433**

The table below sets forth an aging analysis of our trade receivables that are past due but not impaired as of the dates indicated:

	Beijing Motor			Beijing Benz	Our Group	
	As of December 31,					As of June 30,
	2011	2012	2013	2013	2013	2014
			(unaudited)	(unaudited) (RMB'000)		
Current to one year	9,127	9,021	24,954	130,932	155,886	8,828
One year to two years	127	513	2,182	—	2,182	457
Two years to three years	—	102	270	—	270	—
Over three years	1,701	996	—	—	—	16
Total	**10,955**	**10,632**	**27,406**	**130,932**	**158,338**	**9,301**

As of June 30, 2014, our trade receivables that were past due but not impaired amounted to RMB9.3 million. Our Directors are of the opinion that no provision for impairment is necessary as such receivables are considered fully recoverable. We do not hold any collateral or other credit enhancements over our trade receivables.

The following table sets forth the adjusted average accounts receivable turnover days of Beijing Motor (excluding the continuous operations of BAIC Limited) for the periods indicated:

	Beijing Motor			
	Year ended December 31,			Six months ended June 30,
	2011	2012	2013	2014
			(unaudited)	
Adjusted average accounts receivable turnover days(1)	63	50	93	96

(1) The adjusted average accounts receivable turnover days for a certain period is the average of opening and closing gross accounts receivable balances divided by revenue for that period (adjusted to exclude the revenue of the continuous operations of BAIC Limited in 2011 and 2012) and multiplied by 360 days (for 2011, 2012 and 2013) or 180 days (for the six months ended June 30, 2014).

In the six months ended June 30, 2014, Beijing Motor's average accounts receivable turnover days remained relatively stable at 96 days. During the same period, our Group's average accounts receivable turnover days was 45 days.

Beijing Motor's adjusted average accounts receivable turnover days increased from 50 days in 2012 to 93 days in 2013, primarily due to the significant increase in trade receivable and notes receivable of Beijing Motor's dealers as a result of substantial increase in our notes receivable under tripartite financing arrangements, under which our sales revenue is deferred until such arrangements have concluded. Also see "Business—Dealers, Sales and Marketing—Tripartite Financing Arrangements." Adjusted average accounts receivable turnover days of Beijing Motor decreased from 63 days in 2011 to 50 days in 2012, primarily due to the significant increase in Beijing Motor's sales revenue in 2012.

ADVANCES TO SUPPLIERS

Advances to suppliers mainly represent the advance payments made by us to certain suppliers according to the terms of the supply agreements. The advance payments made to the suppliers are unsecured, non-interest bearing and will be settled or utilized in accordance with the terms of relevant agreements.

Advances to suppliers increased from RMB232.6 million as of December 31, 2013 to RMB496.4 million as of June 30, 2014, due primarily to the change of payment terms by one of Beijing Motor's suppliers which allowed us to pay in advance for receiving a discount on our purchases.

Advances to suppliers decreased from RMB311.8 million as of December 31, 2012 to RMB232.6 million as of December 31, 2013, due primarily to better payment terms from suppliers. As of December 31, 2013, advances to suppliers attributable to Beijing Motor amounted to RMB232.6 million.

Advances to suppliers increased from RMB177.2 million as of December 31, 2011 to RMB311.8 million as of December 31, 2012, primarily due to an increase in our procurement as a result of our business growth.

OTHER RECEIVABLES AND PREPAYMENTS

The following table sets forth our other receivables as of the dates indicated:

	Beijing Motor			Beijing Benz	Our Group	
	As of December 31,					As of June 30,
	2011	2012	2013	2013	2013	2014
			(unaudited)	(unaudited)		
	(RMB'000)					
Amounts due from other related parties[(1)]	37,641	971,000	1,422,960	73,130	1,496,090	210,236
Value-added tax and consumption tax recoverable and prepaid income tax	131,388	249,694	554,438	367,806	922,244	1,560,128
Deposits	667	1,053	6,315	967	7,282	13,883
Government grant	—	—	129,645	—	129,645	171,051
Others[(2)]	18,324	56,042	32,491	90,751	123,242	120,021
Less: provisions for impairment	(2,054)	(1,877)	(918)	—	(918)	(316)
Total	**185,966**[(3)]	**1,275,912**	**2,144,931**	**532,654**	**2,677,585**	**2,075,003**

(1) Amounts due from other related parties primarily relate to receivables from our related parties, such as BAIC Group, New Energy, Beijing Automotive Technology Center, and Beijing Hainachuan Automotive Parts Co., Ltd, in relation to transfer of shares, disposal of assets and provision of services.

(2) Others mainly include security for imported equipments.

(3) Beijing Motor's other receivables and prepayments as of December 31, 2011 did not include other receivables and prepayments of BAIC Limited, which were accounted for under "Held-for-sale assets for disposal." See "—Held-for-sale assets for disposal." We disposed of BAIC Limited in November 2012.

Our other receivables decreased from RMB2,677.6 million as of December 31, 2013 to RMB2,075.0 million as of June 30, 2014, primarily due to a substantial decrease in amounts due from other related parties as we recovered receivables arising from the disposals of BAIC Limited and certain other subsidiaries, joint ventures and associates, and the disposals of certain intangible assets and property, plant and equipment to BAIC Group which was partially offset by a substantial increase in VAT and consumption tax recoverable and prepaid income tax.

Our other receivables increased from RMB1,275.9 million as of December 31, 2012 to RMB2,677.6 million as of December 31, 2013, primarily due to the increase in other receivables of Beijing Motor and an addition of other receivables of Beijing Benz. Other receivables of Beijing Motor increased from RMB1,275.9 million as of December 31, 2012 to RMB2,144.9 million as of December 31, 2013, primarily due to an increase in deductable VAT as a result of increased procurement and an increase in sales to and receivables from our Controlling Shareholder. Beijing Benz's other receivables amounted to RMB532.7 million as of December 31, 2013. See "—Financial Information of Beijing Benz."

Our other receivables increased significantly from RMB186.0 million as of December 31, 2011 to RMB1,275.9 million as of December 31, 2012, primarily attributable to increased receivables from related parties due to our disposals of three subsidiaries to the BAIC Group.

RESTRICTED CASH

The following table sets forth a breakdown of our restricted cash as of the dates indicated:

	As of December 31,			As of June 30,
	2011	2012	2013	2014
	(RMB'000)			
Capital verification account	—	3,003,000	—	—
Pledged deposits	2,000	210,050	546,901	596,546
Total	**2,000**	**3,213,050**	**546,901**	**596,546**

As of December 31, 2012, we were in the process of completing the capital verification on the capital contributed by our Shareholders with a total amount of RMB3,003.0 million. This capital verification process was subsequently completed in January 2013.

Pledged deposits are maintained with banks primarily for Beijing Motor to obtain bank acceptance notes. The general increase in our pledged deposits during the Track Record Period reflected Beijing Motor's increased use of bank acceptance notes to finance its raw material purchases.

HELD-FOR-SALE ASSETS FOR DISPOSAL

In December 2011, we decided to dispose of our entire 51% equity interest in Zhongdu Logistics, 100% equity interest in Beiqi Penglong and entire 51% equity interest in BAIC Limited to BAIC Group. Such disposals were completed during 2012. Accordingly, as of December 31, 2011, our management reclassified the assets and liabilities of these three subsidiaries as held-for-sale assets and liabilities as follows:

	As of December 31, 2011
	(RMB'000)
Assets of disposal group classified as held for sale	
Property, plant and equipment	770,453
Land use rights	75,867
Intangible assets	137
Investments in subsidiaries	—
Investments in associates	59,120
Deferred income tax assets	971
Inventories	423,191
Accounts receivable	242,974
Advances to suppliers	39,097
Other receivables and prepayments	42,989
Cash and cash equivalents	429,606
Other assets	27,119
Total	**2,111,524**
Liabilities of disposal group classified as held for sale	
Borrowings	50,000
Account payable	1,409,660
Advances from customers	167,684
Other payables and accruals	212,774
Total	**1,840,118**

ACCOUNTS PAYABLE

The following table sets forth a breakdown of our accounts payable as of the dates indicated:

	Beijing Motor			Beijing Benz	Our Group	
	As of December 31,					As of June 30,
	2011	2012	2013	2013	2013	2014
			(unaudited)	(unaudited)		
			(RMB'000)			
Trade payable	463,307	1,264,452	3,580,165	6,824,034	10,404,199	9,129,049
Notes payable	8,496	228,285	707,548	—	707,548	1,218,413
Total	**471,803**	**1,492,737**	**4,287,713**	**6,824,034**	**11,111,747**	**10,347,462**

Trade payable mainly relates to purchases of raw materials, components and parts from our suppliers, and is recognized upon receipt of such goods. Our notes payable primarily relate to our use of bank acceptance notes to finance our purchases of raw materials, machinery and equipment. Our suppliers usually grant us an average credit period for our purchases from 30 days to 60 days.

Our accounts payable decreased slightly from RMB11,111.7 million as of December 31, 2013 to RMB10,347.5 million as of June 30, 2014, due primarily to a decrease in Beijing Benz's trade payable which was offset by a substantial increase in our notes payable (mainly attributable to Beijing Motor) due to Beijing Motor's increased use of bank acceptance notes to finance its raw material purchases during the period.

In 2011, 2012 and 2013, accounts payable of Beijing Motor experienced significant growth, primarily due to the significant increases in trade payable and notes payable as a result of the increase in the purchase of raw materials and components and parts along with the expansion in production capacity. Beijing Benz's accounts payable amounted to RMB6,824.0 million as of December 31, 2013. See "—Financial Information of Beijing Benz."

