

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

December 9, 2014

The Directors

BAIC Motor Corporation Limited

HSBC Corporate Finance (Hong Kong) Limited

CITIC Securities Corporate Finance (HK) Limited

Deutsche Securities Asia Limited

UBS Securities Hong Kong Limited

Dear Sirs,

We report on the financial information of BAIC Motor Corporation Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as at December 31, 2011, 2012 and 2013 and June 30, 2014, the balance sheets of the Company as at December 31, 2011, 2012 and 2013 and June 30, 2014, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to V below for inclusion in Appendix I to the prospectus of the Company dated December 9, 2014 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the People's Republic of China (the "PRC") on September 20, 2010 as a joint stock company with limited liability under the Company Law of the PRC.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries, joint ventures and associates as set out in Note 1.3 of Section II below. All of these companies are private companies.

The consolidated financial statements of the Company prepared in accordance with Accounting Standards for Business Enterprises of the PRC as at and for each of the years ended December 31, 2011, 2012 and 2013 were audited by Grant Thornton China LLP respectively. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises incorporated in the PRC or other accounting principles applicable to those companies in their respective jurisdictions. The details of the statutory auditors of these companies are set out in Note 1.3 of Section II below.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company for the Relevant Periods, in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “Underlying Financial Statements”). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRSs. The Underlying Financial Statements have been audited by PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合伙)) in accordance with International Standards on Auditing (the “ISAs”) issued by the International Auditing and Assurance Standards Board (“IAASB”) pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors’ Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant’s Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and the Group as at December 31, 2011, 2012 and 2013 and June 30, 2014 and of the Group’s results and cash flows for the Relevant Periods then ended.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information set out in Sections I, II and IV below included in Appendix I to the Prospectus which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the six months ended June 30, 2013 and a summary of significant accounting policies and other explanatory information (the “Stub Period Comparative Financial Information”).

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the IAASB. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less

in scope than an audit conducted in accordance with ISAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at December 31, 2011, 2012 and 2013 and June 30, 2014 and for each of the years then ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014 (the "Financial Information").

CONSOLIDATED BALANCE SHEETS

	Note	As at December 31,			As at June 30,
		2011	2012	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	2,899,071	7,150,781	23,547,022	25,918,882
Land use rights	7	1,196,465	1,208,506	5,172,678	5,114,720
Intangible assets	8	2,879,174	3,816,012	5,539,574	6,055,890
Investments in joint ventures	10	9,010,951	9,768,588	11,841,449	9,741,106
Investments in associates	11	726,639	688,476	807,990	860,110
Available-for-sale financial assets	12	1,000	5,000	4,000	4,000
Deferred income tax assets	13	17,568	161	2,700,358	2,497,146
Other long-term assets		608,999	50,727	469,338	1,459,442
		<u>17,339,867</u>	<u>22,688,251</u>	<u>50,082,409</u>	<u>51,651,296</u>
Current assets					
Inventories	14	441,422	835,118	7,479,119	6,133,240
Accounts receivable	15	154,989	526,691	6,003,835	6,533,483
Advances to suppliers	16	177,246	311,831	232,618	496,406
Other receivables and prepayments	17	185,966	1,275,912	2,677,585	2,075,003
Restricted cash	18	2,000	3,213,050	546,901	596,546
Term deposits with initial term of over three months		—	40,000	4,500	6,050
Cash and cash equivalents	19	1,387,920	2,891,385	16,459,044	14,440,746
		<u>2,349,543</u>	<u>9,093,987</u>	<u>33,403,602</u>	<u>30,281,474</u>
Assets of disposal group classified as held for sale	20	2,111,524	—	—	—
		<u>4,461,067</u>	<u>9,093,987</u>	<u>33,403,602</u>	<u>30,281,474</u>
Total assets		<u>21,800,934</u>	<u>31,782,238</u>	<u>83,486,011</u>	<u>81,932,770</u>

CONSOLIDATED BALANCE SHEETS (CONTINUED)

	Note	As at December 31,			As at June 30,
		2011	2012	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000
EQUITY					
Capital and reserves attributable to equity holders					
Share capital	21	5,000,000	5,462,000	6,381,818	6,381,818
Other reserves	22	2,465,896	5,218,900	10,680,468	10,680,535
Retained earnings		3,392,667	5,116,711	5,835,656	6,967,385
		10,858,563	15,797,611	22,897,942	24,029,738
Non-controlling interests		441,080	214,655	7,361,645	7,891,610
Total equity		11,299,643	16,012,266	30,259,587	31,921,348
LIABILITIES					
Non-current liabilities					
Borrowings	23	2,532,733	8,069,244	14,417,470	11,298,650
Deferred income tax liabilities	13	35,022	71,200	946,392	933,517
Provisions	24	—	—	694,331	881,922
Deferred income from government grants	25	256,931	341,886	388,822	373,944
		2,824,686	8,482,330	16,447,015	13,488,033
Current liabilities					
Accounts payable	26	471,803	1,492,737	11,111,747	10,347,462
Advances from customers		60,476	380,587	1,439,568	1,411,715
Other payables and accruals	27	1,501,361	1,566,985	15,540,206	13,490,469
Current income tax liabilities		4,265	167,824	520,067	358
Borrowings	23	3,790,264	3,627,000	7,833,408	10,993,563
Provisions	24	8,318	52,509	334,413	279,822
		5,836,487	7,287,642	36,779,409	36,523,389
Liabilities of disposal group classified as held for sale	20	1,840,118	—	—	—
		7,676,605	7,287,642	36,779,409	36,523,389
Total liabilities		10,501,291	15,769,972	53,226,424	50,011,422
Total equity and liabilities		21,800,934	31,782,238	83,486,011	81,932,770
Net current (liabilities)/assets		(3,215,538)	1,806,345	(3,375,807)	(6,241,915)
Total assets less current liabilities		14,124,329	24,494,596	46,706,602	45,409,381

BALANCE SHEETS

	Note	As at December 31,			As at June 30,
		2011	2012	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	2,318,210	5,026,119	6,751,953	6,784,726
Land use rights	7	1,028,729	1,008,007	987,255	976,879
Intangible assets	8	1,176,552	1,940,755	2,688,716	3,053,935
Investments in subsidiaries	9	8,173,592	8,417,166	15,823,751	15,823,751
Investments in joint ventures	10	—	—	50,000	65,389
Investments in associates	11	80,000	80,000	89,000	136,250
Available-for-sale financial assets	12	1,000	4,000	4,000	4,000
Other long-term assets		47,890	20,747	252,165	1,016,097
		<u>12,825,973</u>	<u>16,496,794</u>	<u>26,646,840</u>	<u>27,861,027</u>
Current assets					
Inventories	14	249,395	245,248	448,865	614,314
Accounts receivable	15	99,084	728,775	2,633,639	2,424,398
Advances to suppliers	16	151,939	193,169	168,399	438,224
Other receivables and prepayments	17	293,879	3,084,780	6,040,794	5,517,262
Restricted cash	18	2,000	3,204,049	546,901	596,546
Term deposits with initial term of over three months		—	—	4,500	4,500
Cash and cash equivalents	19	889,315	1,333,840	5,344,014	2,155,297
		<u>1,685,612</u>	<u>8,789,861</u>	<u>15,187,112</u>	<u>11,750,541</u>
Assets of disposal group classified as held for sale	20	467,994	—	—	—
		<u>2,153,606</u>	<u>8,789,861</u>	<u>15,187,112</u>	<u>11,750,541</u>
Total assets		<u><u>14,979,579</u></u>	<u><u>25,286,655</u></u>	<u><u>41,833,952</u></u>	<u><u>39,611,568</u></u>

BALANCE SHEETS (CONTINUED)

	Note	As at December 31,			As at June 30,
		2011	2012	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000
EQUITY					
Capital and reserves attributable to equity holders					
Share capital	21	5,000,000	5,462,000	6,381,818	6,381,818
Other reserves	22	5,642,375	8,376,758	13,838,419	13,838,419
(Accumulated losses)/retained earnings	22	(232,440)	331,306	191,540	(1,059,772)
Total equity		<u>10,409,935</u>	<u>14,170,064</u>	<u>20,411,777</u>	<u>19,160,465</u>
LIABILITIES					
Non-current liabilities					
Borrowings	23	947,580	5,027,930	10,340,758	8,445,726
Deferred income tax liabilities	13	9,650	35,610	37,112	39,957
Deferred income from government grants	25	—	8,000	88,000	68,232
		<u>957,230</u>	<u>5,071,540</u>	<u>10,465,870</u>	<u>8,553,915</u>
Current liabilities					
Accounts payable	26	315,258	1,301,800	3,769,995	3,281,979
Advances from customers		60,170	304	571	719
Other payables and accruals	27	1,108,668	1,305,667	3,141,940	2,611,976
Borrowings	23	2,120,000	3,437,280	4,043,799	6,002,514
Provisions	24	8,318	—	—	—
		<u>3,612,414</u>	<u>6,045,051</u>	<u>10,956,305</u>	<u>11,897,188</u>
Total liabilities		<u>4,569,644</u>	<u>11,116,591</u>	<u>21,422,175</u>	<u>20,451,103</u>
Total equity and liabilities		<u>14,979,579</u>	<u>25,286,655</u>	<u>41,833,952</u>	<u>39,611,568</u>
Net current (liabilities)/assets		<u>(1,458,808)</u>	<u>2,744,810</u>	<u>4,230,807</u>	<u>(146,647)</u>
Total assets less current liabilities		<u>11,367,165</u>	<u>19,241,604</u>	<u>30,877,647</u>	<u>27,714,380</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	For the year ended December 31,			For the six months ended June 30,	
		2011	2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations						
Revenue	5	1,915,738	3,519,669	12,781,868	2,293,837	25,126,877
Cost of sales	29	(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	29	(398,640)	(1,030,547)	(2,203,297)	(489,616)	(2,071,834)
General and administrative expenses	29	(354,469)	(505,532)	(1,251,360)	(290,836)	(1,275,454)
Other gains, net	28	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 income	31	31,921	43,161	113,630	25,210	156,283
Finance costs	31	(113,797)	(201,414)	(589,342)	(231,712)	(392,851)
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	32	(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	20	(196,184)	(80,670)	—	—	—
Profit for the year/period		2,566,632	3,478,071	3,013,413	1,704,730	2,339,578
Other comprehensive income		—	—	—	—	—
Total comprehensive income 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
		2,566,632	3,478,071	3,013,413	1,704,730	2,339,578
Profit/(loss) and total comprehensive income/(loss) attributable to equity holders of the Company from:						
— continuing operations		2,698,386	3,458,569	2,776,380	1,650,211	1,809,713
— discontinued operations		(99,903)	(41,142)	—	—	—
		2,598,483	3,417,427	2,776,380	1,650,211	1,809,713
Basic and diluted earnings/losses per share for profit/(loss) attributable to equity holders of the Company during the year/period (RMB)						
— continuing operations	33	0.56	0.69	0.49	0.30	0.28
— discontinued operations	33	(0.02)	(0.01)	—	—	—
		0.54	0.68	0.49	0.30	0.28
Dividends (RMB'000)	34	—	1,500,000	1,807,937	212,482	677,984

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							Total
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Retained earnings	Sub-total	Non-controlling interests	
	RMB'000 (Note 21)	RMB'000 (Note 22(a))	RMB'000 (Note 22(c))	RMB'000 (Note 22(b))	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2011	4,261,283	4,369,814	(2,613,985)	683,580	794,184	7,494,876	457,105	7,951,981
Total comprehensive income/(loss) for the year	—	—	—	—	2,598,483	2,598,483	(31,851)	2,566,632
Transactions with owners								
Issuance of new shares	738,717	1,272,561	(511,278)	—	—	1,500,000	—	1,500,000
Contribution from non-controlling interests holder of a subsidiary	—	—	—	—	—	—	45,000	45,000
Dividends to non-controlling interests holders of subsidiaries	—	—	—	—	—	—	(29,174)	(29,174)
Deemed distributions to holding company (Note 1.2(a))	—	—	(734,796)	—	—	(734,796)	—	(734,796)
Balance at December 31, 2011	738,717	1,272,561	(1,246,074)	—	—	765,204	15,826	781,030
Balance at January 1, 2012	5,000,000	5,642,375	(3,860,059)	683,580	3,392,667	10,858,563	441,080	11,299,643
Total comprehensive income for the year	5,000,000	5,642,375	(3,860,059)	683,580	3,392,667	10,858,563	441,080	11,299,643
Transactions with owners								
Issuance of new shares	462,000	2,541,000	—	—	—	3,003,000	—	3,003,000
Appropriation to statutory surplus reserve	—	—	—	193,383	(193,383)	—	—	—
Dividends declared/paid by the Company	—	—	—	—	(1,500,000)	(1,500,000)	—	(1,500,000)
Dividends to non-controlling interests holders of subsidiaries	—	—	—	—	—	—	(70,546)	(70,546)
Disposal of subsidiaries (Note 1.2(b)(i))	—	—	—	—	—	—	(88,583)	(88,583)
Acquisition of non-controlling interests (Note 1.2(b)(ii))	—	—	(14,920)	—	—	(14,920)	(128,612)	(143,532)
Increase of capital reserve in an associate	—	—	33,541	—	—	33,541	672	34,213
Balance at December 31, 2012	462,000	2,541,000	18,621	193,383	(1,693,383)	1,521,621	(287,069)	1,234,552
Balance at January 1, 2013	5,462,000	8,183,375	(3,841,438)	876,963	5,116,711	15,797,611	214,655	16,012,266
Total comprehensive income for the year	5,462,000	8,183,375	(3,841,438)	876,963	5,116,711	15,797,611	214,655	16,012,266
Transactions with owners								
Issuance of new shares	919,818	5,212,163	—	—	—	6,131,981	—	6,131,981
Appropriation to statutory surplus reserve	—	—	—	249,498	(249,498)	—	—	—
Dividends declared/paid by the Company	—	—	—	—	(1,807,937)	(1,807,937)	—	(1,807,937)
Dividends to non-controlling interests holders of subsidiaries	—	—	—	—	—	—	(920,815)	(920,815)
Acquisition of a subsidiary (Note 37)	—	—	—	—	—	—	7,830,868	7,830,868
Others	—	—	(93)	—	—	(93)	(96)	(189)
Balance at December 31, 2013	919,818	5,212,163	(93)	249,498	(2,057,435)	4,323,951	6,909,957	11,233,908
	6,381,818	13,395,538	(3,841,531)	1,126,461	5,835,656	22,897,942	7,361,645	30,259,587

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Attributable to equity holders of the Company							Non-controlling Interests	Total
	Share capital	Share premium	Capital reserve	Statutory surplus reserve	Retained earnings	Sub-total			
	RMB'000 (Note 21)	RMB'000 (Note 22(a))	RMB'000 (Note 22(c))	RMB'000 (Note 22(b))	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2013	5,462,000	8,183,375	(3,841,438)	876,963	5,116,711	15,797,611	214,655	16,012,266	
Total comprehensive income for the period	—	—	—	—	1,650,211	1,650,211	54,519	1,704,730	
Transactions with owners									
Issuance of new shares	154,000	847,000	—	—	—	1,001,000	—	1,001,000	
Dividends declared/paid by the Company	—	—	—	—	(212,482)	(212,482)	—	(212,482)	
Others	—	—	7	—	—	7	—	7	
Balance at June 30, 2013 (unaudited)	5,616,000	9,030,375	(3,841,431)	876,963	6,554,440	18,236,347	269,174	18,505,521	
Balance at January 1, 2014	6,381,818	13,395,538	(3,841,531)	1,126,461	5,835,656	22,897,942	7,361,645	30,259,587	
Total comprehensive income for the period	—	—	—	—	1,809,713	1,809,713	529,865	2,339,578	
Transactions with owners									
Dividends declared/paid by the Company	—	—	—	—	(677,984)	(677,984)	—	(677,984)	
Others	—	—	67	—	—	67	100	167	
Balance at June 30, 2014	6,381,818	13,395,538	(3,841,464)	1,126,461	6,967,385	24,029,738	7,891,610	31,921,348	

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	For the year ended December 31,			For the six months ended June 30,	
		2011	2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Cash used in operations	35(a)	(784,160)	(472,175)	(1,741,378)	(148,954)	(253,184)
Interest paid		(106,168)	(113,708)	(516,725)	(248,555)	(457,696)
Interest received		31,921	43,161	113,630	25,210	156,283
Income tax paid		(10,220)	(8,479)	(258,029)	(167,578)	(846,396)
Net cash used in operating activities of continuing operations		(868,627)	(551,201)	(2,402,502)	(539,877)	(1,400,993)
Net cash used in operating activities of discontinued operations	20	(148,655)	(72,301)	—	—	—
Net cash used in operating activities		(1,017,282)	(623,502)	(2,402,502)	(539,877)	(1,400,993)
Cash flows from investing activities						
Acquisition of a subsidiary	37	—	—	10,176,141	—	—
Prepayment for the acquisition of a subsidiary	39	—	—	—	—	(710,928)
Purchase of property, plant and equipment		(2,281,163)	(4,511,338)	(4,921,486)	(1,534,549)	(3,110,610)
Purchase of land use rights		(1,031,048)	(163,910)	(3,330)	(2,180)	—
Addition of intangible assets		(945,341)	(984,112)	(1,486,457)	(630,175)	(698,724)
Addition of investments in joint ventures		(522,012)	—	(7,108,987)	(4,878,908)	(98,181)
Addition of investments in associates		(286,307)	(267,731)	(139,000)	—	(47,250)
Addition of available-for-sale financial assets		(1,000)	(4,000)	—	—	—
Receipt of government grants for capital expenditures		64,279	773,044	146,510	100,961	12,351
Proceeds from disposals of property, plant and equipment and intangible assets	35(b)	8,458	22,307	41,295	9,309	437,924
Disposal of interests in joint ventures		—	656,506	95,206	—	146,939
Disposal of interests in associates		—	73,122	12,252	5,454	216,922
Net cash (outflow)/inflow from disposals of interests in subsidiaries	35(c)	—	(812,696)	697,925	350,000	—
Dividends received from joint ventures		2,502,968	2,782,360	3,392,480	3,392,480	4,893,572
Dividends received from associates		53,041	22,967	33,349	23,343	30,494
(Increase)/decrease of restricted cash		(2,000)	(3,211,050)	2,666,149	2,573,722	(49,645)
(Increase)/decrease of term deposits with initial term of over three months		—	(40,000)	35,500	36,000	(1,550)
Net cash (used in)/generated from investing activities of continuing operations		(2,440,125)	(5,664,531)	3,637,547	(554,543)	1,021,314
Net cash used in investing activities of discontinued operations	20	(9,031)	(25,189)	—	—	—
Net cash (used in)/generated from investing activities		(2,449,156)	(5,689,720)	3,637,547	(554,543)	1,021,314

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	For the year ended December 31,			For the six months ended June 30,	
		2011	2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from financing activities						
Issuance of new shares		1,500,000	3,003,000	6,131,981	1,001,000	—
Contribution from non-controlling interests holder of a subsidiary		45,000	—	—	—	—
Proceeds from borrowings		2,817,580	10,650,741	10,600,291	5,568,458	9,273,241
Repayments of borrowings		(268,765)	(4,652,898)	(4,111,757)	(2,074,231)	(9,284,620)
Dividends paid by the Company		—	(1,500,000)	(212,482)	—	(1,595,455)
Dividends to non-controlling interests holders of subsidiaries		(37,174)	(41,017)	(72,802)	—	(31,268)
Acquisition of non-controlling interests		—	(74,316)	—	—	—
Dividends to original shareholders of a subsidiary		(2,008,968)	—	—	—	—
Net cash generated from/(used in) financing activities		<u>2,047,673</u>	<u>7,385,510</u>	<u>12,335,231</u>	<u>4,495,227</u>	<u>(1,638,102)</u>
Net (decrease)/increase in cash and cash equivalents						
Cash and cash equivalents at January 1,		3,237,020	1,817,526	2,891,385	2,891,385	16,459,044
Exchange (losses)/gains on cash and cash equivalents		<u>(729)</u>	<u>1,571</u>	<u>(2,617)</u>	<u>(1,790)</u>	<u>(517)</u>
Cash and cash equivalents at						
December 31/June 30,	35(d)	<u><u>1,817,526</u></u>	<u><u>2,891,385</u></u>	<u><u>16,459,044</u></u>	<u><u>6,290,402</u></u>	<u><u>14,440,746</u></u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP

1 General Information

BAIC Motor Corporation Limited (the “Company”) was incorporated in the People’s Republic of China (the “PRC”) on September 20, 2010 as a joint stock company with limited liability under Company Law of the PRC. The address of the Company’s registered office is the fifth building, Block 25 Shuntong Road, Shunyi District, Beijing, the PRC.