The following table sets forth an ageing analysis of our trade payable as of the dates indicated:

	Beijing Motor			Beijing Benz	Our Group	
	As of December 31,					As of June 30,
	2011	2012	2013	2013	2013	2014
			(unaudited)	(unaudited)		
			(RMB'000)			
Current to one year	461,343	1,260,710	3,562,036	6,824,034	10,386,070	9,082,565
One year to two years	1,116	1,850	17,026	—	17,026	46,065
Two years to three years	683	1,047	199	—	199	194
Over three years	165	845	904	—	904	225
Total	**463,307**	**1,264,452**	**3,580,165**	**6,824,034**	**10,404,199**	**9,129,049**

The following table sets forth the adjusted average accounts payable turnover days of Beijing Motor (excluding the continuous operations of BAIC Limited) for the periods indicated:

	Beijing Motor			
	Year ended December 31,			Six months ended June 30,
	2011	2012	2013	2014
			(unaudited)	
Adjusted average accounts payable turnover days(1)	160	128	133	127

(1) The adjusted average accounts payable turnover days for a certain period is the average of opening and closing accounts payable balances divided by cost of sales for that period (adjusted to exclude the cost of sales of the continuous operations of BAIC Limited in 2011 and 2012) and multiplied by 360 days (for 2011, 2012 and 2013) or 180 days (for the six months ended June 30, 2014).

In the six months ended June 30, 2014, Beijing Motor's average accounts payable turnover days remained relatively stable at 127 days. During the same period, our Group's average accounts payable turnover days was 89 days. Beijing Motor's adjusted average accounts payable turnover days increased from 128 days in 2012 to 133 days in 2013, primarily due to the expansion of our business operations resulting in an increase in our procurement which enabled us to obtain better payment terms. Beijing Motor's adjusted average accounts payable turnover days decreased from 160 days in 2011 to 128 days in 2012, primarily due to the significant increase in our cost of sales as a result of our business expansion in 2012.

OTHER PAYABLES AND ACCRUALS

The following table sets forth a breakdown of other payables and accruals as of the dates indicated:

	Beijing Motor			Beijing Benz	Our Group	
	As of December 31,					As of June 30,
	2011	2012	2013	2013	2013	2014
			(unaudited)	(unaudited)		
			(RMB'000)			
Sales discounts and rebates	39,984	68,291	117,531	4,757,119	4,874,650	4,178,623
Advertising and promotion	515	64,644	440,704	741,904	1,182,608	726,101
Wages, salaries and other employee benefits	50,059	119,678	190,201	380,433	570,634	369,612
Payables for property, plant and equipment and intangible assets	296,113	361,499	907,806	1,025,501	1,933,307	2,289,376
Payables for materials	20,474	33,370	53,961	122,940	176,901	230,426
Interests payable	80,038	167,744	222,836	15,767	238,603	173,758
Amounts due to other related parties[(1)]	975,342	533,933	1,288,331	3,274,080	4,562,411	4,228,575
Other taxes	15,047	30,153	91,817	50,644	142,461	125,684
Deposits	17,527	122,498	88,708	—	88,708	110,699
Others[(2)]	6,262	65,175	670,644	1,099,279	1,769,923	1,057,615
Total	**1,501,361**	**1,566,985**	**4,072,539**	**11,467,667**	**15,540,206**	**13,490,469**

(1) Amounts due to other related parties primarily relate to our payables to related parties, such as BAIC Group, Daimler AG, Century BAC Advertising Company Limited, Beijing Beinei Limited and Beijing Automotive Technology Center, in relation to transfer of shares, provision of services, and payment of dividends.

(2) Others mainly include dividend payables, road-side assistance, transportation and warehouse expenses, and pre-delivery inspection expenses.

In 2011, 2012 and 2013, Beijing Motor's payables for sales discounts and rebates increased, mainly due to the significant increase in our sales volume and the resulting increase in our payables to dealers for sales discounts and rebates. Starting from 2014, our Group increased cost-cutting efforts to control sales and marketing costs and as of June 30, 2014, our Group's sales discounts and rebates decreased to RMB4,178.6 million from RMB4,874.7 million as of December 31, 2013.

In 2011, 2012 and 2013, Beijing Motor's payables for advertising and promotion increased significantly, mainly because we increased our sales and marketing activities to promote the sales of our products. Starting from 2014, we have increased our cost-cutting efforts to control our sales and marketing costs and as of June 30, 2014, our advertising and promotion expenses decreased significantly to RMB726.1 million from RMB1,182.6 million as of December 31, 2013.

During the Track Record Period, Beijing Motor's payables for intangible assets, property, plant and equipment increased, mainly because we continuously increased our production facilities to expand our production capability.

Beijing Motor's amounts due to other related parties mainly consisted of payables for the purchase of equipment from related parties and lease payment due to related parties. Our Group's payable for amounts due to related parties increased substantially as of December 31, 2013, primarily due to the one-off payment due to our Controlling Shareholders for the acquisition of the 50% equity interest of Beijing Benz. We paid dividends to our related parties during the first half of 2014, and our amounts due to related parties decreased as of June 30, 2014 as compared to December 31, 2013.

INDEBTEDNESS

Bank Loans and Other Borrowings

Our bank loans and other borrowings as of December 31, 2011, 2012 and 2013 and June 30, 2014 were RMB6,323.0 million, RMB11,696.2 million, RMB22,250.9 million and RMB22,292.2 million, respectively. As of October 31, 2014, being the latest practicable date for determining our indebtedness, our bank loans and other borrowings amounted to RMB24,257.3 million. On the same date, our total bank facilities amounted to approximately RMB27,881.3 million, of which approximately RMB21,450.2 million was for Beijing Motor and the remaining RMB6,431.1 million was for Beijing Benz. All of these bank facilities are undrawn and unrestricted.

The following table sets forth our interest-bearing bank loans and other borrowings as of the dates indicated:

	Beijing Motor			Beijing Benz	Our Group		
	As of December 31,					As of June 30,	As of October 31,
	2011	2012	2013	2013	2013	2014	2014
			(unaudited)	(unaudited) (RMB'000)			
Long-term borrowings							
Bank borrowings							
Secured	11,000	—	1,000,000	—	1,000,000	—	963,900
Unsecured	1,028,580	4,090,019	6,864,824	1,069,000	7,933,824	6,809,618	6,861,380
	1,039,580	4,090,019	7,864,824	1,069,000	8,933,824	6,809,618	7,825,280
Corporate bonds, unsecured	1,493,153	3,979,225	5,483,646	—	5,483,646	4,489,032	4,994,292
	2,532,733	8,069,244	13,348,470	1,069,000	14,417,470	11,298,650	12,819,572
Short-term borrowings							
Bank borrowings							
Secured	20,000	—	—	—	—	—	—
Unsecured	2,250,000	3,487,260	3,476,069	3,477,480	6,953,549	7,435,913	6,109,546
	2,270,000	3,487,260	3,476,069	3,477,480	6,953,549	7,435,913	6,109,546
Add: current portion of long-term bank borrowings							
Secured	1,257,264	—	—	—	—	—	120,100
Unsecured	263,000	139,740	700,859	179,000	879,859	2,560,034	2,714,638
	1,520,264	139,740	700,859	179,000	879,859	2,560,034	2,834,738
Corporate bonds, unsecured	—	—	—	—	—	997,616	2,493,407
	1,520,264	139,740	700,859	179,000	879,859	3,557,650	5,328,145
	3,790,264	3,627,000	4,176,928	3,656,480	7,833,408	10,993,563	11,437,691
Total borrowings	**6,322,997**	**11,696,244**	**17,525,398**	**4,725,480**	**22,250,878**	**22,292,213**	**24,257,263**

In 2011, 2012 and 2013, our long-term bank loans and other borrowings increased, primarily due to: (i) capital requirements resulting from our expanding production capacity; and (ii) capital investments resulting from our increased research and development activities. As of June 30, 2014, our short-term borrowings increased, mainly due to the increase in the short-term portion of our long-term bank borrowings. As of October 31, 2014, our total borrowings increased to RMB24,257.3 million, mainly due to our additional issues of bonds in the third quarter of 2014 and our acquisition of Guangzhou Company which resulted in our assumption of its indebtedness. As one of our corporate bonds with a principal amount of RMB1.5 billion became payable within one year and was therefore re-classified as short-term borrowings, the current portion of our corporate bonds balance increased significantly to RMB2,493.4 million as of October 31, 2014 compared to RMB997.6 million as of June 30, 2014. Our long-term corporate bonds increased during the same period due to our issues of RMB2.0 billion of bonds, offset by the reclassification of RMB1.5 billion of corporate bonds as short-term borrowings. For a discussion of Beijing Benz's indebtedness up to December 31, 2013, see "—Financial Information of Beijing Benz."

Bank borrowings

The weighted average annual interest rates of our bank borrowings were 5.06%, 5.96%, 5.69% and 5.01% in 2011, 2012, 2013 and the six months ended June 30, 2014, respectively. Beijing Motor's weighted average annual interest rate on bank borrowings in 2013 was 5.85% while Beijing Benz's weighted average annual interest rate on bank borrowings for the Subsidiary Period was 3.04%.

As of December 31, 2013 and June 30, 2014, certain of our outstanding bank borrowings contained material financial covenants, which impose certain restrictions on the borrower's financial condition and operating results. In these bank loan agreements, our Company agreed to maintain a liability to assets ratio not exceeding 70%. As of December 31, 2013, being the latest date for testing this covenant, our liability to assets ratio stood at 51%.

Pursuant to a three-year facility agreement among BAIC Hong Kong (our wholly-owned subsidiary), our Company and various lead arrangers and a facility agent in May 2012, our Company, as the guarantor for BAIC Hong Kong, agreed that our: (i) tangible net worth should not be less than RMB7.3 billion: (ii) net debt to tangible net worth should not be more than 100% in 2012 and 80% in and after 2013: (iii) adjusted EBITDA to net finance charge should not be less than 4 times; and (iv) net debt to adjusted EBITDA should not be more than 5.5 times in 2012, 5 times in 2013 and 4.5 times in and after 2014. As of June 30, 2014, being the latest date for testing these financial covenants, our: (i) tangible net worth was RMB18.6 billion, (ii) net debt to tangible net worth stood at 45%; (iii) adjusted EBITDA to net finance charge stood at 5.6 times; and (iv) net debt to adjusted EBITDA stood at 1.6 times.