The Company, together with its subsidiaries (collectively referred to as the “Group”), are principally engaged in the manufacturing and sales of passenger/commercial vehicles and auto parts in the PRC. The immediate parent company of the Company is Beijing Automotive Group Co., Ltd. (“BAIC Group”), which is beneficially owned by the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality (the “SASAC Beijing”).

1.1 Incorporation of the Company

The Company was incorporated by six promoters (the “Six Promoters”) through transferring their equity interests in certain entities and injecting certain businesses and cash to the Company. Details are:

- (a) BAIC Group subscribed 51% equity interest of the Company by injection of the following into the Company:
 - 100% equity interest in each of BAIC Motor Powertrain Co., Ltd. (“Powertrain”) and BAIC Auto New Energy Vehicle Limited Company (“New Energy”), 51% equity interest in Beijing Automobile Works Co., Ltd. (“BAIC Limited”) and approximately 41.21% equity interest in BAIC Investment Co., Ltd. (“BAIC Investment”) amounting to a total consideration of approximately RMB 3,599 million;
 - passenger vehicle-related manufacturing business amounting to a total consideration of approximately RMB 511 million; and
 - approximately RMB 1,317 million in cash.
- (b) Beijing Shougang Co., Ltd. (“Shougang Limited”), Beijing State-Owned Assets Management Co., Ltd. (“BSAM”), Modern Innovation Holding Co., Ltd. (“Modern Innovation”) and Beijing Energy Investment Holding Co., Ltd. (“Beijing Energy Investment”) subscribed an aggregate of 44% equity interest of the Company by injection of their respective equity interests in BAIC Investment (in aggregate of approximately 56.74%) amounting to a total consideration of approximately RMB 4,032 million and RMB 650 million in cash.
- (c) Beijing State-owned Assets Management and Administration Center (“BSAMAC”) subscribed 5% equity interest of the Company for a cash consideration of approximately RMB 532 million.

After the incorporation of the Company, BAIC Group then owned 51% equity interest in the Company and other five enterprises, namely Shougang Limited, BSAM, Modern Innovation, BSAMAC and Beijing Energy Investment, owned equity interests of approximately 18.31%, 13.18%, 7.75%, 5% and 4.76% respectively. Except for Modern Innovation, other promoters are ultimately owned by the SASAC Beijing.

As detailed in Note 21, after a number of share issuances, and share transfers at the owners’ level of the Company, the Company is approximately 55.22%, 16.12%, 12%, 4.40%, 4.19%, and

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**1 General Information—continued****1.1 Incorporation of the Company—continued**

8.07% owned by BAIC Group, Shougang Limited, Daimler AG, BSAMAC, Beijing Energy Investment and other shareholders respectively as at the date of this report.

1.2 Major changes in Group structure

Since the incorporation of the Company, the Group further refined its structure with the various transactions as summarized below:

(a) Business combinations under common control

- (i) On January 25, 2011, the Company acquired from BAIC Group its two branches and operations that are engaged in passenger vehicle-related manufacturing and research and development activities for a total cash consideration of approximately RMB 674 million.
- (ii) On November 28, 2011, the Company acquired from BAIC Group its entire 100% equity interest in BAIC Hong Kong Investment Corp. Limited (“BAIC Hong Kong”) for a total cash consideration of approximately RMB 60 million.

(b) Other material transactions with BAIC Group

- (i) In 2011 and 2012, the Group produced commercial vehicles through BAIC Limited, and engaged in logistics and auction businesses through Zhongdu Logistics Co., Ltd (“Zhongdu Logistics”) and Beijing Beiqi Penglong Motor Vehicle Auction Co., Ltd (“Beiqi Penglong”). In December 2011, the Company decided to dispose to BAIC Group of its (a) entire 51% equity interest in Zhongdu Logistics and 100% equity interest in Beiqi Penglong, both were held by BAIC Investment for cash considerations of approximately RMB 85 million and approximately RMB 5 million, respectively; and (b) entire 51% equity interest in BAIC Limited for a cash consideration of approximately RMB 468 million. As a result, the assets and liabilities related to Zhongdu Logistics, Beiqi Penglong and BAIC Limited are classified as assets held for sale at December 31, 2011.

The disposals of Zhongdu Logistics, Beiqi Penglong and BAIC Limited were completed on March 15, 2012, March 20, 2012 and November 20, 2012, respectively. Further information is set out in Note 20 to this Financial Information of the Group.

- (ii) On June 21, 2012, the Company acquired from Beijing Beinei Limited, a subsidiary of BAIC Group, its entire 50% equity interest in Beijing Beinei Engine Parts and Components Co., Ltd. (“Beijing Beinei Engine”) for a total cash consideration of approximately RMB 144 million. Prior to this, the Group had been consolidating Beijing Beinei Engine given that BAIC Investment held 50% equity interest and has control over this entity.
- (iii) On January 4, 2013, the Company acquired BAIC Group’s entire 50% equity interests in Beijing Benz Automotive Co., Ltd. (“Beijing Benz”) at a cash consideration of approximately RMB 6,725 million. On November 18, 2013, the Company acquired a further 1% equity interest in Beijing Benz at a cash consideration of RMB 216 million and thereby obtained control of Beijing Benz, which became a subsidiary of the Company since then. Further information is set out in Note 37 to this Financial Information of the Group and Section III—Additional Financial Information of Beijing Benz.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

1 General Information—continued

1.2 Major changes in Group structure—continued

(b) Other material transactions with BAIC Group—continued

- (iv) On October 28, 2013, the Company disposed of its entire 100% equity interest in New Energy to BAIC Group for a cash consideration of approximately RMB 268 million.

1.3 List of the Group's subsidiaries, joint ventures and associates

During each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, the Company has direct or indirect equity interests in the following principal subsidiaries, joint ventures and associates:

Company name	Place and date of establishment/ incorporation	Issued and paid-up capital (million)	Attributable equity interest of the Group				Principal activities	Statutory auditor
			at December 31,			at June 30,		
			2011	2012	2013	2014		
Subsidiaries								
<u>Directly held:</u>								
BAIC Investment Co., Ltd.	The PRC June 28, 2002	RMB 3,500	97.95%	97.95%	97.95%	97.95%	Investment holding	(i)
Beijing Beinei Engine Parts and Components Co., Ltd. (Note 1.2(b)(ii))	The PRC September 2, 2003	RMB 304	50%*	100%*	100%*	100%*	Manufacture of auto parts	(i)
BAIC Motor Powertrain Co., Ltd.	The PRC February 9, 2010	RMB 1,149	100%	100%	100%	100%	Manufacture of auto engine	(i)
Beijing Automobile Works Co., Ltd. (Note 1.2(b)(i))	The PRC January 1, 1985	RMB 217	51%	—	—	—	Manufacture and sales of passenger vehicles and commercial vehicles	(i)
BAIC Auto New Energy Vehicle Limited Company (Note 1.2(b)(iv))	The PRC October 23, 2009	RMB 300	100%	100%	—	—	Manufacture of new energy vehicles	(i)
BAIC Hong Kong Investment Corp. Limited (Note 1.2(a)(ii))	Hong Kong October 21, 2009	USD 9	100%	100%	100%	100%	Investment holding and consulting	(iv)
BAIC Motor Sales Co., Ltd.	The PRC May 3, 2012	RMB 100	—	100%	100%	100%	Sale of passenger vehicles	(i)
Beijing Benz Automotive Co., Ltd. (Note 1.2(b)(iii))	The PRC August 8, 2005	USD 1,221	—	—	51%	51%	Manufacture and sales of passenger vehicles	(ii)
<u>Indirectly held:</u>								
Zhongdu Logistics Co., Ltd. (Note 1.2(b)(i))	The PRC January 8, 2008	RMB 50	51%	—	—	—	Logistic and storage services	(i)
Beijing Beiqi Penglong Motor Vehicle Auction Co., Ltd. (Note 1.2(b)(i))	The PRC May 14, 2008	RMB 22	100%	—	—	—	Second hand vehicles auction and related services	(i)

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**1 General Information—continued****1.3 List of the Group's subsidiaries, joint ventures and associates—continued**

Company name	Place and date of establishment/ incorporation	Issued and paid-up capital (million)	Attributable equity interest of the Group				Principal activities	Statutory auditor
			at December 31,			at June 30,		
			2011	2012	2013	2014		
Joint Ventures								
Beijing Hyundai Motor Co., Ltd. ("Beijing Hyundai")	The PRC October 16, 2002	USD 1,219	50%	50%	50%	50%	Manufacture and sales of passenger vehicles	(iii)
Beijing Mercedes-Benz Sales Service Co., Ltd. ("Benz Sales Service")	The PRC December 7, 2012	RMB 102	—	50%	49%	49%	Marketing and sales of vehicles	(ii)
Beijing Hyundai Mobis Parts Co., Ltd.	The PRC July 1, 2004	USD 7	50%	—	—	—	Manufacture and sales of auto parts	(iii)
Associates								
Beijing Shougang Cold-Rolled Sheet Co., Ltd.	The PRC August 5, 2008	RMB 2,600	20%	20%	20%	20%	Production and sale of cold rolled sheet	(i)
BAIC Group Finance Co., Ltd. ("BAG Finance")	The PRC November 9, 2011	RMB 500	20%	20%	20%	20%	Auto financing and currency settlement	(i)

notes:

- (i) The statutory financial statements of this company for the years ended December 31, 2011, 2012 and 2013 were audited by Grant Thornton China LLP (formerly known as Grant Thornton Jingdu Tianhua).
 - (ii) The statutory financial statements of this company for the years ended December 31, 2011, 2012 and 2013 were audited by KPMG Huazhen (SGP) (formerly known as KPMG Huazhen).
 - (iii) The statutory financial statements of this company for the years ended December 31, 2011, 2012 and 2013 were audited by PricewaterhouseCoopers Zhong Tian LLP (formerly known as PricewaterhouseCoopers Zhong Tian CPAs Limited Company).
 - (iv) The statutory financial statements of this company for the years ended December 31, 2011, 2012 and 2013 were audited by Grant Thornton Certified Public Accountants.
- * Prior to June 21, 2012, Beijing Beinei Engine was considered as a subsidiary of BAIC Investment since BAIC Investment was able to control the board of Beijing Beinei Engine through a contractual arrangement. Beijing Beinei Engine became a wholly owned subsidiary of the Group from June 21, 2012 onwards.

The English names of certain companies represent the best efforts by management of the Group in translating their Chinese names as they do not have official English names.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**2 Summary of significant accounting policies—continued****2.1 Basis of preparation—continued**

The 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.

Standards, amendments to standards and interpretations that are effective during the Relevant Periods have been adopted and applied by the Group consistently throughout the Relevant Periods.

As at June 30, 2014, the current liabilities of the Group exceeded its current assets by approximately RMB 6,242 million. Given the debt obligations and working capital requirements, management has thoroughly considered the Group's available sources of funds as follows:

- contribution from Beijing Benz's continuous net cash generated from its operating activities after being acquired as a subsidiary of the Group (Note 1.2(b)(iii));
- the Group's continuous net cash generated from financing activities; and
- undrawn short-term and long-term banking facilities of approximately RMB 8,581 million and RMB 25,469 million respectively as at June 30, 2014 (Note 23).

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

The preparation of the Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

New/revised standards, amendments to standards and interpretations

Certain new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2014 and have not been applied in this Financial Information. They are not expected to have significant impacts on the financial information of the Group except for the following, the full impact of which the Group is yet to assess:

- IFRS 9 (2014), "Financial instruments" replaces the whole of IAS 39. IFRS 9 has three financial asset classification categories for investments in debt instruments: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. For financial liabilities, there are two classification categories: amortized cost and fair value through profit or loss. IFRS 9 introduces a new model for the recognition of impairment losses—the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 applies to all hedging relationships, with the exception of portfolio fair value

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**2 Summary of significant accounting policies—continued****2.1 Basis of preparation—continued**

hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more “rule-based” approach of IAS 39.

- IFRIC 21 “Levies” (effective for annual periods beginning on or after January 1, 2014) is an interpretation on the accounting for levies imposed by governments. IFRIC 21 is an interpretation of IAS 37 “Provisions, contingent liabilities and contingent assets.” IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- Annual improvements 2012 (effective for annual periods beginning on or after July 1, 2014). The amendments include changes from the 2010-2012 cycle of the annual improvements project that affect seven standards: IFRS 2 “Share-based Payment,” IFRS 3 “Business Combinations,” IFRS 8 “Operating Segments,” the basis for conclusion on IFRS 13 “Fair Value Measurement,” IAS 16 “Property, Plant and Equipment,” IAS 24 “Related Party Disclosures” and IAS 38 “Intangible Assets.”
- Annual improvements 2013 (effective for annual periods beginning on or after July 1, 2014). The amendments include changes from the 2011-2013 cycle of the annual improvements project that affect four standards: IFRS 1 “First-time Adoption of International Financial Reporting Standards,” IFRS 3 “Business Combinations,” IFRS 13 “Fair Value Measurement” and IAS 40 “Investment Property.”
- IFRS 15, “Revenue from Contracts with Customers” (effective for annual periods beginning on or after January 1, 2017) replaces the previous revenue standards and the related Interpretations on revenue recognition. It establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognize revenue when performance obligation is satisfied. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an ‘earnings processes’ to an ‘asset-liability’ approach based on transfer of control. It provides specific guidance on capitalization of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**2 Summary of significant accounting policies—continued****2.2 Subsidiaries****(a) Consolidation**

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

(b) Separate financial statements

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

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**2 Summary of significant accounting policies—continued****2.2 Subsidiaries—continued****(b) Separate financial statements—continued**

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

(c) Disposal of subsidiaries

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

2.3 Joint arrangements

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

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses, and movements in other comprehensive income, in profit or loss and other comprehensive income respectively.

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

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

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

2.4 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**2 Summary of significant accounting policies—continued****2.4 Associates—continued**

investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of losses of associates" in the statement of comprehensive income.

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

Dilution gains and losses arising in investments in associates are recognized in the statement of comprehensive income.

2.5 Segment reporting

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

2.6 Foreign currency translation**(a) Functional and presentation currency**

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

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**2 Summary of significant accounting policies—continued****2.6 Foreign currency translation—continued****(b) Transactions and balances**

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'other gains, net'.

2.7 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 the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the 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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains, net" in the statement of comprehensive income.

2.8 Land use rights

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

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**2 Summary of significant accounting policies—continued****2.9 Intangible assets****(a) Intellectual rights**

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

(b) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 2 to 5 years.

(c) Research and development costs

The 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 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 ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

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

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

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

(d) Goodwill

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

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**2 Summary of significant accounting policies—continued****2.9 Intangible assets—continued****(d) Goodwill—continued**

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

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

2.10 Impairment of non-financial assets

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

2.11 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below) are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets and financial assets (other than investments in subsidiaries and associates), even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

A discontinued operation is a component of the Group’s business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**2 Summary of significant accounting policies—continued****2.12 Financial assets****(a) Classification**

The Group classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group's financial assets primarily comprise loans and receivables and available-for-sale financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "accounts and other receivables," "restricted cash," "term deposits with initial term of over three months" and "cash and cash equivalents" in the balance sheet.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date—the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income as part of other gains when the Group's right to receive payments is established.

(c) Offsetting financial instruments

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

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**2 Summary of significant accounting policies—continued****2.12 Financial assets—continued****(d) Impairment of financial assets****(i) Assets carried at amortized cost**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

(ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (i) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss—measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss—is removed from equity and recognized in profit or loss. Impairment losses recognized in the profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**2 Summary of significant accounting policies—continued****2.12 Financial assets—continued****(d) Impairment of financial assets—continued****(ii) Assets classified as available for sale—continued**

of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the profit or loss.

2.13 Derivative financial instruments and hedging activities

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk of a committed future transaction, the effective portion of any gains or losses on remeasurement of the derivative financial instrument to fair value are recognized in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognized immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is reclassified from equity to be included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as when interest income or expense is recognized).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity until the transaction occurs and it is recognized in accordance with the above policy. If the hedged transaction is no longer expected to take place, the cumulative unrealized gain or loss is reclassified from equity to profit or loss immediately.

2.14 Inventories

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

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**2 Summary of significant accounting policies—continued****2.15 Accounts and other receivables**

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

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.

2.16 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.19 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income as finance cost over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**2 Summary of significant accounting policies—continued****2.21 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax**(i) Inside basis differences**

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(ii) Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits**(a) Pension obligations**

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organized by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**2 Summary of significant accounting policies—continued****2.22 Employee benefits —continued****(a) Pension obligations—continued**

and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. The contributions are recognized as employee benefit expense when they are due.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plans. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceilings. The Group's liability in respect of these funds is limited to the contributions payable in each period.

2.23 Provision

Provisions for warranties are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received, or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognizes 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 have been met for each of the Group's activities, as described below. The revenue recognition policies applied by the Group for each of these activities are as follows:

(a) Products

The Group manufactures and sells vehicles and auto parts to its dealers and automotive manufacturers. Sales of products are recognized when the significant risks and rewards of ownership of the products have been passed to the buyers and the amount of 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 which are calculated periodically.

(b) Services

Revenues are recognized when services are rendered.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**2 Summary of significant accounting policies—continued****2.24 Revenue recognition—continued****(c) Dividend income**

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

2.25 Interest income

Revenue is recognized as interest income on an accrual basis, using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

2.26 Leases

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.27 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

2.28 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries, joint ventures or associates to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognized in the Financial Information at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of fees recognized in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgment. The fee income earned is recognized on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated statement of comprehensive income within other losses.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**2 Summary of significant accounting policies—continued****2.28 Financial guarantee contracts—continued**

Where guarantees in relation to loans or other payables of subsidiaries, joint ventures or associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment in the financial information of the Group.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The Group's risk management and treasury department focuses on minimizing potential adverse effects on the Group's financial performance.

(a) Market risk**(i) Foreign exchange risk**

The Group has international purchase transactions and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("US\$"), Hong Kong Dollar ("HK\$") and Euro. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

To manage the impact of exchange rate fluctuations, the Group continually assesses its exposure to foreign exchange risks, and a portion of those risks will be mitigated by using derivative financial instruments when management considers necessary.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**3 Financial risk management—continued****3.1 Financial risk factors—continued****(a) Market risk—continued****(i) Foreign exchange risk—continued**

As at each year/period end, if RMB strengthened by 10% against US\$/HK\$/Euro with all other variables held constant, the equity and post-tax profit for each year/period would have increased mainly as a result of foreign exchange differences on translation of US\$/HK\$/Euro denominated assets and liabilities:

	<u>Equity</u> RMB'000	<u>Post-tax profit</u> RMB\$'000
As at and for the year ended December 31, 2011		
US\$	125,319	125,319
As at and for the year ended December 31, 2012		
US\$	127,692	127,692
HK\$	13,572	13,572
As at and for the year ended December 31, 2013		
US\$	127,707	127,707
HK\$	15,982	15,982
Euro	259,895	259,895
As at and for the six months ended June 30, 2013 (unaudited)		
US\$	126,545	126,545
HK\$	17,012	17,012
As at and for the six months ended June 30, 2014		
US\$	133,678	133,678
HK\$	16,160	16,160
Euro	237,263	237,263

A weakening of the RMB against the above currencies would have had equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

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

The Group enters into interest rate swaps to mitigate floating interest rate exposure from long-term borrowings. As at December 31, 2011, 2012 and 2013 and June 30, 2014, the total notional principal amount of outstanding interest rate swap contracts was approximately nil, RMB 1,444,670,000 and RMB 1,414,336,000 and RMB 1,433,837,000 respectively. These derivative instruments were stated at fair value and amounted to nil, RMB 8,408,000 and RMB 11,493,000 and RMB 10,620,000 at respective year/period end.

As at 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, net profit for each of the years ended December 31, 2011, 2012

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**3 Financial risk management—continued****3.1 Financial risk factors—continued**

(a) Market risk—continued

(ii) Interest rate risk—continued

and 2013 and the six months ended June 30, 2014 would have been approximately RMB 16,292,000, RMB 34,884,000 and RMB 62,332,000 and RMB 61,315,000 lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

As at December 31, 2011, 2012 and 2013 and June 30, 2014, 100%, 87% and 65% and 82% respectively of the Group's restricted cash, term deposits and cash and cash equivalents are held in reputable local joint-stock commercial banks, state-owned banks and world-wide reputable banks, which management believes are of high credit quality. Management does not expect any losses from non-performance by these counterparties.

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. Normally, the Group does not require collaterals from trade debtors. Management makes periodic collective assessment as well as individual assessment on the recoverability of accounts and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. The Group's historical experience in collection of accounts and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the Financial Information.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities at all times as not to breach borrowing limits or covenants (where applicable) on any of its facilities. The Group's forecasting takes into consideration debt financing plans, covenant compliance, and if applicable, external regulatory or legal requirements.

The Group's primary cash requirements have been for additions of and upgrades on property, plant and equipment, expenditure on research and development payment on related debts and payment for purchases and operating expenses. The Group finances its working capital requirements through a combination of internal resources and long-term and short-term bank borrowings.

As at December 31, 2011, 2012 and 2013 and June 30, 2014, the Group has net current (liabilities)/assets of approximately RMB (3,216) million, RMB 1,806 million, RMB (3,376) million and RMB (6,242) million respectively. Management regularly monitors the Group's current and expected liquidity requirements to ensure that it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed banking facilities to meet its capital commitments and working capital requirements. The amount of undrawn credit facilities at the balance sheet dates are disclosed in Note 23 to this Financial Information.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

3 Financial risk management—continued

3.1 Financial risk factors—continued

(c) Liquidity risk—continued

The tables below analyze the Group's and the Company's financial liabilities and financial guarantee contracts into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Less than 1 year	1-2 years	2-5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
At December 31, 2011				
Borrowings	4,051,357	516,957	551,991	1,965,920
Accounts payable	471,803	—	—	—
Other payables and accruals	1,436,255	—	—	—
Financial guarantee contracts (Note 38(c))	65,000	—	—	—
At December 31, 2012				
Borrowings	4,158,308	747,893	7,963,874	225,438
Accounts payable	1,492,737	—	—	—
Other payables and accruals	1,417,154	—	—	—
At December 31, 2013				
Borrowings	8,653,911	6,876,131	8,825,352	198,436
Accounts payable	11,111,747	—	—	—
Other payables and accruals	14,827,111	—	—	—
At June 30, 2014				
Borrowings	11,571,511	4,759,872	7,360,178	—
Accounts payable	10,347,462	—	—	—
Other payables and accruals	12,995,173	—	—	—
Company				
At December 31, 2011				
Borrowings	2,271,371	360,206	304,250	466,806
Accounts payable	315,258	—	—	—
Other payables and accruals	1,053,938	—	—	—
At December 31, 2012				
Borrowings	3,830,659	594,448	4,751,144	225,438
Accounts payable	1,301,800	—	—	—
Other payables and accruals	1,192,934	—	—	—
Financial guarantee contracts (Note 38(c))	22,360	13,220	1,482,590	—
At December 31, 2013				
Borrowings	4,657,202	5,201,402	6,179,284	—
Accounts payable	3,769,995	—	—	—
Other payables and accruals	2,915,217	—	—	—
Financial guarantee contracts (Note 38(c))	72,049	1,429,446	25,810	—
At June 30, 2014				
Borrowings	6,342,786	4,575,418	4,394,788	—
Accounts payable	3,281,979	—	—	—
Other payables and accruals	2,414,848	—	—	—
Financial guarantee contracts (Note 38(c))	1,541,849	13,500	19,060	—

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**3 Financial risk management—continued****3.2 Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "total equity" as shown in the consolidated balance sheet plus net debt.

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings (Note 23)	6,322,997	11,696,244	22,250,878	22,292,213
Less: cash and cash equivalents (Note 19) ..	(1,387,920)	(2,891,385)	(16,459,044)	(14,440,746)
Net debt	4,935,077	8,804,859	5,791,834	7,851,467
Total equity	11,299,643	16,012,266	30,259,587	31,921,348
Total capital	16,234,720	24,817,125	36,051,421	39,772,815
Gearing ratio	30%	35%	16%	20%

The decrease in gearing ratio during 2013 is primarily resulted from acquisition of Beijing Benz (Note 1.2(b)(iii)).

3.3 Fair value estimation

The carrying amounts of the Group's current financial assets and liabilities, including cash and cash equivalents, term deposits with initial term of over three months, restricted cash, accounts and other receivables, accounts and other payables and current borrowings approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**3 Financial risk management—continued****3.3 Fair value estimation—continued**

The following table presents the Group's financial assets/liabilities that are measured at fair value.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities				
Financial liabilities at fair value through profit or loss—				
Interest rate swap contracts				
At December 31, 2011	—	—	—	—
At December 31, 2012	—	8,408	—	8,408
At December 31, 2013	—	11,493	—	11,493
At June 30, 2014	—	10,620	—	10,620
	<u>—</u>	<u>10,620</u>	<u>—</u>	<u>10,620</u>

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Capitalization of 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). The Group's development activities are tracked by its engineering department and documented to support the basis of determining if and when the criteria were met.

(b) Impairment of long-lived assets

The Group is required to test goodwill and intangible development assets not ready for use on an annual basis. Other non-financial assets are tested whenever events or changes in circumstances indicate that the carrying amount of those assets exceeds its recoverable amount. The recoverable amount is determined based on the higher of fair value less costs to sell and value in use.

Determination of the value in use is an area involving management 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.

The Group prepares and approves formal five-year management plans for its operations, which are used in estimating the value in use of the assets or cash generating units being tested. Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the outcome of the Group's impairment evaluation.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**4 Critical accounting estimates and judgments—continued****(c) Provisions**

The Group recognizes a provision when there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where these criteria are not met, a contingent liability may be disclosed in the notes to the Financial Information. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognized or disclosed in the Financial Information could have a material effect on the Group's financial position.

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

(d) Depreciation and amortization

The Group's 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 the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortization charges where useful lives are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(e) Income taxes

The Group is subject to income taxes in the PRC. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognized only if it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. This determination requires significant 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 impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

5 Segment information

The Group's segment information is presented on the basis of internal reports that are regularly reviewed by the Group's Executive Committee, in order to allocate resources to the segments and assess their performance. For each of the Group's reportable segments, the Group's Executive Committee reviews internal management reports on monthly basis, at a minimum.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

5 Segment information—continued

Management has determined the reporting segments based on these reports.

The Group considers the business from a product perspective:

- Passenger vehicles of Beijing Motor: manufacturing and sales of passenger vehicles of BAIC brands, and providing other businesses and related services
- Passenger vehicles of Beijing Benz: manufacturing and sales of passenger vehicles of Beijing Benz and providing other related services
- Commercial vehicles: manufacturing and sales of commercial vehicles of BAIC brands, and providing other related services (which was subsequently disposed of in 2012)
- Others: providing logistics and other services (which was subsequently disposed of in 2012)

Management defines segment results based on gross profit. Segment assets and liabilities are not regularly reported to the Group's Executive Committee before the completion of the acquisition of Beijing Benz on November 18, 2013, and therefore information of reportable segment assets and liabilities is not presented at December 31, 2011 and December 31, 2012. Information about reportable segments and reconciliations of reportable segment results are as follows:

	Continuing operations			Discontinued operations		
	Passenger vehicles – Beijing Motor	Passenger vehicles – Beijing Benz	Total	Commercial vehicles	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2011						
Total revenue	1,915,738	—	1,915,738	1,026,992	390,951	1,417,943
Inter-segment revenue	—	—	—	—	(19,784)	(19,784)
Revenue from external customers	1,915,738	—	1,915,738	1,026,992	371,167	1,398,159
Segment gross profit/(loss)	27,248	—	27,248	(81,610)	43,436	(38,174)
Other profit & loss disclosure:						
Depreciation and amortization	(153,453)	—	(153,453)	(24,934)	(27,907)	(52,841)
Provisions for impairments on receivables, inventories and property, plant and equipment	(17,969)	—	(17,969)	(3,171)	(265)	(3,436)
Finance costs, net	(81,876)	—	(81,876)	—	(3,949)	(3,949)
Income tax expense	(21,324)	—	(21,324)	—	(2,468)	(2,468)
For the year ended December 31, 2012						
Total revenue	3,519,669	—	3,519,669	654,992	103,780	758,772
Inter-segment revenue	—	—	—	—	(7,235)	(7,235)
Revenue from external customers	3,519,669	—	3,519,669	654,992	96,545	751,537
Segment gross (loss)/profit	(168,128)	—	(168,128)	(30,036)	14,770	(15,266)
Other profit & loss disclosure:						
Depreciation and amortization	(193,403)	—	(193,403)	—	—	—
Provisions for impairments on receivables, inventories and property, plant and equipment	(81,744)	—	(81,744)	—	(900)	(900)
Finance costs, net	(158,253)	—	(158,253)	—	(612)	(612)
Income tax expense	(226,316)	—	(226,316)	—	(692)	(692)

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

5 Segment information—continued

	Continuing operations			Discontinued operations		
	Passenger vehicles – Beijing Motor	Passenger vehicles – Beijing Benz	Total	Commercial vehicles	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2013						
Total revenue	6,847,499	5,934,369	12,781,868	—	—	—
Inter-segment revenue	—	—	—	—	—	—
Revenue from external customers	6,847,499	5,934,369	12,781,868	—	—	—
Segment gross (loss)/profit	(977,918)	1,393,099	415,181	—	—	—
Other profit & loss disclosure:						
Depreciation and amortization	(599,542)	(208,143)	(807,685)	—	—	—
Provisions for impairments on receivables, inventories and property, plant and equipment	(224,548)	(9,017)	(233,565)	—	—	—
Finance (costs)/income, net	(480,088)	4,376	(475,712)	—	—	—
Income tax expense	(26,577)	(86,739)	(113,316)	—	—	—
For the six months ended June 30, 2013 (unaudited)						
Total revenue	2,293,837	—	2,293,837	—	—	—
Inter-segment revenue	—	—	—	—	—	—
Revenue from external customers	2,293,837	—	2,293,837	—	—	—
Segment gross loss	(313,453)	—	(313,453)	—	—	—
Other profit & loss disclosure:						
Depreciation and amortization	(235,436)	—	(235,436)	—	—	—
Provisions for impairments on receivables, inventories and property, plant and equipment	(119,732)	—	(119,732)	—	—	—
Finance costs, net	(206,502)	—	(206,502)	—	—	—
Income tax expense	(8,790)	—	(8,790)	—	—	—
For the six months ended June 30, 2014						
Total revenue	5,982,207	19,156,718	25,138,925	—	—	—
Inter-segment revenue	(12,048)	—	(12,048)	—	—	—
Revenue from external customers	5,970,159	19,156,718	25,126,877	—	—	—
Segment gross (loss)/profit	(195,547)	3,610,614	3,415,067	—	—	—
Other profit & loss disclosure:						
Depreciation and amortization	(434,010)	(595,273)	(1,029,283)	—	—	—
Provisions for impairments on receivables, inventories and property, plant and equipment	(111,041)	—	(111,041)	—	—	—
Finance (costs)/income, net	(282,079)	45,511	(236,568)	—	—	—
Income tax credit/(expense)	5,618	(323,862)	(318,244)	—	—	—

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

5 Segment information—continued

The revenue from external parties reported to the Group's Executive Committee is measured in a manner consistent with that in the statement of comprehensive income.

Reconciliations of segment results to profit/(loss) for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014 are as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations					
Segment gross profit/(loss)	27,248	(168,128)	415,181	(313,453)	3,415,067
Selling and distribution expenses, general and administrative expenses and finance costs, net	(834,985)	(1,694,332)	(3,930,369)	(986,954)	(3,583,856)
Other gains, net	106,426	1,855,459	619,650	50,892	13,407
Share of profits of joint ventures and associates, net	3,485,451	3,792,058	6,022,267	2,963,035	2,813,204
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	<u>2,762,816</u>	<u>3,558,741</u>	<u>3,013,413</u>	<u>1,704,730</u>	<u>2,339,578</u>
Discontinued operations					
Segment gross losses	(38,174)	(15,266)	—	—	—
Selling and distribution expenses, general and administrative expenses, other gains and finance costs, net . . .	(155,542)	(64,712)	—	—	—
Loss before income tax	(193,716)	(79,978)	—	—	—
Income tax expense	(2,468)	(692)	—	—	—
Loss for the year/period	<u>(196,184)</u>	<u>(80,670)</u>	<u>—</u>	<u>—</u>	<u>—</u>

In 2011, there is a third party customer whose revenue is approximately RMB362,152,000. There is no customer amounting to 10 percent or more of the Group's revenue for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014.

The Group is domiciled in PRC. The percentage of its revenue from external customers residing in the PRC is approximately 90%, 94% and 100%, 100% and 100% for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014 respectively. The Group's long-lived assets are primarily located in Mainland China and Hong Kong.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

5 Segment information—continued

The segment assets and liabilities as at 31 December 2013 and June 30, 2014 are as follows:

	Passenger vehicles- Beijing Motor	Passenger vehicles- Beijing Benz	Total
	RMB'000	RMB'000	RMB'000
At December 31, 2013			
Total assets	43,509,580	39,976,431	83,486,011
Including:			
Investment in joint ventures	11,841,449	—	11,841,449
Investment in associates	807,990	—	807,990
Total liabilities	<u>(27,768,854)</u>	<u>(25,457,570)</u>	<u>(53,226,424)</u>
At June 30, 2014			
Total assets	43,189,854	38,742,916	81,932,770
Including:			
Investment in joint ventures	9,741,106	—	9,741,106
Investment in associates	860,110	—	860,110
Total liabilities	<u>(26,752,136)</u>	<u>(23,259,286)</u>	<u>(50,011,422)</u>

The total of non-current assets other than financial instruments and deferred tax assets of Beijing Motor and Beijing Benz of December 31, 2013 is RMB16,044,684,000 and RMB18,214,590,000 respectively.