These financial covenants may restrict our financial flexibility and our ability to borrow additional debt in the future. However, those covenants currently do not and are not expected to have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities. Our Directors have confirmed that we have not had any default with regard to our trade or other payables or any bank borrowings, nor did we breach any financial covenants in our bank borrowings during the Track Record Period.

Bonds

During the Track Record Period, we and our subsidiaries issued bonds. As of December 31, 2013, the outstanding balance of our bonds was RMB5,483.6 million, which increased to RMB5,486.6 million as of June 30, 2014. The following table sets forth the summary of our outstanding bonds as of June 30, 2014:

Issuer	Type of bonds	Issuance date	Principal amount	Annual interest rate	Term	Balance (RMB'000)
Beijing Automotive Investment Co., Ltd.	Corporate bonds	January 29, 2010	RMB1.5 billion	5.18%	7 years	1,496,304
Our Company	Private placement bonds	February 9, 2012	RMB1.0 billion	5.70%	3 years	997,616
Our Company	Private placement bonds	August 14, 2012	RMB1.5 billion	5.00%	3 years	1,494,165
Our Company	Private placement bonds	April 10, 2013	RMB1.5 billion	4.96%	3 years	1,498,563

The foregoing bonds are unsecured and are not subject to any material restrictive covenant.

As of October 31, 2014, the outstanding balance of our bonds increased to RMB7,487.7 million due to the following bond issues in the third quarter of 2014;

- on August 12, 2014, we issued RMB1.0 billion of private placement bonds with an annual interest rate of 5.4% and a term of three years. We intend to use the proceeds from this bond offering for research and development activities and working capital purposes.
- in September 2014, we issued two tranches of medium-term notes with an aggregate principal amount of RMB1.0 billion which we will use for research and development activities and working capital purposes. These two tranches of notes have a term of seven years with an annual interest rate of 5.54% and 5.74%, respectively. Subject to market conditions, we plan to issue an additional RMB500.0 million of medium-term notes shortly after the Global Offering.

Other Information

We expect our total indebtedness (mainly bank borrowings) to increase as a result of our future capital expenditures and business expansion.

As of October 31, 2014, being the latest practicable date for the purpose of the indebtedness statement, save as disclosed in this sub-section entitled "—Indebtedness—Bank Loans and Other Borrowings", we did not have any other debt securities, borrowings, indebtedness, mortgages, contingent liabilities or guarantees. Since October 31, 2014, there has been no material adverse change in our indebtedness.

CAPITAL EXPENDITURE

Our capital expenditures during the Track Record Period were primarily composed of expenditures on property, plant and equipment as well as land use rights. The following table sets forth our expenditures on property, plant and equipment, and land use rights for the periods indicated:

	Beijing Motor			Beijing Benz	Our Group	
	Year ended December 31,		Year ended December 31,	The Subsidiary Period	Year ended December 31,	Six months ended June 30,
	2011	2012	2013		2013	2014
			(unaudited)	(unaudited)		
			(RMB'000)			
Addition to property, plant and equipment	2,231,259	4,390,674	2,957,821	2,173,477	5,131,298	3,187,504
Addition to land use rights	1,031,048	36,322	3,330	—	3,330	—
Total	**3,262,307**	**4,426,996**	**2,961,151**	**2,173,477**	**5,134,628**	**3,187,504**

We expect to incur approximately RMB5.7 billion and RMB10.5 billion of additional capital expenditures in the second half of 2014 and 2015, respectively, to finance our expansion plan. For more details, see "Business—Manufacturing Facilities and Process—Manufacturing Facilities and Production Capacity—Expansion plan." For the three months ended September 30, 2014, we had incurred approximately RMB3.6 billion of capital expenditures. We expect to fund the remaining capital expenditures primarily from the net proceeds from the Global Offering, borrowings, capital contributions from shareholders and cash flow generated from operations. See "Future Plans and Use of Proceeds."

INTANGIBLE ASSETS

Our intangible assets are composed primarily of development costs. The following table sets forth the changes to development costs and the net book amount as indicated:

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
				(unaudited)	
			(RMB'000)		
Net book amount as of the beginning of the year	2,205,109	2,851,506	3,785,566	3,785,566	4,667,243
Additions	658,005	984,853	1,467,128	654,352	619,740
Disposals	—	—	(238,484)	—	—
Disposal of subsidiaries	—	—	(139,337)	—	—
Amortization	(11,608)	(50,793)	(207,630)	(87,362)	(170,754)
Net book amount as of the end of the year	2,851,506	3,785,566	4,667,243	4,352,556	5,116,229

Additions to our development costs mainly include additional development costs of our new models in each year. In 2011, 2012, 2013 and the six months ended June 30, 2014, additions to our development costs amounted to RMB658.0 million, RMB984.9 million, RMB1,467.1 million and RMB619.7 million, respectively. The increase in 2011, 2012, 2013 and the six months ended June 30, 2014 was attributable to the increase of our development costs resulting from our focus on the development of new models and planned launches in the past three years. We expect to incur approximately RMB0.7 billion and RMB1.8 billion of additional development costs in the second half of 2014 and in 2015, respectively.

Our development costs will start to amortize simultaneously when the production of a new model commences. The amortization of development costs was attributable to the launch of Wevan, E-Series sedans, Senova D70 sedan and Senova D50 sedan in 2011, 2012, 2013 and the six months ended June 30, 2014, respectively.

CAPITAL COMMITMENTS

The following table sets forth our capital commitments for the periods indicated:

	Beijing Motor			Beijing Benz	Our Group	
	As of December 31,					As of June 30,
	2011	2012	2013	2013	2013	2014
			(unaudited)	(unaudited)		
				(RMB'000)		
Property, plant and equipment	9,172,326	8,926,790	6,186,768	16,468,425	22,655,193	25,713,751
Total	**9,172,326**	**8,926,790**	**6,186,768**	**16,468,425**	**22,655,193**	**25,713,751**

Our capital commitments mainly relate to the acquisition of property, plant and equipment. Changes in our capital commitments during the Track Record Period mainly related to the progress of construction of our production lines and the payment progress. We expect to fund our capital commitments using a combination of net proceeds from the Global Offering, bank loans and other borrowings and our cash flow generated from operation.

OPERATING LEASE COMMITMENTS

We have leased certain office premises from related parties under non-cancellable operating leases. The following table sets forth our total future minimum lease payments under non-cancellable operating leases as of the dates indicated:

	Beijing Motor			Beijing Benz	Our Group	
	As of December 31,					As of June 30,
	2011	2012	2013	2013	2013	2014
			(unaudited)	(unaudited)		
	(RMB'000)					
Up to one year	15,461	86,443	748	—	748	81,318
One to five years	—	217,842	—	—	—	13,302
Over five years	—	—	—	—	—	—
Total	15,461	304,285	748	—	748	94,620

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities or guarantees. We are not currently involved in any material legal proceedings, nor are we aware of any pending or potential material legal proceedings involving us. Our Directors confirmed that since June 30, 2014 until the date of this prospectus, there has been no material adverse change in our contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had no material off-balance sheet arrangements.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates indicated and for the periods indicated:

	Beijing Motor			Beijing Benz	Our Group	
	As of or for the year ended December 31,			As of December 31,	As of or for the year ended December 31,	As of or for the six months ended June 30,
	2011	2012	2013	2013	2013	2014
			(unaudited)	(unaudited)		
Return on equity[(1)]	28.3%	25.6%	14.3%	N/A	14.3%	7.7%
Return on total assets[(2)]	13.6%	12.8%	4.8%	N/A	4.8%	2.2%
Current ratio[(3)]	0.6	1.2	1.0	0.8	0.9	0.8
Net debt/equity ratio[(4)]	0.4	0.5	0.7	(0.4)	0.2	0.2

(1) Return on equity represents profit attributable to equity owners of the Company divided by total capital and reserves attributable to equity holders and then multiplied by 100%.

(2) Return on total assets represents profit attributable to equity owners of the Company divided by total assets and then multiplied by 100%.

(3) Current ratio represents total current assets divided by total current liabilities.

(4) Net debt/equity ratio represents total borrowings minus cash and cash equivalents divided by total equity (total assets minus total liabilities).

Beijing Motor's return on equity decreased between 2012 and 2013 primarily due to significant operating loss recorded by Beijing Motor in 2013, partly offset by increased share of profit of joint venture from Beijing Benz (during the Joint Venture Period) and Beijing Hyundai.

Beijing Motor's return on total assets remained relatively stable at 13.6% in 2011 and 12.8% in 2012. In 2013, the return on total assets significantly decreased to 4.8%, primarily due to significant operating loss recorded by Beijing Motor in 2013, partly offset by increased share of profit of joint venture from Beijing Benz and Beijing Hyundai. Our total assets also increased from 2012 to 2013 due to our business expansion.

Beijing Motor's current ratio was 0.6 in 2011, primarily due to our limited current assets since our establishment in 2010 while we had significant current borrowings to expand our production capacity.

Beijing Motor's current ratio increased to 1.2 in 2012, primarily attributable to the increases in current assets as a result of production ramp-up using long-term borrowings to finance the current assets. Beijing Motor's current ratio dropped to 1.0 in 2013, primarily due to: (i) a significant increase in accounts payable and advances from customers of Beijing Motor in 2013; (ii) a significant increase in other payables of Beijing Motor as a result of the significant increase in payables to related parties and business expansion; and (iii) an increase in short-term borrowings in 2013.