The total of non-current assets other than financial instruments and deferred tax assets of Beijing Motor and Beijing Benz of June 30, 2014 is RMB 16,909,809,000 and RMB 20,179,683,000 respectively.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

6 Property, plant and equipment

	Group						
	Buildings	Machinery	Vehicles	Furniture and office equipment	Mouldings	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount at January 1,							
2011	357,123	603,703	91,052	36,029	133,081	407,108	1,628,096
Additions	209,845	101,446	16,672	22,757	113,877	1,766,662	2,231,259
Transfers upon completion	79,139	350,093	—	—	1,419	(430,651)	—
Disposals	—	—	(1,496)	(756)	—	—	(2,252)
Depreciation	(19,409)	(105,373)	(34,735)	(10,794)	(17,268)	—	(187,579)
Transfer to disposal group classified as held for sale (Note 20)	(101,619)	(290,614)	(51,553)	(3,389)	(126,086)	(197,192)	(770,453)
Net book amount at December 31, 2011	<u>525,079</u>	<u>659,255</u>	<u>19,940</u>	<u>43,847</u>	<u>105,023</u>	<u>1,545,927</u>	<u>2,899,071</u>
At December 31, 2011							
Cost	538,255	778,954	26,329	55,291	107,704	1,545,927	3,052,460
Accumulated depreciation	(13,176)	(119,699)	(6,389)	(11,444)	(2,681)	—	(153,389)
Net book amount	<u>525,079</u>	<u>659,255</u>	<u>19,940</u>	<u>43,847</u>	<u>105,023</u>	<u>1,545,927</u>	<u>2,899,071</u>
Net book amount at January 1,							
2012	525,079	659,255	19,940	43,847	105,023	1,545,927	2,899,071
Additions	75,758	33,284	60,380	32,277	550	4,188,425	4,390,674
Transfers upon completion	126,488	28,781	—	949	—	(156,218)	—
Disposals	—	—	(2,473)	(4,341)	(6,800)	—	(13,614)
Depreciation	(19,504)	(77,851)	(5,114)	(15,006)	(7,875)	—	(125,350)
Net book amount at December 31, 2012	<u>707,821</u>	<u>643,469</u>	<u>72,733</u>	<u>57,726</u>	<u>90,898</u>	<u>5,578,134</u>	<u>7,150,781</u>
At December 31, 2012							
Cost	740,501	841,019	83,274	82,817	101,455	5,578,134	7,427,200
Accumulated depreciation	(32,680)	(197,550)	(10,541)	(25,091)	(10,557)	—	(276,419)
Net book amount	<u>707,821</u>	<u>643,469</u>	<u>72,733</u>	<u>57,726</u>	<u>90,898</u>	<u>5,578,134</u>	<u>7,150,781</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

6 Property, plant and equipment—continued

	Group						
	Buildings	Machinery	Vehicles	Furniture and office equipment	Mouldings	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount at							
January 1, 2013	707,821	643,469	72,733	57,726	90,898	5,578,134	7,150,781
Acquisition of a subsidiary (Note 37)	3,093,127	2,515,105	182,228	992,880	340,653	5,106,508	12,230,501
Additions	8,158	27,720	20,985	38,562	78,845	4,957,028	5,131,298
Transfers upon completion	2,956,400	3,797,174	17,027	134,527	269,341	(7,174,469)	—
Disposals (note (e))	(703)	(12,041)	(14,713)	(10,108)	(1,921)	(169,943)	(209,429)
Disposal of a subsidiary	(128,856)	(20,320)	(10,962)	(4,235)	—	(18,693)	(183,066)
Depreciation	(99,631)	(330,972)	(17,388)	(41,438)	(81,539)	—	(570,968)
Impairment	—	(2,095)	—	—	—	—	(2,095)
Net book amount at							
December 31, 2013	<u>6,536,316</u>	<u>6,618,040</u>	<u>249,910</u>	<u>1,167,914</u>	<u>696,277</u>	<u>8,278,565</u>	<u>23,547,022</u>
At December 31, 2013							
Cost	6,662,101	7,123,247	265,492	1,222,474	785,054	8,278,565	24,336,933
Accumulated depreciation and impairment	(125,785)	(505,207)	(15,582)	(54,560)	(88,777)	—	(789,911)
Net book amount	<u>6,536,316</u>	<u>6,618,040</u>	<u>249,910</u>	<u>1,167,914</u>	<u>696,277</u>	<u>8,278,565</u>	<u>23,547,022</u>
Net book amount at							
January 1, 2013	707,821	643,469	72,733	57,726	90,898	5,578,134	7,150,781
Additions	125	—	9,604	11,857	11,855	1,786,068	1,819,509
Transfers upon completion	2,362,733	1,865,491	7,512	13,391	242,158	(4,491,285)	—
Disposals	—	(212)	(7,396)	(322)	(1,507)	—	(9,437)
Depreciation	(29,799)	(86,543)	(4,372)	(9,953)	(9,049)	—	(139,716)
Net book amount at June							
30, 2013 (unaudited)	<u>3,040,880</u>	<u>2,422,205</u>	<u>78,081</u>	<u>72,699</u>	<u>334,355</u>	<u>2,872,917</u>	<u>8,821,137</u>
At June 30, 2013							
(unaudited)							
Cost	3,102,122	2,690,299	86,229	107,595	353,962	2,872,917	9,213,124
Accumulated depreciation ..	(61,242)	(268,094)	(8,148)	(34,896)	(19,607)	—	(391,987)
Net book amount	<u>3,040,880</u>	<u>2,422,205</u>	<u>78,081</u>	<u>72,699</u>	<u>334,355</u>	<u>2,872,917</u>	<u>8,821,137</u>
Net book amount at							
January 1, 2014	6,536,316	6,618,040	249,910	1,167,914	696,277	8,278,565	23,547,022
Additions	1,344	—	3,347	318	—	3,182,495	3,187,504
Transfers upon completion	416,008	428,711	31,375	180,133	197,597	(1,253,824)	—
Disposals	—	(26,074)	(85)	(567)	—	—	(26,726)
Depreciation	(157,584)	(374,805)	(28,726)	(139,739)	(88,064)	—	(788,918)
Net book amount at							
June 30, 2014	<u>6,796,084</u>	<u>6,645,872</u>	<u>255,821</u>	<u>1,208,059</u>	<u>805,810</u>	<u>10,207,236</u>	<u>25,918,882</u>
At June 30, 2014							
Cost	7,077,426	7,521,618	300,029	1,402,143	982,735	10,207,236	27,491,187
Accumulated depreciation ..	(281,342)	(875,746)	(44,208)	(194,084)	(176,925)	—	(1,572,305)
Net book amount	<u>6,796,084</u>	<u>6,645,872</u>	<u>255,821</u>	<u>1,208,059</u>	<u>805,810</u>	<u>10,207,236</u>	<u>25,918,882</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

6 Property, plant and equipment—continued

	Company						
	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture and office equipment RMB'000	Mouldings RMB'000	Construction in progress RMB'000	Total RMB'000
Net book amount at							
January 1, 2011	—	—	3,483	63	—	—	3,546
Additions	467,394	228,939	13,933	41,554	101,625	1,544,619	2,398,064
Transfers upon completion	—	289,551	—	—	—	(289,551)	—
Disposals	—	—	(75)	(68)	—	—	(143)
Depreciation	(13,063)	(58,035)	(2,602)	(6,875)	(2,682)	—	(83,257)
Net book amount at							
December 31, 2011	<u>454,331</u>	<u>460,455</u>	<u>14,739</u>	<u>34,674</u>	<u>98,943</u>	<u>1,255,068</u>	<u>2,318,210</u>
At December 31, 2011							
Cost	467,394	518,490	17,399	41,550	101,625	1,255,068	2,401,526
Accumulated depreciation	(13,063)	(58,035)	(2,660)	(6,876)	(2,682)	—	(83,316)
Net book amount	<u>454,331</u>	<u>460,455</u>	<u>14,739</u>	<u>34,674</u>	<u>98,943</u>	<u>1,255,068</u>	<u>2,318,210</u>
Net book amount at							
January 1, 2012	454,331	460,455	14,739	34,674	98,943	1,255,068	2,318,210
Additions	—	10,759	42,950	20,725	—	2,737,315	2,811,749
Transfers upon completion	126,488	25,077	—	949	—	(152,514)	—
Disposals	—	—	(2,186)	(4,341)	(6,800)	—	(13,327)
Depreciation	(16,181)	(52,645)	(3,161)	(10,703)	(7,823)	—	(90,513)
Net book amount at							
December 31, 2012	<u>564,638</u>	<u>443,646</u>	<u>52,342</u>	<u>41,304</u>	<u>84,320</u>	<u>3,839,869</u>	<u>5,026,119</u>
At December 31, 2012							
Cost	593,882	554,326	58,163	58,883	94,825	3,839,869	5,199,948
Accumulated depreciation	(29,244)	(110,680)	(5,821)	(17,579)	(10,505)	—	(173,829)
Net book amount	<u>564,638</u>	<u>443,646</u>	<u>52,342</u>	<u>41,304</u>	<u>84,320</u>	<u>3,839,869</u>	<u>5,026,119</u>
Net book amount at							
January 1, 2013	564,638	443,646	52,342	41,304	84,320	3,839,869	5,026,119
Additions	4,560	8,544	14,019	38,342	76,569	2,086,245	2,228,279
Transfers upon completion	2,272,392	2,226,173	5,531	17,361	231,376	(4,752,833)	—
Disposals (note (e))	—	(11,418)	(12,184)	(8,841)	—	(169,943)	(202,386)
Depreciation	(71,539)	(172,040)	(7,422)	(18,988)	(30,070)	—	(300,059)
Net book amount at							
December 31, 2013	<u>2,770,051</u>	<u>2,494,905</u>	<u>52,286</u>	<u>69,178</u>	<u>362,195</u>	<u>1,003,338</u>	<u>6,751,953</u>
At December 31, 2013							
Cost	2,870,834	2,757,727	59,469	99,551	402,770	1,003,338	7,193,689
Accumulated depreciation	(100,783)	(262,822)	(7,183)	(30,373)	(40,575)	—	(441,736)
Net book amount	<u>2,770,051</u>	<u>2,494,905</u>	<u>52,286</u>	<u>69,178</u>	<u>362,195</u>	<u>1,003,338</u>	<u>6,751,953</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

6 Property, plant and equipment—continued

	Company						
	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture and office equipment RMB'000	Mouldings RMB'000	Construction in progress RMB'000	Total RMB'000
Net book amount at							
January 1, 2013	564,638	443,646	52,342	41,304	84,320	3,839,869	5,026,119
Additions	—	—	7,743	11,520	11,855	1,537,254	1,568,372
Transfers upon completion	2,127,214	1,668,799	848	8,346	230,869	(4,036,076)	—
Disposals	—	—	(5,085)	(322)	—	—	(5,407)
Depreciation	(26,915)	(68,233)	(3,502)	(7,650)	(8,327)	—	(114,627)
Net book amount at							
June 30, 2013 (unaudited)	<u>2,664,937</u>	<u>2,044,212</u>	<u>52,346</u>	<u>53,198</u>	<u>318,717</u>	<u>1,341,047</u>	<u>6,474,457</u>
At June 30, 2013 (unaudited)							
Cost	2,721,096	2,207,087	58,224	78,280	337,550	1,341,047	6,743,284
Accumulated depreciation	(56,159)	(162,875)	(5,878)	(25,082)	(18,833)	—	(268,827)
Net book amount	<u>2,664,937</u>	<u>2,044,212</u>	<u>52,346</u>	<u>53,198</u>	<u>318,717</u>	<u>1,341,047</u>	<u>6,474,457</u>
Net book amount at							
January 1, 2014	2,770,051	2,494,905	52,286	69,178	362,195	1,003,338	6,751,953
Additions	—	—	—	267	—	261,763	262,030
Transfers upon completion	471	28,215	668	6,096	160,878	(196,328)	—
Disposals	—	(24,881)	—	(567)	—	—	(25,448)
Depreciation	(46,493)	(126,300)	(3,140)	(10,794)	(17,082)	—	(203,809)
Net book amount at							
June 30, 2014	<u>2,724,029</u>	<u>2,371,939</u>	<u>49,814</u>	<u>64,180</u>	<u>505,991</u>	<u>1,068,773</u>	<u>6,784,726</u>
At June 30, 2014							
Cost	2,871,305	2,758,030	60,137	105,013	563,647	1,068,773	7,426,905
Accumulated depreciation	(147,276)	(386,091)	(10,323)	(40,833)	(57,656)	—	(642,179)
Net book amount	<u>2,724,029</u>	<u>2,371,939</u>	<u>49,814</u>	<u>64,180</u>	<u>505,991</u>	<u>1,068,773</u>	<u>6,784,726</u>

notes:

- (a) There is no property, plant and equipment pledged as collateral under borrowing agreements at December 31, of 2011, 2012 and 2013 and June 30, 2014.
- (b) The Group has capitalized borrowing costs amounting to RMB 40,960,000, RMB 227,667,000 and RMB 170,063,000, RMB 95,709,000 and RMB 179,849,000 on qualifying assets of property, plant and equipment for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014 respectively. Borrowing costs were capitalized at the weighted average of its borrowing rate of 6.17%, 6.43% and 6.32%, 6.62% and 4.04% during the respective years/periods.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

6 Property, plant and equipment—continued

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

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of sales	114,444	97,446	409,138	120,666	691,238
Selling and distribution expenses	242	650	1,824	546	4,735
General and administrative expenses	14,089	15,307	143,498	10,052	87,549
	<u>128,775</u>	<u>113,403</u>	<u>554,460</u>	<u>131,264</u>	<u>783,522</u>
Depreciation included in discontinued operations . .	51,898	—	—	—	—
Transfer to intangible assets—development costs . .	6,906	11,947	16,508	8,452	5,396
	<u>187,579</u>	<u>125,350</u>	<u>570,968</u>	<u>139,716</u>	<u>788,918</u>

- (d) As at June 30, 2014, the Group has not obtained the formal ownership certificates for certain buildings with carrying values of approximately RMB 643,629,000. In the opinion of the directors, the absence of formal title to these buildings does not impair their values to the Group as the probability of the Group being evicted on the ground of absence of formal title is remote.
- (e) Among other disposals, the Company disposed of certain property, plant and equipment related to research, development and manufacturing of off-road vehicles to BAIC Group in December 2013 with an aggregate carrying value of approximately RMB 117 million.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

7 Land use rights

	Group				
	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost					
At January 1,	267,262	1,213,384	1,249,706	1,249,706	5,249,459
Additions	1,031,048	36,322	3,330	2,180	—
Transfer to disposal group classified as held for sale (Note 20)	(84,926)	—	—	—	—
Acquisition of a subsidiary (Note 37)	—	—	4,012,023	—	—
Disposal of a subsidiary	—	—	(15,600)	—	—
At December 31/June 30,	<u>1,213,384</u>	<u>1,249,706</u>	<u>5,249,459</u>	<u>1,251,886</u>	<u>5,249,459</u>
Accumulated amortization					
At January 1,	(14,507)	(16,919)	(41,200)	(41,200)	(76,781)
Amortization	(11,471)	(24,281)	(35,883)	(12,450)	(57,958)
Transfer to disposal group classified as held for sale (Note 20)	9,059	—	—	—	—
Disposal of a subsidiary	—	—	302	—	—
At December 31/June 30,	<u>(16,919)</u>	<u>(41,200)</u>	<u>(76,781)</u>	<u>(53,650)</u>	<u>(134,739)</u>
Net book amount					
At December 31/June 30,	<u>1,196,465</u>	<u>1,208,506</u>	<u>5,172,678</u>	<u>1,198,236</u>	<u>5,114,720</u>
	Company				
	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost					
At January 1,	—	1,036,274	1,036,274	1,036,274	1,036,274
Additions	1,036,274	—	—	—	—
At December 31/June 30,	<u>1,036,274</u>	<u>1,036,274</u>	<u>1,036,274</u>	<u>1,036,274</u>	<u>1,036,274</u>
Accumulated amortization					
At January 1,	—	(7,545)	(28,267)	(28,267)	(49,019)
Amortization	(7,545)	(20,722)	(20,752)	(10,376)	(10,376)
At December 31/June 30,	<u>(7,545)</u>	<u>(28,267)</u>	<u>(49,019)</u>	<u>(38,643)</u>	<u>(59,395)</u>
Net book amount					
At December 31/June 30,	<u>1,028,729</u>	<u>1,008,007</u>	<u>987,255</u>	<u>997,631</u>	<u>976,879</u>

notes:

- (a) The Group's and Company's land use rights are held under leases for periods of 47 to 50 years and 50 years respectively.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

7 Land use rights—continued

(b) Amortization on land use rights of the Group is analyzed as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of sales	—	—	312	—	—
General and administrative expenses	10,562	24,281	35,571	12,450	57,958
	10,562	24,281	35,883	12,450	57,958
Amortization included in discontinued operations	909	—	—	—	—
	11,471	24,281	35,883	12,450	57,958

(c) As at June 30, 2014, the Group has not obtained the formal ownership certificates for certain land use rights with carrying values of approximately RMB 2,126,000. In the opinion of the directors, the absence of formal title to these land use rights does not impair their values to the Group as the probability of the Group being evicted on the ground of absence of formal title is remote.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

8 Intangible assets

	Group			
	Development costs	Computer software	Goodwill (note (a))	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount at January 1, 2011	2,205,109	18,900	—	2,224,009
Additions	658,005	11,447	—	669,452
Amortization	(11,608)	(2,542)	—	(14,150)
Transfer to disposal group classified as held for sale (Note 20)	—	(137)	—	(137)
Net book amount at December 31, 2011	<u>2,851,506</u>	<u>27,668</u>	<u>—</u>	<u>2,879,174</u>
At December 31, 2011				
Cost	2,863,114	30,071	—	2,893,185
Accumulated amortization	(11,608)	(2,403)	—	(14,011)
Net book amount	<u>2,851,506</u>	<u>27,668</u>	<u>—</u>	<u>2,879,174</u>
Net book amount at January 1, 2012	2,851,506	27,668	—	2,879,174
Additions	984,853	11,204	—	996,057
Disposals	—	(3,500)	—	(3,500)
Amortization	(50,793)	(4,926)	—	(55,719)
Net book amount at December 31, 2012	<u>3,785,566</u>	<u>30,446</u>	<u>—</u>	<u>3,816,012</u>
At December 31, 2012				
Cost	3,847,967	37,750	—	3,885,717
Accumulated amortization	(62,401)	(7,304)	—	(69,705)
Net book amount	<u>3,785,566</u>	<u>30,446</u>	<u>—</u>	<u>3,816,012</u>
Net book amount at January 1, 2013	3,785,566	30,446	—	3,816,012
Acquisition of a subsidiary (Note 37)	—	16,203	807,505	823,708
Additions	1,467,128	35,839	—	1,502,967
Disposals (note (d))	(238,484)	(5,840)	—	(244,324)
Disposal of a subsidiary	(139,337)	(2,110)	—	(141,447)
Amortization	(207,630)	(9,712)	—	(217,342)
Net book amount at December 31, 2013	<u>4,667,243</u>	<u>64,826</u>	<u>807,505</u>	<u>5,539,574</u>
At December 31, 2013				
Cost	4,929,926	78,405	807,505	5,815,836
Accumulated amortization	(262,683)	(13,579)	—	(276,262)
Net book amount	<u>4,667,243</u>	<u>64,826</u>	<u>807,505</u>	<u>5,539,574</u>
Net book amount at January 1, 2013	3,785,566	30,446	—	3,816,012
Additions	654,352	11,228	—	665,580
Amortization	(87,362)	(4,360)	—	(91,722)
Net book amount at June 30, 2013 (unaudited)	<u>4,352,556</u>	<u>37,314</u>	<u>—</u>	<u>4,389,870</u>
At June 30, 2013 (unaudited)				
Cost	4,502,318	49,069	—	4,551,387
Accumulated amortization	(149,762)	(11,755)	—	(161,517)
Net book amount	<u>4,352,556</u>	<u>37,314</u>	<u>—</u>	<u>4,389,870</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

8 Intangible assets—continued

	Group			
	Development costs	Computer software	Goodwill (note (a))	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount at January 1, 2014	4,667,243	64,826	807,505	5,539,574
Additions	619,740	84,379	—	704,119
Amortization	(170,754)	(17,049)	—	(187,803)
Net book amount at June 30, 2014	<u>5,116,229</u>	<u>132,156</u>	<u>807,505</u>	<u>6,055,890</u>
At June 30, 2014				
Cost	5,549,668	162,781	807,505	6,519,954
Accumulated amortization	(433,439)	(30,625)	—	(464,064)
Net book amount	<u>5,116,229</u>	<u>132,156</u>	<u>807,505</u>	<u>6,055,890</u>
	Company			
	Development costs	Computer software	Total	
	RMB'000	RMB'000	RMB'000	
Net book amount at January 1, 2011	—	—	—	
Additions	1,165,914	23,988	1,189,902	
Amortization	(11,417)	(1,933)	(13,350)	
Net book amount at December 31, 2011	<u>1,154,497</u>	<u>22,055</u>	<u>1,176,552</u>	
At December 31, 2011				
Cost	1,165,914	23,988	1,189,902	
Accumulated amortization	(11,417)	(1,933)	(13,350)	
Net book amount	<u>1,154,497</u>	<u>22,055</u>	<u>1,176,552</u>	
Net book amount at January 1, 2012	1,154,497	22,055	1,176,552	
Additions	810,556	11,486	822,042	
Disposals	—	(3,500)	(3,500)	
Amortization	(49,904)	(4,435)	(54,339)	
Net book amount at December 31, 2012	<u>1,915,149</u>	<u>25,606</u>	<u>1,940,755</u>	
At December 31, 2012				
Cost	1,976,470	31,974	2,008,444	
Accumulated amortization	(61,321)	(6,368)	(67,689)	
Net book amount	<u>1,915,149</u>	<u>25,606</u>	<u>1,940,755</u>	
Net book amount at January 1, 2013	1,915,149	25,606	1,940,755	
Additions	1,137,136	23,352	1,160,488	
Disposals (note (d))	(255,394)	(5,840)	(261,234)	
Amortization	(144,071)	(7,222)	(151,293)	
Net book amount at December 31, 2013	<u>2,652,820</u>	<u>35,896</u>	<u>2,688,716</u>	
At December 31, 2013				
Cost	2,858,213	47,613	2,905,826	
Accumulated amortization	(205,393)	(11,717)	(217,110)	
Net book amount	<u>2,652,820</u>	<u>35,896</u>	<u>2,688,716</u>	

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

8 Intangible assets—continued

	Company		
	Development costs	Computer software	Total
	RMB'000	RMB'000	RMB'000
Net book amount at January 1, 2013	1,915,149	25,606	1,940,755
Additions	530,067	7,850	537,917
Amortization	(62,251)	(3,176)	(65,427)
Net book amount at June 30, 2013 (unaudited)	<u>2,382,965</u>	<u>30,280</u>	<u>2,413,245</u>
At June 30, 2013 (unaudited)			
Cost	2,506,538	39,824	2,546,362
Accumulated amortization	(123,573)	(9,544)	(133,117)
Net book amount	<u>2,382,965</u>	<u>30,280</u>	<u>2,413,245</u>
Net book amount at January 1, 2014	2,652,820	35,896	2,688,716
Additions	474,286	6,467	480,753
Amortization	(110,840)	(4,694)	(115,534)
Net book amount at June 30, 2014	<u>3,016,266</u>	<u>37,669</u>	<u>3,053,935</u>
At June 30, 2014			
Cost	3,332,499	54,080	3,386,579
Accumulated amortization	(316,233)	(16,411)	(332,644)
Net book amount	<u>3,016,266</u>	<u>37,669</u>	<u>3,053,935</u>

notes:

- (a) The goodwill acquired in the acquisition of Beijing Benz (Note 37) is fully allocated to the unit of passenger vehicles of Beijing Benz. The recoverable amount of this CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculations in 2013 are annual volume growth rate of ranging from 3%–49%, long-term growth rate of 3% and discount rate of 12.14%.

Management determined annual volume growth rate covering over the five-year forecast period to be a key assumption. The volume of sales in each period is the main driver for revenue and costs. The annual volume growth rate is based on past performance and management's expectations of market development. The long-term growth rate used is consistent with the forecasts included in industry reports. The discount rate used is pre-tax and reflects specific risks relating to the relevant business.

- (b) The Group has capitalized borrowing costs amounting to RMB 74,723,000, RMB 126,366,000 and RMB 122,337,000, RMB 55,358,000 and RMB 40,528,000 on qualifying intangible assets for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014 respectively. Borrowing costs were capitalized at the weighted average of its borrowing rate of 4.47%, 5.12% and 5.07%, 5.84% and 5.25% during the respective year/periods.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

8 Intangible assets—continued

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

	For the year ended December 31,			For the six months ended June 30,	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
Cost of sales	11,383	47,379	204,051	84,857	166,985
General and administrative expenses	2,733	8,340	13,291	6,865	20,818
	14,116	55,719	217,342	91,722	187,803
Amortization included in discontinued operations	34	—	—	—	—
	<u>14,150</u>	<u>55,719</u>	<u>217,342</u>	<u>91,722</u>	<u>187,803</u>

(d) In December 2013, the Company disposed certain intangible assets related to research and development of off-road vehicles to BAIC Group with an aggregate carrying value of approximately RMB 244 million.

9 Investments in subsidiaries

	As at December 31,			As at June 30,
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Unlisted investments, at cost	<u>8,173,592</u>	<u>8,417,166</u>	<u>15,823,751</u>	<u>15,823,751</u>

notes:

(a) Material non-controlling interests

Set out below is the summarized financial information for a 51% owned subsidiary, Beijing Benz, which has non-controlling interests that are material to the Group. The amounts disclosed below are before inter-company eliminations, and stated at the basis upon the Group acquired 51% interests in Beijing Benz as according to IFRS 3—Business combination.

(i) Summarized balance sheet**

	As at December 31, 2013	As at June 30, 2014
	RMB'000	RMB'000
Non-current assets	21,119,335	23,119,861
Current assets	18,857,096	15,623,055
Total assets	<u>39,976,431</u>	<u>38,742,916</u>
Non-current liabilities	2,658,772	3,013,125
Current liabilities	22,798,798	20,246,161
Total liabilities	<u>25,457,570</u>	<u>23,259,286</u>
Net assets	<u>14,518,861</u>	<u>15,483,630</u>
Non-controlling interests	<u>7,114,242</u>	<u>7,586,979</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

9 Investments in subsidiaries—continued

(ii) Summarized statement of comprehensive income**

	For the period from November 18, to December 31, 2013	For the six months ended June 30, 2014
	RMB'000 (unaudited)	RMB'000
Revenue	5,934,369	19,156,718
Net profit and total comprehensive income	<u>248,462</u>	<u>964,563</u>
Profit attributable to non-controlling interests	<u>121,746</u>	<u>472,636</u>
Dividends declared to non-controlling interests	<u>838,276</u>	<u>—</u>

(iii) Summarized statement of cash flows**

	For the period from November 18, to December 31, 2013	For the six months ended June 30, 2014
	RMB'000 (unaudited)	RMB'000
Net cash flows generated from operating activities	1,516,409	439,998
Net cash flows used in investing activities	(2,410,059)	(2,361,816)
Net cash flows generated from/(used in) financing activities	<u>816,302</u>	<u>(127,499)</u>
Net decrease in cash and cash equivalents	<u>(77,348)</u>	<u>(2,049,317)</u>

** The Group obtained control in Beijing Benz on November 18, 2013 and since then Beijing Benz became a subsidiary of the Company. Refer to Note 1.2 (b)(iii) for details.

10 Investments in joint ventures

	Group				
	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
At January 1,	7,420,309	9,010,951	9,768,588	9,768,588	11,841,449
New investments (note (a))	—	—	6,775,247	6,775,247	15,389
Additional investments (note (b))	522,012	—	1,289,024	1,289,024	—
Share of profits for the year/period:					
—Profit before income tax	4,762,131	5,113,203	7,995,615	3,934,872	3,703,787
—Income tax expense	<u>(1,190,533)</u>	<u>(1,278,301)</u>	<u>(2,009,097)</u>	<u>(983,718)</u>	<u>(925,947)</u>
	3,571,598	3,834,902	5,986,518	2,951,154	2,777,840
Dividends received	<u>(2,502,968)</u>	<u>(2,782,360)</u>	<u>(3,392,480)</u>	<u>(3,392,480)</u>	<u>(4,893,572)</u>
Transfer to a subsidiary (note (c))	—	—	(8,585,448)	—	—
Disposals (Note 28 (b))	—	<u>(294,905)</u>	—	—	—
At December 31/June 30,	<u>9,010,951</u>	<u>9,768,588</u>	<u>11,841,449</u>	<u>17,391,533</u>	<u>9,741,106</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

10 Investments in joint ventures—continued

	Company				
	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000	
At January 1,	—	—	—	—	50,000
New investments (note (a))	—	—	6,775,247	6,775,247	15,389
Additional investments (note (b))	—	—	1,289,024	1,289,024	—
Transfer to a subsidiary (note (c))	—	—	(8,014,271)	—	—
At December 31/June 30,	—	—	50,000	8,064,271	65,389

notes:

- (a) This mainly includes the investment in Beijing Benz in which the Company acquired from BAIC Group its entire 50% equity interests on January 4, 2013 (Note 1.2(b)(iii)). Upon completion of this acquisition, Beijing Benz became a joint venture of the Company.

In addition, the Company invested in a new joint venture, Benz Sales Service, on January 28, 2013 with a total registered capital of RMB 100,000,000 and each of 50% was contributed by the Company and Daimler Greater China Ltd. On November 15, 2013, the Company's equity interests in Benz Sales Service reduced to 49% upon additional capital of approximately RMB 2,041,000 injected by Daimler AG. Under the new shareholdings, Benz Sales Service remains to be jointly controlled by the Company and Daimler AG.

- (b) In 2011, Beijing Hyundai increased its registered capital by USD 159,500,000 with each of 50% contributed by the Group and foreign investor in cash.

On May 27, 2013, Beijing Benz increased its registered capital by RMB 2,578,049,000 with each of 50%, 39.454% and 10.546% contributed by the Company, Daimler AG and Daimler Greater China Ltd. in cash.

- (c) On November 18, 2013, the Company acquired a further 1% equity interest in Beijing Benz with a cash consideration of RMB 216,000,000 and thereby obtained control of Beijing Benz which became a subsidiary of the Company since then (Note 1.2(b)(iii), Note 37).

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

10 Investments in joint ventures—continued

(d) Summarized financial information for joint ventures

The information below reflects the amounts presented in the financial statements of the joint ventures after alignment with accounting policies of the Group.

(i) Summarized balance sheets of material joint ventures

	Beijing Hyundai			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Cash and cash equivalents	3,760,246	1,819,853	3,292,880	4,602,544
Other current assets	20,510,429	28,575,211	35,276,319	27,415,022
	<u>24,270,675</u>	<u>30,395,064</u>	<u>38,569,199</u>	<u>32,017,566</u>
Non-current assets	<u>12,636,467</u>	<u>14,353,130</u>	<u>15,177,615</u>	<u>15,531,985</u>
Current liabilities				
Financial liabilities	13,531,602	17,960,898	22,824,485	23,655,251
Other current liabilities	4,609,169	5,565,198	5,186,384	2,049,719
	<u>18,140,771</u>	<u>23,526,096</u>	<u>28,010,869</u>	<u>25,704,970</u>
Non-current liabilities				
Financial liabilities	—	—	—	—
Other non-current liabilities	1,508,174	1,684,922	2,184,522	2,542,775
	<u>1,508,174</u>	<u>1,684,922</u>	<u>2,184,522</u>	<u>2,542,775</u>
Net assets	<u>17,258,197</u>	<u>19,537,176</u>	<u>23,551,423</u>	<u>19,301,806</u>

Reconciliation of above summarized financial information presented to carrying amounts of the Group's share of interests in the joint ventures:

	Beijing Hyundai			
	For the year ended December 31,			For the six months ended June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Opening net assets	14,387,728	17,258,197	19,537,176	23,551,423
Profit and total comprehensive income for the year/period	6,832,381	7,469,965	10,799,207	5,537,527
Capital injection	1,044,024	—	—	—
Dividends paid	(5,005,936)	(5,190,986)	(6,784,960)	(9,787,144)
Closing net assets	<u>17,258,197</u>	<u>19,537,176</u>	<u>23,551,423</u>	<u>19,301,806</u>
Group's share in %	50%	50%	50%	50%
Carrying amount	<u>8,629,099</u>	<u>9,768,588</u>	<u>11,775,712</u>	<u>9,650,903</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

10 Investments in joint ventures—continued

(ii) Summarized statements of comprehensive income of material joint ventures

	Beijing Benz	
	From January 4, 2013 to June 30, 2013	From January 4, 2013 to November 17, 2013
	RMB'000 (unaudited)	RMB'000
Revenue	13,526,619	27,285,863
Depreciation and amortization	(353,896)	(816,752)
Interest income	34,512	80,091
Interest expenses	(2,037)	(22,313)
Other expenses	(12,395,292)	(25,004,931)
Income tax expenses	(217,261)	(379,604)
Profit and total comprehensive income	592,645	1,142,354

	Beijing Hyundai				
	For the year ended December 31,			For the six months ended June 30	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
Revenue	68,711,035	77,311,514	103,167,309	50,367,831	54,392,954
Depreciation and amortization	(1,212,375)	(1,391,737)	(1,604,052)	(781,998)	(851,204)
Interest income	210,106	82,253	86,617	67,405	100,980
Interest expenses	(343,745)	(133,958)	(235,891)	(159,489)	(172,806)
Other expenses	(58,390,470)	(65,882,895)	(86,988,384)	(42,282,287)	(45,971,862)
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

(iii) Individually immaterial joint ventures

In addition to the interest in the joint ventures disclosed above, the Group also has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	As at December 31,			As at June 30,	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
	Aggregate carrying amount of the net assets of individually immaterial joint ventures	763,704	—	134,158	77,689
Aggregate amounts of the Group's share thereon	381,852	—	65,737	38,068	90,203
Aggregate net profit and total comprehensive income	310,814	199,838	31,474	(24,349)	18,524
Aggregate amount of the Group's share net profit and total comprehensive income	155,407	99,919	15,737	(11,932)	9,077

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

11 Investments in associates

	Group				
	For the year ended December 31,			For the six months ended June 30,	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
At January 1,	638,640	726,639	688,476	688,476	807,990
Additional investments	286,307	217,088	139,000	—	47,250
Share of (losses)/profits for the year/period					
—(Loss)/profit before income tax	(61,019)	(16,793)	74,397	15,841	47,152
—Income tax expense	(25,128)	(21,083)	(38,648)	(3,960)	(11,788)
	(86,147)	(37,876)	35,749	11,881	35,364
Dividends received	(53,041)	(22,967)	(33,349)	(23,343)	(30,494)
Transfer to disposal group classified as held for sale (Note 20)	(59,120)	—	—	—	—
Disposals (Note 28 (b))	—	(227,954)	(24,603)	—	—
Other equity movements	—	33,546	2,717	—	—
At December 31/June 30,	<u>726,639</u>	<u>688,476</u>	<u>807,990</u>	<u>677,014</u>	<u>860,110</u>
	Company				
	For the year ended December 31,			For the six months ended June 30,	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
At January 1,	—	80,000	80,000	80,000	89,000
Additional investments	80,000	—	9,000	—	47,250
Disposals	—	—	—	—	—
At December 31/June 30,	<u>80,000</u>	<u>80,000</u>	<u>89,000</u>	<u>80,000</u>	<u>136,250</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

11 Investments in associates—continued

notes:

(a) Summarized financial information for associates

The information below reflects the amounts presented in the financial statements of the associates after alignment with accounting policies of the Group.