Beijing Motor's net debt/equity ratio continued to increase in 2011, 2012 and 2013 primarily due to the increase in borrowings to fund the expansion of our production capacity.

FINANCIAL INFORMATION OF BEIJING BENZ

Description of Selected Income Statement Line Items

The following table sets forth a summary of Beijing Benz's results of operations for the periods indicated. The financial results of Beijing Benz in 2011 and 2012 and during the period from January 1, 2013 to November 17, 2013 were extracted from the stand-alone financial information of Beijing Benz prior to our acquisition and included in Section III of Appendix I to this prospectus. The financial results of Beijing Benz from November 18, 2013 to December 31, 2013 were extracted from the consolidated statements prepared by our management. For comparison and illustrative purposes only, the following table also presents the combined financial results of Beijing Benz for 2013 by combining the financial results of Beijing Benz for the period from January 1, 2013 to November 17, 2013 with its financial results for the period from November 18, 2013 to December 31, 2013. The financial information of Beijing Benz was prepared in accordance with the IFRS 3.

Investors should note that as we did not hold any equity interest in Beijing Benz in 2011 and 2012 but held 50% of the equity interests in Beijing Benz during the Joint Venture Period, we accounted for the operating results of Beijing Benz for the Joint Venture Period using the equity method. Beijing Benz has been our subsidiary since November 18, 2013 and its operating results for the Subsidiary Period have been consolidated into our Group based on its fair value by applying the acquisition accounting method in accordance with IFRS 3. Investors should not combine the financial results of Being Benz and Beijing Motor in 2011 and 2012 nor should the combination be deemed as our consolidated financial results for those years. The combination of the results of Beijing Benz from January 1 to November 17, 2013 and from November 18 to December 31, 2013 to arrive at the full year 2013 results indicated in the table below is for illustrative purposes only and would not necessarily reflect the actual financial results of Beijing Benz for the full year 2013.

	Year ended December 31,		From January 1 to November 17,	From November 18 to December 31,	Combined for Year ended December 31,
	2011	2012		2013	
				(unaudited)	(unaudited)
			(RMB'000)		
Revenue	**28,688,223**	**29,673,370**	**27,285,863**	**5,934,369**	**33,220,232**
Cost of sales	(22,134,377)	(23,696,286)	(21,928,794)	(4,541,270)	(26,470,064)
Gross profit/(loss)	**6,553,846**	**5,977,084**	**5,357,069**	**1,393,099**	**6,750,168**
Selling and distribution expenses	(1,736,878)	(2,128,920)	(2,364,074)	(592,637)	(2,956,711)
General and administrative expenses	(1,329,734)	(1,456,209)	(1,400,398)	(454,440)	(1,854,838)
Other gains/(losses), net	394,387	170,969	108,486	(15,197)	93,289
Operating profit	**3,881,621**	**2,562,924**	**1,701,083**	**330,825**	**2,031,908**
Finance income/(costs), net	18,593	(4,670)	(24,797)	4,376	(20,421)
Profit before income tax	**3,900,214**	**2,558,254**	**1,676,286**	**335,201**	**2,011,487**
Income tax expense	(420,993)	(647,351)	(418,186)	(86,739)	(504,925)
Profit for the year/period	**3,479,221**	**1,910,903**	**1,258,100**	**248,462**	**1,506,562**

Revenue

Beijing Benz recorded revenue of RMB28,688.2 million, RMB29,673.4 million and RMB33,220.2 million in 2011, 2012 and 2013, respectively.

Cost of Sales

Beijing Benz's cost of sales primarily comprises raw materials, production costs and staff costs, as well as the costs of imported vehicles. In 2011, 2012 and 2013, Beijing Benz's cost of sales amounted to RMB22,134.4 million, RMB23,696.3 million and RMB26,470.1 million, representing 77.2%, 79.9% and 79.7% of its revenue, respectively.

Gross Profit and Gross Margin

In 2011, 2012 and 2013, Beijing Benz's gross profit was approximately RMB6,553.8 million, RMB5,977.1 million and RMB6,750.2 million, respectively, representing a gross margin of 22.8%, 20.1% and 20.3%, respectively, for the same periods.

Selling and Distribution Expenses

In 2011, 2012 and 2013, Beijing Benz's selling and distribution expenses were RMB1,736.9 million, RMB2,128.9 million and RMB2,956.7 million, respectively, representing 6.1%, 7.2% and 8.9% of its revenue, respectively.

General and Administrative Expenses

In 2011, 2012 and 2013, Beijing Benz's general and administrative expenses were RMB1,329.7 million, RMB1,456.2 million and RMB1,854.8 million, respectively, representing 4.6%, 4.9% and 5.6% of its revenue, respectively.

Other Gains, Net

Other net gains of Beijing Benz mainly include profits from the sales of scrap materials, foreign exchange gains or losses and one-off relocation compensation. In 2011, 2012 and 2013, Beijing Benz's other net gains were RMB394.4 million, RMB171.0 million and RMB93.3 million, respectively.

Finance Costs, Net

The following table sets forth a breakdown of Beijing Benz's net finance costs for the periods indicated:

	Year ended December 31,		January 1 to November 17,	November 18 to December 31,	Combined for Year ended December 31,
	2011	2012	2013		
				(unaudited)	(unaudited)
			(RMB'000)		
Finance income					
Interest on bank deposits	94,996	93,882	80,091	28,327	108,418
Finance costs					
Interest expense on bank borrowings	76,403	99,112	40,478	18,306	58,784
Amortization of discount on non-current provisions	—	—	82,575	10,762	93,337
	76,403	99,112	123,053	29,068	152,121
Less: amount capitalized in qualifying assets	—	(560)	(18,165)	(5,117)	(23,282)
	76,403	98,552	104,888	23,951	128,839
Total	**18,593**	**(4,670)**	**(24,797)**	**4,376**	**(20,421)**

Income Tax Expenses

According to the EIT Law, the statutory income tax rate in China for Beijing Benz was 24% for the transitional period in 2011 and 25% thereafter. The following table sets forth a breakdown of Beijing Benz's income tax expense for the periods indicated:

	Year ended December 31,		January 1 to November 17,	November 18 to December 31,	Combined for Year ended December 31,
	2011	2012		2013	
				(unaudited)	(unaudited)
			(RMB'000)		
Current income tax	1,347,192	989,073	854,503	96,736	951,239
Deferred income tax credit	(926,199)	(341,722)	(436,317)	(9,997)	(446,314)
Total	**420,993**	**647,351**	**418,186**	**86,739**	**504,925**

The effective income tax rate of Beijing Benz was 10.8%, 25.3% and 25.1% for 2011, 2012 and 2013, respectively.

Results of Operations

2013 compared with 2012

Revenue. Beijing Benz's revenue increased by 12.0% from RMB29,673.4 million in 2012 to RMB33,220.2 million in 2013, primarily due to a 12.1% increase in the sales volume of vehicles from 103,445 units in 2012 to 116,006 units in 2013 resulting from the increase in the overall market demand for Beijing Benz's passenger vehicles.

Cost of sales. Beijing Benz's cost of sales increased by 11.7% from RMB23,696.3 million in 2012 to RMB26,470.1 million in 2013, primarily due to the growth in the sales volume of passenger vehicles.

Gross profit. For the foregoing reasons, Beijing Benz's gross profit increased by 12.9% from RMB5,977.1 million in 2012 to RMB6,750.2 million in 2013. Beijing Benz's gross profit margins were 20.1% and 20.3% in 2012 and 2013, respectively.

Selling and distribution expenses. Beijing Benz's selling and distribution expenses increased by 38.9% from RMB2,128.9 million in 2012 to RMB2,956.7 million in 2013. This increase was primarily due to a RMB779.3 million increase in service fees and charges in 2013, which were partially waived in 2012. As a percentage of revenue, selling and distribution expenses increased from 7.2% in 2012 to 8.9% in 2013.

General and administrative expenses. Beijing Benz's general and administrative expenses increased by 27.4% from RMB1,456.2 million in 2012 to RMB1,854.8 million in 2013, primarily due to: (i) the increase in headcount of management staff; and (ii) the increase in preparation costs of the additional production capacity in the future. As a percentage of revenue, general and administrative expenses slightly increased from 4.9% in 2012 to 5.6% in 2013.

Other gains, net. Beijing Benz's other net gains decreased by 45.4% from RMB171.0 million in 2012 to RMB93.3 million in 2013, primarily due to the one-off relocation compensation of RMB243.0 million recognized by Beijing Benz in 2012.

Operating profit. As a result of the foregoing, Beijing Benz's operating profit decreased by 20.7% from RMB2,562.9 million in 2012 to RMB2,031.9 million in 2013. Beijing Benz's operating margin decreased from 8.6% in 2012 to 6.1% in 2013.

Finance costs, net. Beijing Benz's net finance costs increased from RMB4.7 million in 2012 to RMB20.4 million in 2013, primarily due to the unrecognized amortization of non-current provisions of RMB93.3 million resulting from the discounted provisions made by Beijing Benz for anticipated warranty claims in 2013, partially offset by the decrease in finance costs as a result of the capitalization of interest expense.

Profit before income tax. Beijing Benz's profit before income tax decreased by 21.4% from RMB2,558.3 million in 2012 to RMB2,011.5 million in 2013.

Income tax expense. Beijing Benz's income tax expense decreased by 22.0% from RMB647.4 million in 2012 to RMB504.9 million in 2013, primarily due to the decrease in the taxable income of Beijing Benz in 2013. Beijing Benz's effective tax rates were 25.3% and 25.1% in 2012 and 2013, respectively.

Profit. As a result of the foregoing, Beijing Benz's profit decreased by 21.2% from RMB1,910.9 million in 2012 to RMB1,506.6 million in 2013. Beijing Benz's profit margin decreased from 6.4% in 2012 to 4.5% in 2013.

2012 compared with 2011

Revenue. Beijing Benz's revenue increased by 3.4% from RMB28,688.2 million in 2011 to RMB29,673.4 million in 2012, primarily due to a 10.8% increase in the sales volume of vehicles from 93,377 units to 103,445 units resulting from the increase in the overall market demand for Beijing Benz's passenger vehicles and the launch of the GLK SUV in 2012. Average revenue per unit of Beijing Benz's passenger vehicles decreased in 2012 compared to 2011 due to: (i) a change in its product mix; and (ii) an increase in sales discounts given to customers.

Cost of sales. Beijing Benz's cost of sales increased by 7.1% from RMB22,134.4 million in 2011 to RMB23,696.3 million in 2012, primarily due to the growth in the sales volume of passenger vehicles in 2012.

Gross profit. For the foregoing reasons, Beijing Benz's gross profit decreased by 8.8% from RMB6,553.8 million in 2011 to RMB5,977.1 million in 2012. Beijing Benz's gross profit margin decreased from 22.8% in 2011 to 20.1% in 2012, primarily due to the decrease in the average revenue per unit and the fact that the GLK SUV was launched at the end of 2011, which had a higher production cost during its ramp-up period in 2012 due to its greater reliance on imported parts and components.

Selling and distribution expenses. Beijing Benz's selling and distribution expenses increased by 22.6% from RMB1,736.9 million in 2011 to RMB2,128.9 million in 2012. This increase was primarily due to increases in service fees and charges and delivery and transportation fees, partially as a result of the increase in sales volume. As a percentage of revenue, selling and distribution expenses increased from 6.1% in 2011 to 7.2% in 2012, primarily because service fees and charges were partially reversed in 2011.

General and administrative expenses. Beijing Benz's general and administrative expenses increased by 9.5% from RMB1,329.7 million in 2011 to RMB1,456.2 million in 2012, primarily due to increased staff costs and maintenance and repair costs. As a percentage of revenue, general and administrative expenses remained relatively stable at 4.6% and 4.9% in 2011 and 2012, respectively.

Other gains, net. Beijing Benz's other net gains decreased from RMB394.4 million in 2011 to RMB171.0 million in 2012, primarily due to the decrease in gains from the disposal of scrap materials by RMB165.8 million in 2012 and the foreign exchange loss as a result of the fluctuations of the Euro and US dollar, which was offset by the one-off relocation compensation from the local government in 2012.

Operating profit. As a result of the foregoing, Beijing Benz's operating profit decreased by 34.0% from RMB3,881.6 million in 2011 to RMB2,562.9 million in 2012. Beijing Benz's operating margin decreased from 13.5% in 2011 to 8.6% in 2012.

Finance income/(costs), net. Beijing Benz's net finance income was RMB18.6 million in 2011 as compared to net finance costs of RMB4.7 million in 2012, primarily due to the increase in the average balance of Beijing Benz's borrowings in 2012.

Profit before income tax. Beijing Benz's profit before income tax decreased by 34.4% from RMB3,900.2 million in 2011 to RMB2,558.3 million in 2012.

Income tax expense. Beijing Benz's income tax expense increased by 53.8% from RMB421.0 million in 2011 to RMB647.4 million in 2012, primarily because it had tax deductibles in 2011 as a result of the utilization of unrecognized historical tax losses. Beijing Benz's effective tax rate increased from 10.8% in 2011 to 25.3% in 2012.

Profit. As a result of the foregoing, Beijing Benz's profit decreased by 45.1% from RMB3,479.2 million in 2011 to RMB1,910.9 million in 2012. Beijing Benz's profit margin decreased from 12.1% in 2011 to 6.4% in 2012.

Liquidity

The following table presents selected cash flow data from the cash flow statements of Beijing Benz for the periods indicated:

	Year ended December 31,		January 1 to November 17,	November 18 to December 31,	Combined for Year ended December 31,
	2011	2012	2013		
				(unaudited)	(unaudited)
			(RMB'000)		
Net cash generated from operating activities	227,288	4,973,721	3,441,421	1,516,409	4,957,830
Net cash used in investing activities	(1,437,504)	(5,025,750)	(3,914,452)	(2,410,059)	(6,324,511)
Net cash generated from financing activities	2,400,000	488,409	4,428,388	816,302	5,244,690
Net increase/(decrease) in cash and cash equivalents	1,189,784	436,380	3,955,357	(77,348)	3,878,009
Exchange gains/(losses) on cash and cash equivalents	20	19,517	7,674	(200)	7,474
Cash and cash equivalents at the end of year	5,757,213	6,213,110	10,176,141	10,098,593	10,098,593

Cash Flow Generated from Operating Activities

In 2013, Beijing Benz's net cash generated from operating activities was RMB4,957.8 million, which was mainly attributable to profit before taxation of RMB2,011.5 million, adjusted by an increase in payables of RMB3,245.5 million as a result of increased procurement due to increased sales, partially offset by the increase in inventories of RMB1,443.7 million due to the increase in production and sales of passenger vehicles.

In 2012, Beijing Benz's net cash generated from operating activities was RMB4,973.7 million, which was mainly attributable to profit before taxation of RMB2,558.3 million, adjusted by a decrease in receivables of RMB4,113.1 million because no special payment terms were offered by Beijing Benz in connection with its product promotion in 2012.

In 2011, Beijing Benz's net cash generated from operating activities was RMB227.3 million, which was mainly attributable to profit before taxation of RMB3,900.2 million, adjusted by an increase in payables and accruals of RMB5,564.9 million as a result of Beijing Benz's increased procurement due to its increased sales, which was partially offset by: (i) an increase in accounts receivables of RMB6,834.0 million as a result of the offer of special payment terms by Beijing Benz to its dealers in connection with the product promotion at the end of 2011; and (ii) an increase in inventories of RMB1,446.2 million as a result of Beijing Benz's increased sales.

Cash Flow Used in Investing Activities

In 2013, Beijing Benz's net cash used in investing activities was RMB6,324.5 million, consisting primarily of purchase of property, plant and equipment of RMB6,368.3 million due to the expansion of its production facilities.

In 2012, Beijing Benz's net cash used in investing activities was RMB5,025.8 million, consisting primarily of purchase of property, plant and equipment of RMB4,368.8 million and purchase of land use rights of RMB677.9 million due to the expansion of its production facilities.

In 2011, Beijing Benz's net cash used in investing activities was RMB1,437.5 million, consisting primarily of purchase of property, plant and equipment of RMB1,311.7 million due to the expansion of its production facilities.

Cash Flow Generated from Financing Activities

In 2013, Beijing Benz's net cash generated from financing activities was RMB5,244.7 million, consisting primarily of: (i) borrowings of RMB6,566.7 million; and (ii) capital contribution from shareholders of RMB2,794.0 million, partially offset by the repayment of borrowings of RMB4,116.0 million.

In 2012, Beijing Benz's net cash generated from financing activities was RMB488.4 million, consisting primarily of: (i) proceeds from borrowing of RMB2,533.6 million; and (ii) capital contributions from its shareholders of RMB1,231.6 million, partially offset by repayments of borrowings of RMB3,276.8 million.

In 2011, Beijing Benz's net cash generated from financing activities was RMB2,400.0 million, consisting primarily of proceeds from borrowing of RMB2,400.0 million.

Net Current Assets and Liabilities

The following table sets forth a breakdown of Beijing Benz's current assets and current liabilities as of the dates indicated below:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Current assets			
Inventories	2,910,094	3,803,654	5,240,181
Accounts receivable	8,306,180	4,366,093	2,985,667
Other receivables and prepayments	336,655	139,955	532,654
Derivative financial instruments	—	3,334	—
Cash and cash equivalents	5,757,213	6,213,110	10,098,594
Total current assets	17,310,142	14,526,146	18,857,096
Current liabilities			
Accounts payable	4,837,849	5,142,795	6,824,034
Advances from customers	214,901	170,433	60,304
Other payables and accruals	7,761,691	7,326,644	11,467,667
Current income tax liabilities	603,479	298,828	493,328
Borrowings	2,650,000	1,977,859	3,656,480
Provisions	191,769	266,760	296,985
Total current liabilities	16,259,689	15,183,319	22,798,798
Net current assets/(liabilities)	1,050,453	(657,173)	(3,941,702)

As of December 31, 2013, Beijing Benz had net current liabilities of RMB3,941.7 million, representing a significant increase as compared with December 31, 2012, primarily due to: (i) the increases in other payables due to the increases in rebates, service fees and charges, advertising fees and construction payables resulting from its business expansion; and (ii) the increase in short-term borrowings resulting from the expansion of its production capacity.

As of December 31, 2012, Beijing Benz had net current liabilities of RMB657.2 million as compared with net current assets of RMB1,050.5 million as of December 31, 2011. This was primarily due to the significant decrease in Beijing Benz's receivables in 2012. The significant decrease in Beijing Benz's receivables as of the end of 2012 was mainly due to the offer of special payment terms by Beijing Benz to its dealers in connection with the product promotion at the end of 2011, while it did not offer such special long payment terms by the end of 2012.

Inventories

During the Track Record Period, Beijing Benz's inventories primarily consisted of raw materials, work in progress and finished goods.

The following table sets forth a summary of Beijing Benz's total inventories as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Raw materials	1,441,609	2,381,871	2,725,254
Work in progress	122,142	166,148	226,990
Finished goods	1,446,966	1,368,106	2,295,106
Less: provision for impairment	(100,623)	(112,471)	(7,169)
Total	**2,910,094**	**3,803,654**	**5,240,181**

Beijing Benz's inventories increased from RMB2,910.1 million as of December 31, 2011 to RMB3,803.7 million as of December 31, 2012 to RMB5,240.2 million as of December 31, 2013, primarily due to the increased production and sales volumes of passenger vehicles.