(i) Summarized balance sheets of material associates

	Beijing Shougang Cold-Rolled Sheet Co., Ltd.			
	For the year ended December 31,			For the six months ended June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Cash and cash equivalents	87,904	40,537	44,130	40,020
Other current assets	1,274,396	1,071,016	1,270,741	1,212,406
	<u>1,362,300</u>	<u>1,111,553</u>	<u>1,314,871</u>	<u>1,252,426</u>
Non-current assets	6,066,513	6,294,480	6,013,184	5,919,374
Current liabilities				
Financial liabilities	1,533,568	1,584,358	1,351,413	1,349,892
Other current liabilities	11,519	21,189	461,116	392,861
	<u>1,545,087</u>	<u>1,605,547</u>	<u>1,812,529</u>	<u>1,742,753</u>
Non-current liabilities				
Financial liabilities	—	—	—	
Other non-current liabilities	4,983,482	5,069,900	5,162,159	5,217,157
	<u>4,983,482</u>	<u>5,069,900</u>	<u>5,162,159</u>	<u>5,217,157</u>
Net assets	<u>900,244</u>	<u>730,586</u>	<u>353,367</u>	<u>211,890</u>

Reconciliation of above summarized financial information presented to carrying amounts of the Group's share of interests in the associates:

Opening net assets	1,681,673	900,244	730,586	353,367
Loss and total comprehensive loss	(781,429)	(590,091)	(377,219)	(141,477)
Capital injection	—	420,433	—	—
Closing net assets	<u>900,244</u>	<u>730,586</u>	<u>353,367</u>	<u>211,890</u>
Group's share in %	20%	20%	20%	20%
Carrying amount	<u>180,049</u>	<u>146,117</u>	<u>70,673</u>	<u>42,378</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

11 Investments in associates—continued

(i) Summarized balance sheets of material associates—continued

	BAG Finance			
	For the year ended December 31,			For the six months ended June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Cash and cash equivalents	1,510,629	3,487,496	8,817,568	5,795,847
Other current assets	50,000	316,535	60,452	132,180
	<u>1,560,629</u>	<u>3,804,031</u>	<u>8,878,020</u>	<u>5,928,027</u>
Non-current assets	<u>6,326</u>	<u>1,411,255</u>	<u>3,271,278</u>	<u>4,402,172</u>
Current liabilities				
Financial liabilities	1,050,003	4,651,229	11,443,077	9,544,334
Other current liabilities	16,252	12,735	25,472	21,689
	<u>1,066,255</u>	<u>4,663,964</u>	<u>11,468,549</u>	<u>9,566,023</u>
Non-current liabilities				
Financial liabilities	—	—	—	—
Other non-current liabilities	—	—	—	15,173
	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,173</u>
Net assets	<u>500,700</u>	<u>551,322</u>	<u>680,749</u>	<u>749,003</u>

Reconciliation of above summarized financial information presented to carrying amounts of the Group's share of interests in the associates:

Opening net assets	—	500,700	551,322	680,749
Profit and total comprehensive income	700	50,622	141,054	68,254
Capital injection	500,000	—	—	—
Dividends paid	—	—	(11,627)	—
Closing net assets	<u>500,700</u>	<u>551,322</u>	<u>680,749</u>	<u>749,003</u>
Group's share in %	20%	20%	20%	20%
Carrying amount	<u>100,140</u>	<u>110,264</u>	<u>136,150</u>	<u>149,801</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

11 Investments in associates—continued

(ii) Summarized statements of comprehensive income

	Beijing Shougang Cold-Rolled Sheet Co., Ltd.				
	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	9,197,229	8,150,062	8,785,537	4,654,674	4,340,061
Cost of sales	(9,450,686)	(8,219,398)	(8,667,057)	(4,581,700)	(4,180,661)
Other expenses	(527,972)	(520,755)	(495,699)	(273,329)	(300,877)
Loss and total comprehensive loss	<u>(781,429)</u>	<u>(590,091)</u>	<u>(377,219)</u>	<u>(200,355)</u>	<u>(141,477)</u>

	BAG Finance				
	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	4,204	158,450	360,907	133,281	213,897
Cost of sales	—	(51,858)	(118,747)	(41,479)	(87,842)
Other expenses	(3,060)	(38,929)	(53,887)	(21,140)	(35,048)
Income tax expense	(444)	(17,041)	(47,219)	(17,666)	(22,753)
Profit and total comprehensive income	<u>700</u>	<u>50,622</u>	<u>141,054</u>	<u>52,996</u>	<u>68,254</u>

(b) Individually immaterial associates

In addition to the interest in associates disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	As at December 31,			As at June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Aggregate carrying amount of the net assets of individually immaterial associates	1,405,385	1,516,213	2,083,750	1,523,707	2,134,539
Aggregate amounts of the Group's share thereon	<u>446,450</u>	<u>432,095</u>	<u>601,167</u>	<u>450,104</u>	<u>667,931</u>
Aggregate net profit and total comprehensive income	273,369	302,288	231,329	124,077	98,258
Aggregate amount of the Group's share net profit and total comprehensive income	<u>69,999</u>	<u>70,018</u>	<u>82,982</u>	<u>41,353</u>	<u>50,008</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

12 Available-for-sale financial assets

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	<u>1,000</u>	<u>5,000</u>	<u>4,000</u>	<u>4,000</u>

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	<u>1,000</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>

These assets principally represent interests in certain unlisted companies which do not have a quoted market price in an active market and for which the range of other methods of reasonably estimating fair value is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, these investments are carried at cost less accumulated impairment losses.

13 Deferred income taxes

(a) Group

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:				
—to be recovered after more than 12 months	161	161	2,084,727	2,173,040
—to be recovered within 12 months	<u>17,407</u>	<u>—</u>	<u>615,631</u>	<u>324,106</u>
	<u>17,568</u>	<u>161</u>	<u>2,700,358</u>	<u>2,497,146</u>
Deferred income tax liabilities:				
—to be settled after more than 12 months	(27,165)	(61,844)	(865,036)	(850,867)
—to be settled within 12 months	<u>(7,857)</u>	<u>(9,356)</u>	<u>(81,356)</u>	<u>(82,650)</u>
	<u>(35,022)</u>	<u>(71,200)</u>	<u>(946,392)</u>	<u>(933,517)</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

13 Deferred income taxes—continued

(a) Group—continued

The movement in deferred income tax assets and liabilities of the Group is as follows:

<u>Deferred income tax assets</u>	<u>Provisions for impairment losses</u>	<u>Tax losses</u>	<u>Accruals</u>	<u>Others</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At January 1, 2011	2,777	—	—	—	2,777
(Charged)/credited to statement of comprehensive income	(1,716)	17,478	—	—	15,762
Transfer to disposal group classified as held for sale (Note 20)	(971)	—	—	—	(971)
At December 31, 2011	90	17,478	—	—	17,568
Credited/(charged) to statement of comprehensive income	71	(17,478)	—	—	(17,407)
At December 31, 2012	161	—	—	—	161
Acquisition of a subsidiary (Note 37)	289,519	—	2,394,144	30,892	2,714,555
Credited/(charged) to statement of comprehensive income	8,549	—	(24,256)	1,349	(14,358)
At December 31, 2013	298,229	—	2,369,888	32,241	2,700,358
At January 1, 2013	161	—	—	—	161
Credited/(charged) to statement of comprehensive income	—	—	—	—	—
At June 30, 2013 (unaudited)	161	—	—	—	161
At January 1, 2014	298,229	—	2,369,888	32,241	2,700,358
Charged to statement of comprehensive income	—	—	(202,176)	(1,036)	(203,212)
At June 30, 2014	298,229	—	2,167,712	31,205	2,497,146

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

13 Deferred income taxes—continued

(a) Group—continued

<u>Deferred income tax liabilities</u>	<u>Unrealized loss in inventories</u>	<u>Capitalized interest</u>	<u>Valuation surplus upon acquisition of a subsidiary</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At January 1, 2011	—	(5,727)	—	(5,727)
Charged to statement of comprehensive income	(7,857)	(21,438)	—	(29,295)
At December 31, 2011	(7,857)	(27,165)	—	(35,022)
Charged to statement of comprehensive income	(1,498)	(34,680)	—	(36,178)
At December 31, 2012	(9,355)	(61,845)	—	(71,200)
Acquisition of a subsidiary (Note 37)	—	—	(900,962)	(900,962)
(Charged)/credited to statement of comprehensive income	9,355	(10,320)	26,735	25,770
At December 31, 2013	—	(72,165)	(874,227)	(946,392)
At January 1, 2013	(9,355)	(61,845)	—	(71,200)
Credited/(charged) to statement of comprehensive income	9,355	(10,421)	—	(1,066)
At June 30, 2013 (unaudited)	—	(72,266)	—	(72,266)
At January 1, 2014	—	(72,165)	(874,227)	(946,392)
Credited/(charged) to statement of comprehensive income	—	(8,316)	21,191	12,875
At June 30, 2014	—	(80,481)	(853,036)	(933,517)

Deferred income tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of RMB 197,630,000, RMB 502,625,000, RMB 1,414,175,000 and RMB 1,786,526,000 in respect of losses and deductible temporary differences amounting to RMB 790,520,000, RMB 2,010,500,000, RMB 5,656,700,000 and RMB 7,146,105,000 that can be carried forward against future taxable income as at December 31, 2011, 2012 and 2013 and June 30, 2014 respectively. These unrecognized tax loss carry forwards are expiring within 5 years.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

13 Deferred income taxes—continued

(b) Company

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax liabilities:				
—to be settled after more than 12 months	(9,650)	(35,610)	(37,112)	(39,957)

The movement in deferred income tax liabilities of the Company is as follows:

	Capitalized interest
	RMB'000
At January 1, 2011	—
Charged to income statement	(9,650)
At December 31, 2011	(9,650)
Charged to income statement	(25,960)
At December 31, 2012	(35,610)
Charged to income statement	(1,502)
At December 31, 2013	(37,112)
At January 1, 2013	(35,610)
Credit to income statement	669
At June 30, 2013 (unaudited)	(34,941)
At January 1, 2014	(37,112)
Charged to income statement	(2,845)
At June 30, 2014	(39,957)

Deferred income tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company did not recognize deferred income tax assets of RMB 191,843,000, RMB 376,178,000, RMB 863,709,000 and RMB 1,008,867,000 in respect of losses and deductible temporary differences amounting to RMB 767,372,000, RMB 1,504,712,000, RMB 3,454,836,000 and RMB 4,035,466,000 that can be carried forward against future taxable income as at December 31, 2011, 2012 and 2013 and June 30, 2014 respectively. These unrecognized tax loss carry forwards are expiring within 5 years.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

14 Inventories

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	77,056	253,242	3,175,791	3,652,733
Work in progress	138,812	47,061	305,453	318,662
Finished goods	237,888	616,029	4,213,036	2,302,138
	453,756	916,332	7,694,280	6,273,533
Less: provision for impairment (note (a))	(12,334)	(81,214)	(215,161)	(140,293)
	<u>441,422</u>	<u>835,118</u>	<u>7,479,119</u>	<u>6,133,240</u>

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	42,317	168,970	305,817	342,279
Work in progress	14,896	15,686	23,854	3,999
Finished goods	204,516	67,974	128,630	277,645
	261,729	252,630	458,301	623,923
Less: provision for impairment (note (a))	(12,334)	(7,382)	(9,436)	(9,609)
	<u>249,395</u>	<u>245,248</u>	<u>448,865</u>	<u>614,314</u>

notes:

- (a) Provision for impairment is recognized for 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.
- (b) The cost of inventories recognized as an expense and included in cost of sales for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014 amounted to RMB 1,888,490,000, RMB 3,687,797,000, RMB 12,366,687,000, RMB 2,607,290,000 and RMB 21,711,810,000 respectively.
- (c) Finished goods of RMB 112 million, RMB 938 million and RMB 1,110 million as at December 31, 2012 and 2013 and June 30, 2014 respectively were pledged as collateral to secure the bank borrowings to the dealers.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

15 Accounts receivable

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables, gross (note (a))	62,432	61,659	3,407,728	3,479,433
Less: provision for impairment	(636)	(1,341)	(10,078)	(4,825)
	61,796	60,318	3,397,650	3,474,608
Notes receivable (note (b))	93,193	466,373	2,606,185	3,058,875
	<u>154,989</u>	<u>526,691</u>	<u>6,003,835</u>	<u>6,533,483</u>

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables, gross (note (a))	5,891	380,108	1,341,815	1,562,515
Less: provision for impairment	—	(335)	(3,547)	(3,547)
	5,891	379,773	1,338,268	1,558,968
Notes receivable (note (b))	93,193	349,002	1,295,371	865,430
	<u>99,084</u>	<u>728,775</u>	<u>2,633,639</u>	<u>2,424,398</u>

notes:

- (a) The majority of the Group's sales are on advance payments except for Beijing Benz which are made on credit. A credit period of up to 3 to 6 months may be granted in respect of sales to customers with good credit history and long-established relationship with the Group. The ageing analysis of trade receivables is as follows:

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current to 1 year	59,968	58,707	3,402,939	3,478,960
1 to 2 years	127	513	2,182	457
2 to 3 years	—	102	270	—
Over 3 years	2,337	2,337	2,337	16
	<u>62,432</u>	<u>61,659</u>	<u>3,407,728</u>	<u>3,479,433</u>

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current to 1 year	5,891	380,108	1,340,090	1,562,515
1 to 2 years	—	—	1,725	—
2 to 3 years	—	—	—	—
Over 3 years	—	—	—	—
	<u>5,891</u>	<u>380,108</u>	<u>1,341,815</u>	<u>1,562,515</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

15 Accounts receivable—continued

As at December 31, 2011, 2012 and 2013 and June 30, 2014, the following trade receivables were past due but not impaired. These mainly relate to a number of customers for whom there is no recent history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current to 1 year	9,127	9,021	155,886	8,828
1 to 2 years	127	513	2,182	457
2 to 3 years	—	102	270	—
Over 3 years	1,701	996	—	16
	<u>10,955</u>	<u>10,632</u>	<u>158,338</u>	<u>9,301</u>

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current to 1 year	5,891	—	—	—
1 to 2 years	—	—	1,725	—
2 to 3 years	—	—	—	—
Over 3 years	—	—	—	—
	<u>5,891</u>	<u>—</u>	<u>1,725</u>	<u>—</u>

As at December 31, 2011, 2012 and 2013 and June 30, 2013 and 2014, movement on the provision for impairment of trade receivables is as follows:

	Group	Company
	RMB'000	RMB'000
As at January 1, 2011	—	—
Provision for impairment	(636)	—
As at December 31, 2011	(636)	—
Provision for impairment	(705)	(335)
As at December 31, 2012	(1,341)	(335)
Provision for impairment	(8,737)	(3,212)
As at December 31, 2013	(10,078)	(3,547)
As at January 1, 2013	(1,341)	(335)
Provision for impairment	—	—
As at June 30, 2013 (unaudited)	(1,341)	(335)
As at January 1, 2014	(10,078)	(3,547)
Reversal of provision for impairment	5,253	—
As at June 30, 2014	(4,825)	(3,547)

(b) Substantially all notes receivable are bank acceptance notes with average maturity periods of within six months.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

15 Accounts receivable—continued

- (c) All accounts receivable are denominated in RMB and their carrying amounts approximate fair values.
- (d) There is no accounts receivable pledged as collateral.
- (e) The amounts of notes receivable pledged as collateral for notes payable issued by banks as at respective balance sheet dates are as follows:

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Pledged notes receivable	9,500	6,780	165,588	100,180

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Pledged notes receivable	9,500	6,780	165,588	100,180

16 Advances to suppliers

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

17 Other receivables and prepayments

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from				
—other related parties (note (a),(b))	37,641	971,000	1,496,090	210,236
Value-added tax, consumption tax recoverable and prepaid income tax	131,388	249,694	922,244	1,560,128
Deposits	667	1,053	7,282	13,883
Government grant (note (c))	—	—	129,645	171,051
Others	18,324	56,042	123,242	120,021
	188,020	1,277,789	2,678,503	2,075,319
Less: provision for impairment	(2,054)	(1,877)	(918)	(316)
	185,966	1,275,912	2,677,585	2,075,003

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

17 Other receivables and prepayments—continued

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Dividends receivable	—	1,028,285	1,493,355	—
Amounts due from				
—subsidiaries (note (a))	162,029	1,396,946	3,179,926	4,593,249
—other related parties (note (a),(b))	31,648	501,812	909,378	15,937
Value-added tax, consumption tax recoverable	83,233	148,080	301,514	729,329
Deposits	665	935	300	701
Government grant (note (c))	—	—	129,645	171,051
Others	16,411	9,177	26,867	7,186
	293,986	3,085,235	6,040,985	5,517,453
Less: provision for impairment	(107)	(455)	(191)	(191)
	<u>293,879</u>	<u>3,084,780</u>	<u>6,040,794</u>	<u>5,517,262</u>

notes:

(a) The amounts due from subsidiaries and other related parties are unsecured, interest free, repayable on demand and denominated in RMB.

(b) As at December 31, 2012 and 2013 and June 30, 2014, the balances of the Group include receivables arising from disposals of BAIC Limited and certain other subsidiaries, joint ventures and associates of RMB 939,113,000, RMB 363,861,000 and nil respectively.

Balance of the Group at December 31, 2013 and June 30, 2014 also includes receivables arising from disposal of certain intangible assets and property, plant and equipment to BAIC Group of RMB 411,247,000 and nil respectively.

(c) This mainly includes subsidies from national and local governments for the sales of new energy vehicles.