The following table sets forth Beijing Benz's average inventory turnover days for the periods indicated:

	Year ended December 31,		
	2011	2012	2013
Average inventory turnover days[(1)]	41	53	62

(1) The average inventory turnover days for a certain period is the average of opening and closing inventory balances divided by the cost of sales for that period and multiplied by 360 days.

Beijing Benz's average inventory turnover days gradually increased during the Track Record Period, primarily because it maintained a larger inventory of raw materials for the production of passenger vehicles, as a result of its increased sales and production volumes of passenger vehicles.

Accounts Receivable

Beijing Benz's accounts receivable is mainly attributable to sales of passenger vehicles and automobile parts to its dealers.

The following table sets forth Beijing Benz's accounts receivable as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Trade receivables, gross	7,726,546	4,412,231	2,945,589
Less: provision for impairment	(151,236)	(151,236)	—
	7,575,310	4,260,995	2,945,589
Notes receivables	730,870	105,098	40,078
Total	**8,306,180**	**4,366,093**	**2,985,667**

Accounts receivable decreased from RMB4,366.1 million as of December 31, 2012 to RMB2,985.7 million as of December 31, 2013, primarily due to a decrease in trade receivables which resulted from the stricter control on credit terms offered to our dealers.

Accounts receivable decreased from RMB8,306.2 million as of December 31, 2011 to RMB4,366.1 million as of December 31, 2012, primarily due to a significant decrease in trade receivable and notes receivable as a result of the offer of special payment term by Beijing Benz to its dealers in connection with the product promotion at the end of 2011, while it did not offer such special long payment terms by the end of 2012.

The table below sets forth an aging analysis of Beijing Benz's trade receivables as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Within one year	7,575,310	4,260,995	2,945,589
Over three years	151,236	151,236	—
Total	**7,726,546**	**4,412,231**	**2,945,589**

The following table sets forth Beijing Benz's average accounts receivable turnover days for the periods indicated:

	Year ended December 31,		
	2011	2012	2013
Average accounts receivable turnover days(1)	63	79	41

(1) The average accounts receivables turnover days for a certain period is the average of opening and closing gross accounts receivables balances divided by revenue for that period and multiplied by 360 days.

Beijing Benz's average accounts receivable turnover days decreased from 79 days in 2012 to 41 days in 2013, primarily due to the increase in revenue and the stricter control on credit terms offered to our dealers.

Beijing Benz's average accounts receivable turnover days increased from 63 days in 2011 to 79 days in 2012, primarily due to the offer of special payment terms by Beijing Benz to its dealers in connection with the product promotion at the end of 2011 which substantially increased the opening balance of accounts receivable in 2012.

Other Receivables and Prepayments

The following table sets forth Beijing Benz's other receivables and prepayments as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Deposits and prepayments	288,747	78,325	72,292
Value-added tax and consumption tax recoverable	—	—	367,806
Others	47,908	61,630	92,556
Total	**336,655**	**139,955**	**532,654**

The significant increase in Beijing Benz's other receivables from RMB140.0 million as of December 31, 2012 to RMB532.7 million as of December 31, 2013 was primarily attributable to the recoverable value-added tax and consumption tax of RMB367.8 million resulting from the increase in recoverable value-added tax and consumption tax paid by Beijing Benz.

The significant decrease in Beijing Benz's other receivables from RMB336.7 million as of December 31, 2011 to RMB140.0 million as of December 31, 2012 was primarily attributable to the decrease in deposits and prepayments as a result of the refund in 2012 of the deposits made with customs in 2011 for its importation of finished vehicles.

Accounts Payable

The table below sets forth Beijing Benz's accounts payable as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Trade payable	4,724,146	5,127,795	6,824,034
Notes payable	113,703	15,000	—
Total	**4,837,849**	**5,142,795**	**6,824,034**

Trade payable and notes payable mainly relate to purchases of raw materials, components and parts and production equipment, and are recognized upon receipt of such goods.

Beijing Benz's accounts payable increased from RMB4,837.8 million as of December 31, 2011 to RMB5,142.8 million as of December 31, 2012, and further increased to RMB6,824.0 million as of December 31, 2013, primarily due to the increases in the purchases of raw materials, components and parts and production equipment as a result of Beijing Benz's increased sales during the Track Record Period.

The following table sets forth Beijing Benz's average accounts payable turnover days for the periods indicated:

	Year ended December 31,		
	2011	2012	2013
Average accounts payable turnover days(1)	68	76	81

(1) The average accounts payable turnover days for a certain period is the average of opening and closing accounts payable balances divided by cost of sales for that period and multiplied by 360 days.

Beijing Benz usually settles payment within 75 days to 105 days for supplies and knock-down kits following the months when the purchases occur. Beijing Benz's average accounts payable turnover days gradually increased during the Track Record Period, mainly because the increase in average balance of accounts payable was higher than the increase in costs of sales.

Other Payables and Accruals

The table below sets forth Beijing Benz's other payables and accruals as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Sales discounts	3,144,388	3,858,671	4,757,119
Advertising and promotion	442,295	787,296	1,035,881
Wages, salaries and other employee benefits	351,090	447,526	380,433
Service fees and charges	954,936	830,500	847,699
Other taxes	1,807,908	420,779	50,644
Others	1,061,074	981,872	4,395,891
Total	**7,761,691**	**7,326,644**	**11,467,667**

During the Track Record Period, Beijing Benz's payables for sales discounts and rebates increased mainly due to the significant increase in its sales volume.

During the Track Record Period, Beijing Benz's payables for advertising and promotion increased significantly as it increased its marketing and promotion activities to increase its sales.

Beijing Benz's other payables and accruals increased from RMB7,326.6 million as of December 31, 2012 to RMB11,467.7 million as of December 31, 2013, primarily due to the increase in others as a result of its business expansion.

Indebtedness

Beijing Benz's bank loans and other borrowings as of December 31, 2011 and 2012 and 2013 were RMB3,000 million, RMB2,256.9 million and RMB4,725.5 million, respectively.

The following table sets forth Beijing Benz's interest-bearing bank loans and other borrowings as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Short-term borrowings			
Unsecured bank borrowings	2,350,000	1,849,859	3,477,480
Add: current portion of long-term bank borrowings	300,000	128,000	179,000
	2,650,000	1,977,859	3,656,480
Long-term borrowings			
Unsecured bank borrowings	650,000	407,000	1,248,000
Less: current portion of long-term bank borrowings	(300,000)	(128,000)	(179,000)
	350,000	279,000	1,069,000
Total	**3,000,000**	**2,256,859**	**4,725,480**

All of Beijing Benz's bank borrowings are unsecured. The significant increase in Beijing Benz's short-term and long-term borrowings from December 31, 2012 to December 31, 2013 was primarily due to its increased need for external funding as a result of the expansion of its production capacity. Its long-term and short-term borrowings decreased from December 31, 2011 to December 31, 2012, primarily due to its reduced reliance on external funding as a result of the significant improvement of its operating cash flow.

SUMMARIZED FINANCIAL INFORMATION OF BEIJING HYUNDAI

Summarized Statements of Comprehensive Income

The following table sets forth the summarized statements of comprehensive income of Beijing Hyundai for the periods indicated. We hold 50.0% of equity interest in Beijing Hyundai and accounted for the operating results of Beijing Hyundai during the Track Record Period using the equity method in accordance with IFRSs. As such, we share 50.0% of Beijing Hyundai's profit and total comprehensive income for each financial year.

	Year ended December 31,			Six months ended June 30,	
	2011	2012	2013	2013	2014
				(unaudited)	
			(RMB'000)		
Revenue	68,711,035	77,311,514	103,167,309	50,367,831	54,392,954
Cost of sales	(54,097,935)	(61,102,714)	(80,355,307)	(39,093,684)	(42,493,524)
Gross profit	14,613,100	16,208,800	22,812,002	11,274,147	11,899,430
Other expenses[(1)]	(5,504,910)	(6,171,918)	(8,237,129)	(3,970,601)	(4,329,542)
Interest income	210,106	82,253	86,617	67,405	100,980
Interest expenses	(343,745)	(133,958)	(235,891)	(159,489)	(172,806)
Income tax expenses	(2,142,170)	(2,515,212)	(3,626,392)	(1,877,935)	(1,960,535)
Profit and total comprehensive income	**6,832,381**	**7,469,965**	**10,799,207**	**5,333,527**	**5,537,527**

(1) Other expenses consist primarily of selling and distribution expenses, general and administrative expenses, and other gains, as well as share of profits of associates.

Six months ended June 30, 2014 compared with six months ended June 30, 2013

Revenue. Beijing Hyundai's revenue increased by 8.0% from RMB50,367.8 million in the six months ended June 30, 2013 to RMB54,393.0 million for the same period in 2014, primarily due to an increase in sales of passenger vehicles, from 510,842 units in the first half of 2013 to 552,970 units in the same period in 2014, mainly as a result of the launch of a new model, Mistra, in November 2013.

Cost of sales. Beijing Hyundai's cost of sales increased by 8.7% from RMB39,093.7 million in the six months ended June 30, 2013 to RMB42,493.5 million during the same period in 2014 which was in line with the increased sale of passenger vehicles during the period.

Gross profit and gross margin. As a result, Beijing Hyundai's gross profit increased by 5.5% from RMB11,274.1 million in the six months ended June 30, 2013 to RMB11,899.4 million during the same period in 2014. Beijing Hyundai's gross margin decreased to 21.9% in the six months ended June 30, 2014 from 22.4% during the same period in 2013 due to changes in product mix where sales of mid-end sedans with lower selling prices increased relative to Beijing Hyundai's total sales.

Other expenses. Beijing Hyundai's other expenses increased by 9.0% from RMB3,970.6 million in the six months ended June 30, 2013 to RMB4,329.5 million during the same period in 2014, primarily due to increased selling and distribution expenses as well as tax and levies that resulted from Beijing Hyundai's increased sales and revenue during the period.

Interest income. Beijing Hyundai's interest income increased by 49.9% from RMB67.4 million in the six months ended June 30, 2013 to RMB101.0 million during the same period in 2014, primarily due to increased use of time deposits which enjoy a higher interest rate and an increase in Beijing Hyundai's average balance of bank deposits.

Interest expenses. Beijing Hyundai's interest expenses increased by 8.3% from RMB159.5 million in the six months ended June 30, 2013 to RMB172.8 million during the same period in 2014, primarily due to the increased use of bank acceptance notes by its customers to settle trades and the resulting increase in finance costs incurred to discount these notes.

Income tax. Beijing Hyundai's income tax expenses increased by 4.4% from RMB1,877.9 million in the six months ended June 30, 2013 to RMB1,960.5 million during the same period in 2014 due to an increase in its taxable income.

Profit and total comprehensive income. As a result of the foregoing, the profit and total comprehensive income of Beijing Hyundai increased slightly from RMB5,333.5 million in the six months ended June 30, 2013 to RMB5,537.5 million during the same period in 2014. Our share of Beijing Hyundai's profit increased to RMB2,768.8 million in the six months ended June 30, 2014 compared to RMB2,666.8 million during the same period in 2013.

The net profit margin of Beijing Hyundai decreased to 10.2% in the six months ended June 30, 2014 compared to 10.6% during the same period in 2013, primarily due to the decrease in its gross margin.

2013 compared with 2012

Revenue. Beijing Hyundai's revenue increased by 33.4% from RMB77,311.5 million in 2012 to RMB103,167.3 million in 2013, primarily due to an increase in sales of passenger vehicles from 859,595 units in 2012 to 1,030,808 units in 2013, as a result of a general increase in market demand for its passenger vehicles particularly mid- to high-end sedans and SUVs in 2013.

Cost of sales. Beijing Hyundai's cost of sales increased by 31.5% from RMB61,102.7 million in 2012 to RMB80,355.3 million in 2013, which was in line with the increased sales of passenger vehicles in 2013.

Gross profit and gross margin. As a result, Beijing Hyundai's gross profit increased 40.7% from RMB16,208.8 million in 2012 to RMB22,812.0 million in 2013. Beijing Hyundai's gross margin increased to 22.1% in 2013 from 21.0% in 2012 due to changes in product mix where sales of mid- to high-end sedans with higher selling prices increased relative to Beijing Hyundai's total sales.

Other expenses. Beijing Hyundai's other expenses increased by 33.5% from RMB6,171.9 million in 2012 to RMB8,237.1 million in 2013, primarily due to increased selling and distribution expenses as well as tax and levies that resulted from Beijing Hyundai's increased sales and revenue in 2013.

Interest income. Beijing Hyundai's interest income remained relatively stable at RMB82.3 million in 2012 and RMB86.6 million in 2013.

Interest expenses. Beijing Hyundai's interest expenses increased by 76.1% from RMB134.0 million in 2012 to RMB235.9 million in 2013, primarily due to increased use of discounted bank acceptance notes and increased discount rate in 2013.

Income tax. Beijing Hyundai's income tax expenses increased by 44.2% from RMB2,515.2 million in 2012 to RMB3,626.4 million in 2013 due to an increase in its taxable income.

Profit and total comprehensive income. As a result of the foregoing, the profit and total comprehensive income of Beijing Hyundai increased by 44.6% from RMB7,470.0 million in 2012 to RMB10,799.2 million in 2013. Our share of Beijing Hyundai's profit increased to RMB5,399.6 million in 2013 compared to RMB3,735.0 million in 2012.

The net profit margin of Beijing Hyundai increased to 10.5% in 2013 compared to 9.7% in 2012. This increase was primarily due to the improvement of product mix of Beijing Hyundai by increasing the proportion of products with higher selling prices.

2012 compared with 2011

Revenue. Beijing Hyundai's revenue increased by 12.5% from RMB68,711.0 million in 2011 to RMB77,311.5 million in 2012, as a result of an increase in sales of passenger vehicles, from 739,800 units in 2011 to 859,595 units in 2012, reflecting a general increase in market demand for Beijing Hyundai's passenger vehicles, and the launch of new models Elantra Langdong and New Santa Fe in 2012.

Cost of sales. Beijing Hyundai's cost of sales increased by 12.9% from RMB54,097.9 million in 2011 to RMB61,102.7 million in 2012, which was in line with the increased sales of passenger vehicles in 2012.

Gross profit and gross margin. As a result of increased sales, Beijing Hyundai's gross profit increased 10.9% from RMB14,613.1 million in 2011 to RMB16,208.8 million in 2012. Beijing Hyundai's gross margin decreased slightly from 21.3% in 2011 to 21.0% in 2012.

Other expenses. Beijing Hyundai's other expenses increased by 12.1% from RMB5,504.9 million in 2011 to RMB6,171.9 million in 2012, due primarily to increased general and administration expenses that resulted from additional staff costs, research costs and office expenses associated with Beijing Hyundai's new production facility in 2012.

Interest income. Beijing Hyundai's interest income decreased significantly to RMB82.3 million in 2012 from RMB210.1 million in 2011, primarily due to a decrease in bank deposits.

Interest expenses. Beijing Hyundai's interest expense decreased by 61.0% from RMB343.7 million in 2011 to RMB134.0 million in 2012, primarily due to the reduced use of discounted bank notes.

Income tax. Beijing Hyundai's income tax expense increased by 17.4% from RMB2,142.2 million in 2011 to RMB2,515.2 million in 2012 as a result of an increase in taxable income.

Profit and total comprehensive income. As a result of the foregoing, the profit and total comprehensive income of Beijing Hyundai increased by 9.3% from RMB6,832.4 million in 2011 to

RMB7,470.0 million in 2012. Our share of Beijing Hyundai's profit increased to RMB3,735.0 million for 2012 compared to RMB3,416.2 million in 2011.

The net profit margin of Beijing Hyundai was relatively stable at 9.9% in 2011 and 9.7% in 2012.

Summarized Balance Sheets

The following table sets forth the summarized balance sheets of Beijing Hyundai as of the dates indicated:

	Year ended December 31,			Six months ended June 30,
	2011	**2012**	**2013**	**2014**
		(RMB'000)		
Current assets				
—Cash and cash equivalents	3,760,246	1,819,853	3,292,880	4,602,544
—Accounts and notes receivable	17,779,043	25,402,261	31,698,814	23,785,442
—Inventories	2,058,291	2,654,218	3,042,766	2,666,648
—Other current assets	673,095	518,732	534,739	962,932
	24,270,675	30,395,064	38,569,199	32,017,566
Non-current assets	12,636,467	14,353,130	15,177,615	15,531,985
Total assets	**36,907,142**	**44,748,194**	**53,746,814**	**47,549,551**
Current liabilities				
—Accounts payable	10,845,751	13,019,722	17,484,242	17,057,425
—Other current liabilities	7,295,020	10,506,374	10,526,627	8,647,545
	18,140,771	23,526,096	28,010,869	25,704,970
Non-current liabilities	1,508,174	1,684,922	2,184,522	2,542,775
Total liabilities	**19,648,945**	**25,211,018**	**30,195,391**	**28,247,745**
Net assets	**17,258,197**	**19,537,176**	**23,551,423**	**19,301,806**

Beijing Hyundai's net assets have grown from RMB17,258.2 million as of December 31, 2011 to RMB19,537.2 million as of December 31, 2012 and further to RMB23,551.4 million as of December 31, 2013. Beijing Hyundai's net assets decreased to RMB19,301.8 million as of June 30, 2014.

Cash and cash equivalents

Beijing Hyundai's cash and cash equivalents decreased substantially from RMB3,760.2 million as of December 31, 2011 to RMB1,819.9 million as of December 31, 2012 due to payments made for constructing its new production facility in 2012. Beijing Hyundai's cash and cash equivalents increased to RMB3,292.9 million as of December 31, 2013 in line with its sales growth in 2013 and further increased to RMB4,602.5 million as of June 30, 2014 due to its sales growth and an increased amount of bank acceptance notes that were matured and settled.

Accounts receivable

In line with Beijing Hyundai's increased sales of passenger vehicles in 2011, 2012, 2013 and six months ended June 30, 2014, its accounts receivable increased from RMB17,779.0 million as of December 31, 2011 to RMB25,402.3 million as of December 31, 2012 and further to RMB31,698.8

million as of December 31, 2013. Beijing Hyundai's accounts receivable decreased to RMB23,785.4 million as of June 30, 2014 as its customers increased their use of bank acceptance notes to settle their dealings with Beijing Hyundai towards the end of 2013, resulting in an increased amount of notes receivable settled during the first half of 2014.

Inventories

In line with Beijing Hyundai's increased sales of passenger vehicles and launch of new vehicle models in 2011, 2012 and 2013, its inventories increased from RMB2,058.3 million as of December 31, 2011 to RMB2,654.2 million as of December 31, 2012 and further to RMB3,042.8 million as of December 31, 2013. As market demand in China for passenger vehicles during the shopping season of Chinese New Year, usually January or February of each year, was generally higher than other months in a year, Beijing Hyundai generally has a higher level of inventories at the end of each year compared to the inventory level in June of each year when market demand is generally lower. As a result, Beijing Hyundai's inventories decreased to RMB2,666.6 million as of June 30, 2014.

Other current assets

Beijing Hyundai's other current assets consist primarily of other receivables and prepayment, and advances to suppliers. Beijing Hyundai's other current assets decreased from RMB673.1 million as of December 31, 2011 to RMB518.7 million as of December 31, 2012 primarily due to a decrease in its advances to suppliers at the end of 2012. Beijing Hyundai's other current assets remained relatively stable at RMB534.7 million as of December 31, 2013. In the six months ended June 30, 2014, Beijing Hyundai deposited its available cash at a financing company, which was its related party, resulting in an increase in its other receivables. Accordingly, Beijing Hyundai's other current assets increased to RMB962.9 million as of June 30, 2014.