18 Restricted cash

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Capital verification account (note (a))	—	3,003,000	—	—
Pledged deposits (note (b))	2,000	210,050	546,901	596,546
	<u>2,000</u>	<u>3,213,050</u>	<u>546,901</u>	<u>596,546</u>

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Capital verification account (note (a))	—	3,003,000	—	—
Pledged deposits (note (b))	2,000	201,049	546,901	596,546
	<u>2,000</u>	<u>3,204,049</u>	<u>546,901</u>	<u>596,546</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**18 Restricted cash—continued**

notes:

- (a) As at December 31, 2012, the Company was in the process of completing the capital verification on the capital injected by the Company's shareholders. The process was subsequently completed in January 2013.
- (b) Pledged deposits are maintained with banks for issuance of bank notes. They earn interests at annual rates ranging from 2.85%, 2.85% to 3.08%, 2.85% to 3.08% and 2.85% to 3.08% as at December 31, 2011, 2012 and 2013 and June 30, 2014, respectively.

19 Cash and cash equivalents

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	1,040,509	1,274,940	4,955,864	6,902,151
Short-term deposits (note (a))	347,411	1,616,445	11,503,180	7,538,595
	<u>1,387,920</u>	<u>2,891,385</u>	<u>16,459,044</u>	<u>14,440,746</u>
	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	643,948	562,200	1,033,983	381,518
Short-term deposits (note (a))	245,367	771,640	4,310,031	1,773,779
	<u>889,315</u>	<u>1,333,840</u>	<u>5,344,014</u>	<u>2,155,297</u>

notes:

- (a) As at December 31, 2012 and 2013 and June 30, 2014, balances of RMB 794,719,000, RMB 5,903,793,000 and RMB 2,767,887,000 respectively of the Group, and RMB 208,489,000, RMB 2,760,534,000 and RMB 315,842,000 respectively of the Company, were deposited in a 20% owned associate, BAG Finance, which was approved by the China Banking Regulatory Commission as a non-bank financial institution. These deposits can be withdrawn on demand.
- (b) At December 31, 2011, 2012 and 2013 and June 30, 2014, approximately 100%, 99%, 99% and 100% respectively of the Group's cash and cash equivalents and all of the Company's cash and cash equivalents are denominated in RMB. The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

20 Assets of disposal group classified as held for sale and discontinued operations

As set out in Note 1.2(b)(i), in 2011 and 2012, the commercial vehicles business undertaken by BAIC Limited, and logistics and auction business undertaken by Zhongdu Logistics and Beiqi Penglong are collectively referred to as "discontinued operations" on the consolidated statements of comprehensive income. The assets and liabilities related to Zhongdu Logistics, Beiqi Penglong and BAIC Limited are classified as held for sale at December 31, 2011.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

20 Assets of disposal group classified as held for sale and discontinued operations—continued

The assets and liabilities held for sale at December 31, 2011 related to these disposals which were completed in 2012 were as follows:

	<u>Group</u>	<u>Company</u>
	RMB'000	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	—	467,994
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	—
	<u>2,111,524</u>	<u>467,994</u>
Liabilities of disposal group classified as held for sale		
Borrowings	50,000	—
Accounts payable	1,409,660	—
Advances from customers	167,684	—
Other payables and accruals	212,774	—
	<u>1,840,118</u>	<u>—</u>

Analyses of the results of discontinued operations in 2011 and 2012 were as follows:

	<u>For the year ended</u> <u>December 31,</u>	
	<u>2011</u>	<u>2012</u>
	RMB'000	RMB'000
Revenue	1,398,159	751,537
Expenses	(1,591,875)	(831,515)
Loss before income tax	(193,716)	(79,978)
Income tax expense	(2,468)	(692)
Net loss and total comprehensive loss	<u>(196,184)</u>	<u>(80,670)</u>
Attributable to:		
—Equity holders of the Company	(99,903)	(41,142)
—Non-controlling interests	(96,281)	(39,528)

Analyses of the cash flows of discontinued operations were as follows:

Net cash used in operating activities	(148,655)	(72,301)
Net cash used in investing activities	(9,031)	(25,189)
Total cash used	<u>(157,686)</u>	<u>(97,490)</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

21 Share capital

	Ordinary shares of RMB 1 each (‘000)	RMB’000
At January 1, 2011	4,261,283	4,261,283
Additions	738,717	738,717
At December 31, 2011	5,000,000	5,000,000
Additions	462,000	462,000
At December 31, 2012	5,462,000	5,462,000
Additions	919,818	919,818
At December 31, 2013	6,381,818	6,381,818
At January 1, 2013	5,462,000	5,462,000
Additions	154,000	154,000
At June 30, 2013 (unaudited)	5,616,000	5,616,000
At January 1, 2014	6,381,818	6,381,818
Additions	—	—
At June 30, 2014	6,381,818	6,381,818

note:

As disclosed in Note 1.1, the Company was incorporated on September 20, 2010 by Six Promoters with a total initial consideration of RMB 10,642 million which was fully completed by December 31, 2011, of which RMB 5,000 million was credited to the paid up capital and RMB 5,642 million to the share premium as at December 31, 2011.

In 2012, the Company has issued 462 million new shares to the existing shareholders at a total consideration of RMB 3,003 million, of which RMB 462 million was credited to the paid up capital and RMB 2,541 million to the share premium. Upon completion of this capital increase, the Company’s paid up capital was increased from RMB 5,000 million to RMB 5,462 million.

In 2013, the Company further increased its paid up capital through (a) the issuance of 154 million new shares to the existing shareholders at a total consideration of RMB 1,001 million, of which RMB 154 million was credited to the paid up capital and RMB 847 million to the share premium; and (b) the issuance of 766 million new shares to Daimler AG at a total consideration of RMB 5,131 million, of which RMB 766 million was credited to the paid up capital and RMB 4,365 million to the share premium. Upon completion of these further capital increases and as at December 31, 2013, the Company’s paid up capital was increased from RMB 5,462 million to approximately RMB 6,382 million.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

22 Reserves

Movements in the reserves of the Group are set out in the consolidated statements of changes in equity. Movements in reserves of the Company are set out below:

	Share premium	Statutory surplus reserve	(Accumulated losses)/ retained earnings	Total
	RMB'000 (note (a))	RMB'000 (note (b))	RMB'000	RMB'000
At January 1, 2011	4,369,814	—	(9,195)	4,360,619
Loss for the year	—	—	(223,245)	(223,245)
Issuance of new shares	1,272,561	—	—	1,272,561
At December 31, 2011	<u>5,642,375</u>	<u>—</u>	<u>(232,440)</u>	<u>5,409,935</u>
Profit for the year	—	—	2,257,129	2,257,129
Issuance of new shares	2,541,000	—	—	2,541,000
Appropriation to statutory surplus reserve	—	193,383	(193,383)	—
Dividends declared/paid	—	—	(1,500,000)	(1,500,000)
At December 31, 2012	<u>8,183,375</u>	<u>193,383</u>	<u>331,306</u>	<u>8,708,064</u>
Profit for the year	—	—	1,917,669	1,917,669
Issuance of new shares	5,212,163	—	—	5,212,163
Appropriation to statutory surplus reserve	—	249,498	(249,498)	—
Dividends declared/paid	—	—	(1,807,937)	(1,807,937)
At December 31, 2013	<u>13,395,538</u>	<u>442,881</u>	<u>191,540</u>	<u>14,029,959</u>
At January 1, 2013	8,183,375	193,383	331,306	8,708,064
Loss for the period	—	—	(781,906)	(781,906)
Issuance of new shares	847,000	—	—	847,000
Dividends declared/paid	—	—	(212,482)	(212,482)
At June 30, 2013 (unaudited)	<u>9,030,375</u>	<u>193,383</u>	<u>(663,082)</u>	<u>8,560,676</u>
At January 1, 2014	13,395,538	442,881	191,540	14,029,959
Loss for the period	—	—	(573,328)	(573,328)
Dividends declared/paid	—	—	(677,984)	(677,984)
At June 30, 2014	<u>13,395,538</u>	<u>442,881</u>	<u>(1,059,772)</u>	<u>12,778,647</u>

notes:

(a) Share premium

Share premium of the Company and the Group represents the difference between the fair value of shares issued and their respective par value.

(b) Statutory surplus reserve

In accordance with the relevant PRC laws and financial regulations, every year the Company is required to transfer 10% of the profit after taxation determined in accordance with the PRC accounting standards to the statutory surplus reserve until the balance reaches 50% of the paid-up share capital. Such reserve can be used to reduce any losses incurred and to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

22 Reserves—continued

(c) Capital reserve

Capital reserve of the Group includes reserves arising from capital contributions from equity holders. The consolidation difference that arises under merger accounting is also included in capital reserve of the Group and computed by comparing fair value of the share capital issued and the carrying amount of the net assets in the subsidiaries. Upon business combinations under common control where there are acquisitions with holding company, the consideration is also accounted for in capital reserve of the Group as deemed distribution.

23 Borrowings

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Bank borrowings				
—secured (Note 38(c))	11,000	—	1,000,000	—
—unsecured (note (c))	1,028,580	4,090,019	7,933,824	6,809,618
	1,039,580	4,090,019	8,933,824	6,809,618
Corporate bonds, unsecured (note (a))	1,493,153	3,979,225	5,483,646	4,489,032
	<u>2,532,733</u>	<u>8,069,244</u>	<u>14,417,470</u>	<u>11,298,650</u>
Current				
Bank borrowings				
—secured (Note 38(c))	20,000	—	—	—
—unsecured (note (c) and (d))	2,250,000	3,487,260	6,953,549	7,435,913
	2,270,000	3,487,260	6,953,549	7,435,913
Add: current portion of non-current bank borrowings:				
—secured (Note 38(c), note (b))	1,257,264	—	—	—
—unsecured	263,000	139,740	879,859	2,560,034
	<u>3,790,264</u>	<u>3,627,000</u>	<u>7,833,408</u>	<u>9,995,947</u>
Corporate bonds, unsecured (note (a))	—	—	—	997,616
Total borrowings	<u><u>6,322,997</u></u>	<u><u>11,696,244</u></u>	<u><u>22,250,878</u></u>	<u><u>22,292,213</u></u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

23 Borrowings—continued

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Bank borrowings				
—secured (Note 38(c))	—	—	3,200,000	2,025,000
—unsecured (note (c))	947,580	2,543,069	3,152,749	3,427,998
	947,580	2,543,069	6,352,749	5,452,998
Corporate bonds, unsecured (note (a))	—	2,484,861	3,988,009	2,992,728
	947,580	5,027,930	10,340,758	8,445,726
Current				
Bank borrowings				
—secured (Note 38(c))	—	—	—	—
—unsecured (note (c) and (d))	2,120,000	3,377,260	3,365,100	4,079,140
	2,120,000	3,377,260	3,365,100	4,079,140
Add: current portion of non-current bank borrowings:				
—secured (Note 38(c))	—	—	299,000	325,000
—unsecured	—	60,020	379,699	600,758
	2,120,000	3,437,280	4,043,799	5,004,898
Corporate bonds, unsecured (note (a))	—	—	—	997,616
Total borrowings	3,067,580	8,465,210	14,384,557	14,448,240

Maturity of borrowings

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	3,790,264	3,627,000	7,833,408	10,993,563
Between 1 and 2 years	388,543	327,481	6,261,976	4,475,802
Between 2 and 5 years	209,037	7,520,763	7,960,504	6,822,848
Over 5 years	1,935,153	221,000	194,990	—
	6,322,997	11,696,244	22,250,878	22,292,213
Wholly repayable:				
—within 5 years	4,322,844	11,189,244	21,621,878	22,292,213
—over 5 years	2,000,153	507,000	629,000	—
	6,322,997	11,696,244	22,250,878	22,292,213

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

23 Borrowings—continued

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	2,120,000	3,437,280	4,043,799	6,002,514
Between 1 and 2 years	310,543	307,040	4,751,421	4,448,802
Between 2 and 5 years	195,037	4,499,890	5,589,337	3,996,924
Over 5 years	442,000	221,000	—	—
	<u>3,067,580</u>	<u>8,465,210</u>	<u>14,384,557</u>	<u>14,448,240</u>
Wholly repayable:				
—within 5 years	2,560,580	7,958,210	14,384,557	14,448,240
—over 5 years	507,000	507,000	—	—
	<u>3,067,580</u>	<u>8,465,210</u>	<u>14,384,557</u>	<u>14,448,240</u>

Contractual repricing dates upon interest rate changes

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	1,810,580	4,488,349	14,916,263	16,204,505
6 to 12 months	1,046,000	819,000	790,000	601,060
	<u>2,856,580</u>	<u>5,307,349</u>	<u>15,706,263</u>	<u>16,805,565</u>

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	1,480,580	3,853,349	8,889,548	9,953,396
6 to 12 months	300,000	200,000	507,000	504,500
	<u>1,780,580</u>	<u>4,053,349</u>	<u>9,396,548</u>	<u>10,457,896</u>

Weighted average annual interest rates

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
Bank borrowings	5.06%	5.96%	5.69%	5.01%
Corporate bonds	<u>5.28%</u>	<u>5.55%</u>	<u>5.42%</u>	<u>5.28%</u>

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
Bank borrowings	6.38%	6.46%	5.27%	5.16%
Corporate bonds	<u>—</u>	<u>5.84%</u>	<u>5.48%</u>	<u>5.30%</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

23 Borrowings—continued

Currency denomination

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	5,069,733	10,251,574	17,298,093	17,601,603
US\$	1,253,264	1,280,737	1,315,486	1,364,472
HK\$	—	163,933	159,819	161,657
Euro	—	—	3,477,480	3,164,481
	<u>6,322,997</u>	<u>11,696,244</u>	<u>22,250,878</u>	<u>22,292,213</u>

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	3,067,580	8,465,210	14,384,557	14,448,240
US\$	—	—	—	—
HK\$	—	—	—	—
Euro	—	—	—	—
	<u>3,067,580</u>	<u>8,465,210</u>	<u>14,384,557</u>	<u>14,448,240</u>

Undrawn facilities at floating rates

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	820,000	1,459,795	7,124,848	8,581,000
Over 1 year	2,659,420	3,961,856	24,713,353	25,469,303
	<u>3,479,420</u>	<u>5,421,651</u>	<u>31,838,201</u>	<u>34,050,303</u>

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	820,000	1,459,795	2,538,004	150,000
Over 1 year	2,659,420	3,961,856	17,782,353	15,933,803
	<u>3,479,420</u>	<u>5,421,651</u>	<u>20,320,357</u>	<u>16,083,803</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

23 Borrowings—continued

notes:

(a) Corporate bonds are analyzed as follows:

<u>Issuer</u>	<u>Issue date</u>	<u>Interest rate per annum</u>	<u>Par value</u> RMB'000	<u>Carrying value</u> RMB'000	<u>Fair value</u> RMB'000	<u>Maturity</u>
At December 31, 2011						
BAIC Investment	January 29, 2010	5.18%	1,500,000	<u>1,493,153</u>	1,528,246	7 years
At December 31, 2012						
BAIC Investment	January 29, 2010	5.18%	1,500,000	1,494,364	1,564,688	7 years
Company	February 9, 2012	5.70%	1,000,000	992,074	1,072,731	3 years
Company	August 14, 2012	5.00%	1,500,000	<u>1,492,787</u>	1,543,118	3 years
				<u>3,979,225</u>		
At December 31, 2013						
BAIC Investment	January 29, 2010	5.18%	1,500,000	1,495,637	1,441,743	7 years
Company	February 9, 2012	5.70%	1,000,000	995,712	977,175	3 years
Company	August 14, 2012	5.00%	1,500,000	1,493,698	1,479,635	3 years
Company	April 10, 2013	4.96%	1,500,000	<u>1,498,599</u>	1,460,080	3 years
				<u>5,483,646</u>		
At June 30, 2014						
BAIC Investment	January 29, 2010	5.18%	1,500,000	1,496,304	1,525,571	7 years
Company	February 9, 2012	5.70%	1,000,000	997,616	1,027,596	3 years
Company	August 14, 2012	5.00%	1,500,000	1,494,165	1,569,914	3 years
Company	April 10, 2013	4.96%	1,500,000	<u>1,498,563</u>	1,522,613	3 years
				<u>5,486,648</u>		

The above fair values are based on cash flows discounted using the market borrowing rates of 5.85%, 4.58% to 5.33% and 4.44% to 5.17% and 4.7% to 5.36% at December 31, 2011, 2012 and 2013 and June 30, 2014 respectively. They are within level 2 of the fair value hierarchy.

(b) Balance of the Group at December 31, 2011 mainly represents bank borrowings of USD 200,000,000 bearing interest at 6-month LIBOR+2% per annum. They were secured by BAIC Group's interest in 147 million ordinary shares of Beiqi Foton Motor Co., Ltd. (a company whose shares are listed on Shanghai Stock Exchange), with a total value of approximately RMB 2,921 million.

These borrowings were fully repaid during 2012 with related securities released.

(c) Balances of the Group at December 31, 2012 and 2013 and June 30, 2014 include the borrowings of RMB 815 million and RMB 1,716 million and RMB 1,027 million respectively from BAG Finance, an associate of the Group.

(d) Balances of the Group at December 31, 2011 and 2012 include entrusted loans from banks of RMB 300 million and RMB 300 million respectively provided by BAIC Group.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

24 Provisions

Warranties

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current	8,318	52,509	334,413	279,822
Non-current	—	—	694,331	881,922
Total	<u>8,318</u>	<u>52,509</u>	<u>1,028,744</u>	<u>1,161,744</u>
	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current	8,318	—	—	—
Non-current	—	—	—	—
Total	<u>8,318</u>	<u>—</u>	<u>—</u>	<u>—</u>

Movements of warranties for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014 are as follows:

	Group	Company
	RMB'000	RMB'000
At January 1, 2011	—	—
Additions	8,318	8,318
Payments	—	—
At December 31, 2011	<u>8,318</u>	<u>8,318</u>
Additions	56,265	45,335
Transfer to a subsidiary (note)	—	(43,800)
Payments	(12,074)	(9,853)
At December 31, 2012	<u>52,509</u>	<u>—</u>
Acquisition of a subsidiary (Note 37)	892,520	—
Additions	154,414	—
Amortization of discount on non-current provisions	10,762	—
Payments	(81,461)	—
At December 31, 2013	<u>1,028,744</u>	<u>—</u>
At January 1, 2013	52,509	—
Additions	60,934	—
Payments	(77,450)	—
At June 30, 2013 (unaudited)	<u>35,993</u>	<u>—</u>
At January 1, 2014	1,028,744	—
Additions	275,899	—
Amortization of discount on non-current provisions	67,044	—
Payments	(209,943)	—
At June 30, 2014	<u>1,161,744</u>	<u>—</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**24 Provisions—continued**

note:

Balance was transferred from the Company to a subsidiary of the Company, BAIC Motor Sales Co., Ltd., upon its establishment in 2012.