Non-current assets

Beijing Hyundai's non-current assets consist primarily of property, plant and equipment, intangible assets, deferred income tax assets and long-term investments.

Beijing Hyundai's non-current assets increased during the Track Record Period due primarily to the expansion of its production facilities and the resulting increase in property, plant and equipment.

Accounts payable

In line with Beijing Hyundai's increased sales of passenger vehicles and launch of new vehicle models in 2011, 2012 and 2013, its purchases of raw materials increased which resulted in a general increase in Beijing Hyundai's accounts payable during those years. Beijing Hyundai's accounts payable remained relatively stable at RMB17,057.4 million as of June 30, 2014.

Other current liabilities

Other current liabilities consist primarily of advances from customers, salary payable, other payables and current income tax liabilities.

Beijing Hyundai's other current liabilities increased from RMB7,295.0 million as of December 31, 2011 to RMB10,506.4 million as of December 31, 2012 and RMB10,526.6 million as of December 31, 2013, due primarily to the launch of new vehicle models, increased advances from customers in 2012 and 2013 as well as Beijing Hyundai's increased payables for rebates and transportation costs which was in line with increased sales. As of June 30, 2014, Beijing Hyundai's other current liabilities decreased to RMB8,647.5 million as its certain income tax liabilities for the fiscal year of 2013 were paid during the first half of 2014 and the general market demand for passenger vehicles in June of each year is generally lower which resulted in a smaller amount of advances from customers.

Non-current liabilities

Beijing Hyundai's non-current liabilities consist primarily of warranty provisions. Beijing Hyundai's non-current liabilities increased during the Track Record Period as a result of: (i) increased sales of passenger vehicles during those periods; and (ii) more stringent regulatory requirements in China relating to vehicle warranty since 2013.

MARKET RISK DISCLOSURE

Foreign Exchange Risk

We purchase certain raw materials, parts and components overseas and are exposed to foreign exchange rate changes, primarily the United States Dollar, Hong Kong Dollar and Euro. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Renminbi, our functional currency.

To manage the impact of exchange rate fluctuations, we continually assess our exposure to foreign exchange risks, and a portion of those risks is mitigated by using derivative financial instruments when management considers necessary.

For further details, see note 3.1 to Appendix I—"Accountant's Report."

Interest Rate Risk

Our interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose us to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose us to fair value interest rate risk.

We enter into interest rate swaps to mitigate floating interest rate exposure from long-term borrowings. As of December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, the total notional principal amount of outstanding contracts was approximately RMB0, RMB1,444.7 million, RMB1,414.3 million and RMB1,433.8 million, respectively. These derivative instruments were stated at fair value and amounted to nil, RMB8.4 million, RMB11.5 million and RMB10.6 million, respectively, as of the same dates.

As of December 31, 2011, 2012 and 2013 and June 30, 2014, if the interest rates on borrowings had been 100 basis points higher/lower than the prevailing rate, with all other variables held constant, our net profit for 2011, 2012 and 2013 and the six months ended June 30, 2014 would have been RMB16.3 million, RMB34.9 million, RMB62.3 million and RMB61.3 million lower/higher, respectively, mainly as a result of higher/lower interest expenses on floating rate borrowings.

Credit Risk

As of December 31, 2011, 2012 and 2013 and June 30, 2014, 100%, 87%, 65% and 82%, respectively, of our restricted cash, term deposits and cash and cash equivalents were held in reputable local joint-stock commercial banks, state-owned banks and internationally renowned banks, which our management believes are of high credit quality. Our management does not expect any losses from non-performance by these banks. Most of our remaining term deposits and cash and cash equivalents were held in BAG Finance as of December 31, 2012 and 2013. See "Connected Transaction—Non-exempt Continuing Connected Transactions—3. Financial Services Framework Agreement ("Transaction 3")."

We do not have any significant concentration of credit risk. We have policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and we perform periodic credit evaluations of our customers. Generally, we do not require collaterals from trade debtors. Management makes a periodic collective assessment as well as an individual assessment on the recoverability of accounts and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. Our historical experience in collection of accounts and other receivables falls within the recorded allowances and our Directors are of the opinion that adequate provision for uncollectible receivables has been made.

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.

Our primary cash requirements have been for additions to, and upgrades of, property, plant and equipment, payment on related debts and payment for purchases and operating expenses. We finance our working capital requirements through a combination of internal resources and long-term and short-term bank borrowings.

Our management regularly monitors our current and expected liquidity requirements to ensure that we maintain sufficient cash and cash equivalents and have available funding through adequate amount of committed banking facilities to meet our capital commitments and working capital requirements.

RELATED-PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. It is the view of our Directors that each of the related party transactions set out in note 38 to the Accountant's Report in Appendix I to this prospectus were conducted in the ordinary course of business on an arm's length basis between the relevant parties and were entered into on normal commercial terms. Our Directors are also of the view that our related-party transactions during the Track Record Period would not distort our track record results or make our historical results not indicative of our future performance.

Substantially all of our transactions with related parties during the Track Record Period were related to the sale or purchase of goods and materials and the provision or receipt of services which are essential to our business. We expect substantially all of our related-party transactions that occurred during the six months ended June 30, 2014 (as set out in note 38(a) to the Accountant's Report in Appendix I) to continue after this Global Offering. Also see "Connected Transactions" for our connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

As of October 31, 2014, all of our balances with related-parties were trade in nature, except for RMB1,658.9 million payable to our Controlling Shareholder, BAIC Group, in connection with our acquisition of Guangzhou Company, which amount we expect to pay by installments in December 2014 and June 2015 pursuant to our agreement with BAIC Group.

DIVIDEND POLICY

We may distribute dividends by way of cash, or by other means that we consider appropriate. Any proposed distribution of dividends shall be determined by our Board and will be subject to our shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flow, financial condition, payments by our subsidiaries of cash dividends to us, future prospects and other factors that our Directors may consider important. According to PRC law and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory common reserve fund equivalent to 10% of our after-tax profit, as determined under PRC GAAP; and
- allocations that are approved by the shareholders in a shareholders' meeting, if any, to any common reserve fund.

The minimum allocations to the statutory common reserve funds are 10% of our profit after tax, as determined under the Company Law. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory common reserve fund will be required. Our profit distributable for the above-mentioned allocations and our dividend distribution shall be our after-tax profit as determined by PRC GAAP or IFRSs, whichever is lower. All of our shareholders have equal rights to dividends and distributions in the form of stock or cash. For holders of our H Shares, cash dividend payments, if any, will be declared by our Board in RMB and paid in Hong Kong dollars.

Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. In 2011, we did not declare any dividend in cash. In 2012, 2013 and the six months ended June 30, 2014, we paid cash dividends of RMB1,500 million, RMB212.5 million and RMB1,595.5 million, respectively, to our shareholders. At our annual general meeting held on June 23, 2014, we declared dividends of RMB678.0 million which we paid to our shareholders during the third quarter of 2014 by cash. There is, however, no assurance that we will be able to declare dividends of any amount in any future year. In addition, the declaration or payment of dividends may be limited by legal restrictions and/or by financing agreements that we may enter into in the future.

DISTRIBUTABLE RESERVES

Our Group's distributable reserves (also defined as retained earnings) as of June 30, 2014 amounted to approximately RMB7.0 billion.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2014 and based on the audited consolidated net tangible assets attributable to equity owners of the Company as of June 30, 2014 as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

This statement of unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of June 30, 2014 or at any future date.

	Audited consolidated net tangible assets attributable to shareholders of the Company as of June 30, 2014(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets per share	
		(RMB'000)		(RMB)(3)	(HK$)(5)
Based on the Offer Price of HK$7.60 per Offer Share	17,973,848	6,671,005	24,644,853	3.28	4.15
Based on the Offer Price of HK$9.80 per Offer Share	17,973,848	8,611,805	26,585,653	3.54	4.47

(1) The audited consolidated net tangible assets attributable to shareholders of the Company as of June 30, 2014 is extracted from the Accountant's Report set forth in Appendix I to the prospectus, which is based on the audited consolidated net assets attributable to shareholders of the Company as of June 30, 2014 of RMB24,029.7 million with an adjustment for the intangible assets as of June 30, 2014 of RMB6,055.9 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$7.60 and HK$9.80 per Share, being the lower end to higher end of the stated offer price range, respectively, after deduction of the underwriting fees and other related expenses payable by the Company, and do not take into account of any Shares that may be issued pursuant to the Over-Allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in note 2 above and on the basis that 7,508,018,182 Shares are in issue, assuming the Global Offering had been completed on June 30, 2014 but takes no account of any shares which may fall to be issued upon the exercise of the Over-allotment Option.

(4) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Company entered into subsequent to June 30, 2014.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK$1.00 to RMB0.7913. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

DISCLOSURE REQUIRED UNDER RULES 13.13 to 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that there has been no event which could materially affect the information shown in our consolidated financial statements included in the Accountant's Report set forth in Appendix I to this prospectus since June 30, 2014, and as of the date of this prospectus, there has been no material adverse change in our financial position or prospects.

LISTING EXPENSES

As of June 30, 2014, we incurred RMB37.8 million of listing expenses for the Global Offering, of which RMB17.5 million was charged to our consolidated statements of comprehensive income and RMB20.3 million was capitalized as deferred expenses and will be accounted for as a deduction from our equity upon the Listing. We expect to incur approximately RMB107.0 million of additional listing expense (assuming an offer price of HK$8.70 per H Share, which is the mid-point of the stated range of the Offer Price between HK$7.60 and HK$9.80 per H Share) until the completion of the Global Offering, of which RMB15.6 million is expected to be charged to our consolidated statements of comprehensive income and RMB91.4 million is expected to be accounted for as a deduction from our equity. The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations in 2014.