25 Deferred income from government grants

Balances mainly include supports from local government to compensate for purchases of land use rights and development of new technologies.

Movements of deferred income from government grants for each of the years ended December 31, 2011, 2012 and 2013 and six months ended June 30, 2013 and 2014 are as follows:

	<u>Group</u>	<u>Company</u>
	RMB'000	RMB'000
At January 1, 2011	204,811	—
Additions	64,279	—
Amortization	(12,159)	—
At December 31, 2011	<u>256,931</u>	<u>—</u>
Additions	90,165	8,000
Amortization	(5,210)	—
At December 31, 2012	<u>341,886</u>	<u>8,000</u>
Acquisition of a subsidiary (Note 37)	43,800	—
Additions	146,510	80,000
Disposal of a subsidiary	(130,051)	—
Amortization	(13,323)	—
At December 31, 2013	<u>388,822</u>	<u>88,000</u>
At January 1, 2013	341,886	8,000
Additions	100,961	80,000
Amortization	(7,351)	—
At June 30, 2013 (unaudited)	<u>435,496</u>	<u>88,000</u>
At January 1, 2014	388,822	88,000
Additions	12,351	232
Amortization/reclassification	(27,229)	(20,000)
At June 30, 2014	<u>373,944</u>	<u>68,232</u>

26 Accounts payable

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payable	463,307	1,264,452	10,404,199	9,129,049
Notes payable	8,496	228,285	707,548	1,218,413
	<u>471,803</u>	<u>1,492,737</u>	<u>11,111,747</u>	<u>10,347,462</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

26 Accounts payable—continued

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payable	306,762	1,098,850	3,062,448	2,504,106
Notes payable	8,496	202,950	707,547	777,873
	<u>315,258</u>	<u>1,301,800</u>	<u>3,769,995</u>	<u>3,281,979</u>

Aging analysis of trade payable is as follows:

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current to 1 year	461,343	1,260,710	10,386,070	9,082,565
1 year to 2 years	1,116	1,850	17,026	46,065
2 years to 3 years	683	1,047	199	194
over 3 years	165	845	904	225
	<u>463,307</u>	<u>1,264,452</u>	<u>10,404,199</u>	<u>9,129,049</u>

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current to 1 year	306,762	1,098,850	3,061,330	2,458,858
1 year to 2 years	—	—	1,118	45,081
2 years to 3 years	—	—	—	167
over 3 years	—	—	—	—
	<u>306,762</u>	<u>1,098,850</u>	<u>3,062,448</u>	<u>2,504,106</u>

27 Other payables and accruals

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Sales discounts and rebates	39,984	68,291	4,874,650	4,178,623
Advertising and promotion	515	64,644	1,182,608	726,101
Wages, salaries and other employee benefits	50,059	119,678	570,634	369,612
Payables for property, plant and equipment and intangible assets	296,113	361,499	1,933,307	2,289,376
Payables for materials	20,474	33,370	176,901	230,426
Interests payable	80,038	167,744	238,603	173,758
Amounts due to				
—other related parties (note (a), (b))	975,342	533,933	4,562,411	4,228,575
Other taxes (note (c))	15,047	30,153	142,461	125,684
Deposits	17,527	122,498	88,708	110,699
Transportation and warehouse expenses	—	—	179,549	191,586
Pre-delivery inspection expenses	—	—	88,013	83,103
Others	6,262	65,175	1,502,361	782,926
	<u>1,501,361</u>	<u>1,566,985</u>	<u>15,540,206</u>	<u>13,490,469</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

27 Other payables and accruals—continued

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Sales discounts and rebates	39,984	—	—	—
Advertising and promotion	—	—	990	—
Wages, salaries and other employee benefits	43,070	85,855	137,031	132,269
Payables for property, plant and equipment and intangible assets	272,134	247,356	835,492	659,741
Payables for materials	20,474	33,370	53,961	90,445
Interests payable	5,437	93,328	148,382	118,401
Amounts due to				
—subsidiaries (note (a))	—	567,247	48,677	637,102
—other related parties (note (a), (b))	696,393	224,828	1,093,166	599,503
Other taxes (note (c))	11,660	26,878	89,693	64,859
Deposits	13,413	14,229	16,982	38,301
Others	6,103	12,576	717,566	271,355
	<u>1,108,668</u>	<u>1,305,667</u>	<u>3,141,940</u>	<u>2,611,976</u>

notes:

- (a) The amounts due to subsidiaries and other related parties are unsecured, interest free, repayable on demand and denominated in RMB.
- (b) Balances of the Group and Company include payable for acquisition of equity interests in
- BAIC Hong Kong of approximately RMB 59,949,000 at December 31, 2011 (Note 1.2(a)(ii)); and
 - Beijing Beinei Engine of approximately RMB 69,216,000 at December 31, 2012 (Note 1.2(b)(ii)).
- (c) These include payables of value-added tax, business tax, consumption tax and other taxes.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

28 Other gains, net

	For the year ended December 31,			For the six months ended June 30,	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
Gain from sales of scrap materials	13,411	19,589	39,532	11,192	29,733
Net foreign exchange gain/(loss)	65,983	6,417	25,597	25,155	(52,714)
Government grants (note (a))	23,072	714,968	213,886	15,356	49,215
Gain/(loss) on disposal of					
—property, plant and equipment and intangible assets	7,882	5,020	(1,507)	(426)	(50)
—investments in subsidiaries (Note 1.2(b)(i) and (iv))	—	440,608	126,201	—	—
—investments in joint ventures (note (b))	—	603,745	—	—	—
—investments in associates (note (b)) . . .	—	74,344	—	—	—
Gain on remeasuring existing 50% interests in Beijing Benz upon business combination . . .	—	—	156,552	—	—
Others	(3,922)	(9,232)	59,389	(385)	(12,777)
	<u>106,426</u>	<u>1,855,459</u>	<u>619,650</u>	<u>50,892</u>	<u>13,407</u>

notes:

- (a) In February 2012, the Company received a grant from local government of RMB 613 million to support the promotion of the market and channel for vehicles with the Company's own brands.

The government grants received in 2013 mainly include subsidies from national and local government for the sales of new energy vehicles.

- (b) During 2012, the Group disposed its full 50% equity interests in Beijing Hyundai Mobis Parts Co., Ltd., and other joint venture and associates to certain related parties of the Group.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

29 Expense by nature

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Raw materials used	1,663,772	3,508,756	12,004,130	4,072,904	21,199,308
Changes in inventories of finished goods and work-in-progress	(28,885)	(284,882)	(1,389,343)	(2,085,609)	(2,252,697)
Advertising and promotion	239,018	658,564	1,286,674	321,012	579,028
Employee benefit costs (Note 30)	292,114	490,836	1,136,284	315,183	1,287,796
Transportation and warehouse expenses	65,585	133,003	365,630	121,584	462,336
Depreciation on property, plant and equipment	128,775	113,403	554,460	131,264	783,522
Amortization on —land use rights	10,562	24,281	35,883	12,450	57,958
—intangible assets	14,116	55,719	217,342	91,722	187,803
Impairment charges/(reversals) on —inventories	12,334	81,035	223,594	119,732	116,897
—receivables	5,635	709	7,876	—	(5,856)
—property, plant and equipment	—	—	2,095	—	—
Warranty expenses	16,851	53,543	101,256	703	168,640
Research costs	14,987	43,826	23,479	8,368	14,439
Utilities	36,646	41,736	153,467	55,101	172,384
Operating lease expenses	22,919	36,777	118,952	54,720	70,208
Office and travel expenses	24,825	39,034	86,182	20,095	35,245
Tax and levies	17,847	32,068	155,060	20,229	904,889
Conference fees	23,325	18,376	16,985	2,575	5,130
Consulting fees	5,077	15,453	16,704	1,816	7,921
Entertainment	5,494	7,172	13,766	4,242	5,118
Auditors' remuneration—audit services	1,331	2,295	3,040	66	8,811
Service fees and charges	—	—	219,347	—	687,823
Listing expenses	—	—	—	—	8,702
Others	69,271	152,172	468,481	119,585	553,693
Total cost of sales, selling and distribution expenses, and general and administrative expenses	<u>2,641,599</u>	<u>5,223,876</u>	<u>15,821,344</u>	<u>3,387,742</u>	<u>25,059,098</u>

30 Employee benefit costs

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages and salaries	219,000	353,821	861,514	227,557	958,889
Pension scheme and other social security costs	39,593	73,949	150,049	36,672	132,919
Housing benefits	9,814	21,414	47,262	14,344	56,386
Welfare, medical and other expenses	23,707	41,652	77,459	36,610	139,602
	<u>292,114</u>	<u>490,836</u>	<u>1,136,284</u>	<u>315,183</u>	<u>1,287,796</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

30 Employee benefit costs—continued

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

The remuneration of each director, supervisor and the chief executive for the year ended December 31, 2011 is set out below:

	Salaries, allowances and other benefits	Employer's contribution to pension scheme	Discretionary bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive director				
Han Yonggui (韓永貴) (Chief Executive)	756	38	415	1,209
Non-executive director				
Xu Heyi (徐和誼)	—	—	—	—
Li Zhili (李志立)	531	30	—	561
Ma Chuanqi (馬傳騏)	—	—	—	—
Yu Zhongfu (于仲福)	—	—	—	—
Guo Xinmin (郭新民)	—	—	—	—
Wei Gang (魏剛)	—	—	—	—
Chen Jiang (陳江)	—	—	—	—
Fang Jianyi (方建一)	—	—	—	—
Han Qing (韓慶)	—	—	—	—
Shi Youwen (石幼文)	—	—	—	—
Gao Yang (高央)	—	—	—	—
Yang Shi (楊實)	—	—	—	—
Supervisor				
Zhang Yuguo (張裕國)	—	—	—	—
Chen Yifeng (陳宜峰)	—	—	—	—
Zhang Hui (張輝)	593	49	308	950
Wang Xu (王旭)	—	—	—	—
Zhu Zhenghua (朱正華)	—	—	—	—
	<u>1,880</u>	<u>117</u>	<u>723</u>	<u>2,720</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

30 Employee benefit costs—continued

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

The remuneration of each director, supervisor and the chief executive for the year ended December 31, 2012 is set out below:

	Salaries, allowances and other benefits	Employer's contribution to pension scheme	Discretionary bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive director				
Han Yonggui (韓永貴) (Chief Executive)	832	48	308	1,188
Non-executive director				
Xu Heyi (徐和誼)	—	—	—	—
Li Zhili (李志立)	622	48	245	915
Ma Chuanqi (馬傳騏)	—	—	—	—
Yu Zhongfu (于仲福)	—	—	—	—
Guo Xinmin (郭新民)	—	—	—	—
Wei Gang (魏剛)	—	—	—	—
Chen Jiang (陳江)	—	—	—	—
Fang Jianyi (方建一)	—	—	—	—
Han Qing (韓慶)	—	—	—	—
Shi Youwen (石幼文)	—	—	—	—
Gao Yang (高央)	—	—	—	—
Yang Shi (楊實)	—	—	—	—
Supervisor				
Zhang Yuguo (張裕國)	—	—	—	—
Chen Yifeng (陳宜峰)	—	—	—	—
Zhang Hui (張輝)	588	48	231	867
Wang Xu (王旭)	—	—	—	—
Zhu Zhenghua (朱正華)	—	—	—	—
	<u>2,042</u>	<u>144</u>	<u>784</u>	<u>2,970</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

30 Employee benefit costs—continued

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

The remuneration of each director, supervisor and the chief executive for the year ended December 31, 2013 is set out below:

	Salaries, allowances and other benefits	Employer's contribution to pension scheme	Discretionary bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive director				
Li Feng (李峰) (Chief Executive) ⁽³⁾	124	20	5	149
Non-executive director				
Xu Heyi (徐和誼)	—	—	—	—
Han Yonggui (韓永貴) ⁽¹⁾	893	41	440	1,374
Zhang Xiyong (張夕勇) ⁽³⁾	—	—	—	—
Li Zhili (李志立)	727	41	538	1,306
Wei Gang (魏剛)	—	—	—	—
Chen Jiang (陳江)	—	—	—	—
Wang Baomin (王保民) ⁽³⁾	—	—	—	—
Qiu Yinfu (邱銀富) ⁽³⁾	—	—	—	—
Shi Youwen (石幼文)	—	—	—	—
Gao Yang (高央) ⁽²⁾	—	—	—	—
Yang Shi (楊實)	—	—	—	—
Ma Chuanqi (馬傳騏)	—	—	—	—
Hubertus Troska ⁽³⁾	—	—	—	—
Bodo Uebber ⁽³⁾	—	—	—	—
Guo Xinmin (郭新民) ⁽²⁾	—	—	—	—
Yu Zhongfu (于仲福)	—	—	—	—
Fang Jianyi (方建一) ⁽²⁾	—	—	—	—
Han Qing (韓慶) ⁽²⁾	—	—	—	—
Supervisor				
Zhang Yuguo (張裕國)	—	—	—	—
Yin Weijie (尹維劫) ⁽³⁾	—	—	—	—
Zhu Zhenghua (朱正華)	—	—	—	—
Li Chengjun (李承軍) ⁽³⁾	—	—	—	—
Zhang Guofu (張國富) ⁽³⁾	—	—	—	—
Chen Yifeng (陳宜峰) ⁽²⁾	—	—	—	—
Zhang Hui (張輝) ⁽²⁾	653	41	476	1,170
Wang Xu (王旭) ⁽²⁾	—	—	—	—
	<u>2,397</u>	<u>143</u>	<u>1,459</u>	<u>3,999</u>

Notes:

(1) Resigned as executive director in September 2013 and appointed as non-executive director.

(2) Resigned in September 2013.

(3) Appointed in September 2013.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

30 Employee benefit costs—continued

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

The remuneration of each director, supervisor and the chief executive for the six months ended June 30, 2013 (unaudited) is set out below:

	Salaries, allowances and other benefits	Employer's contribution to pension scheme	Discretionary bonus	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
Executive director				
Han Yonggui (韓永貴) (Chief Executive)	420	14	440	874
Non-executive director				
Xu Heyi (徐和誼)	—	—	—	—
Li Zhili (李志立)	352	14	435	801
Wei Gang (魏剛)	—	—	—	—
Chen Jiang (陳江)	—	—	—	—
Shi Youwen (石幼文)	—	—	—	—
Gao Yang (高央)	—	—	—	—
Yang Shi (楊實)	—	—	—	—
Ma Chuanqi (馬傳騏)	—	—	—	—
Guo Xinmin (郭新民)	—	—	—	—
Yu Zhongfu (于仲福)	—	—	—	—
Fang Jianyi (方建一)	—	—	—	—
Han Qing (韓慶)	—	—	—	—
Supervisor				
Zhang Yuguo (張裕國)	—	—	—	—
Zhu Zhenghua (朱正華)	—	—	—	—
Chen Yifeng (陳宜峰)	—	—	—	—
Zhang Hui (張輝)	312	14	433	759
Wang Xu (王旭)	—	—	—	—
	<u>1,084</u>	<u>42</u>	<u>1,308</u>	<u>2,434</u>

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

30 Employee benefit costs—continued

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

The remuneration of each director, supervisor and the chief executive for the six months ended June 30, 2014 is set out below:

	Salaries, allowances and other benefits	Employer's contribution to pension scheme	Discretionary bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive director				
Li Feng (李峰) (Chief Executive)	458	8	—	466
Non-executive director				
Xu Heyi (徐和誼)	—	—	—	—
Han Yonggui (韓永貴) ⁽¹⁾	172	9	—	181
Zhang Xiyong (張夕勇)	—	—	—	—
Li Zhili (李志立)	411	11	152	574
Wei Gang (魏剛) ⁽²⁾	—	—	—	—
Chen Jiang (陳江) ⁽²⁾	—	—	—	—
Wang Baomin (王保民) ⁽²⁾	—	—	—	—
Qiu Yinfu (邱銀富)	—	—	—	—
Shi Youwen (石幼文) ⁽²⁾	—	—	—	—
Yang Shi (楊實)	—	—	—	—
Ma Chuanqi (馬傳騏)	—	—	—	—
Hubertus Troska	—	—	—	—
Bodo Uebber	—	—	—	—
Yu Zhongfu (于仲福) ⁽³⁾	—	—	—	—
Wang Jing (王京) ⁽⁴⁾	—	—	—	—
Supervisor				
Zhang Yuguo (張裕國)	—	—	—	—
Yin Weijie (尹維劫)	—	—	—	—
Zhu Zhenghua (朱正華)	—	—	—	—
Li Chengjun (李承軍)	355	11	60	426
Zhang Guofu (張國富)	—	—	—	—
	<u>1,396</u>	<u>39</u>	<u>212</u>	<u>1,647</u>

Notes:

(1) Resigned in February 2014.

(2) Resigned in December 2014.

(3) Resigned in April 2014.

(4) Appointed in April 2014.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

30 Employee benefit costs—continued

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include one director and one supervisor for the year ended December 31, 2011, two directors for the year ended December 31, 2012, one director and one supervisor for the year ended December 31, 2013, two directors and one supervisor for the six months ended June 30, 2013 and no director and supervisor for the six months ended June 30, 2014. Their emoluments are reflected in the analysis presented above. The emoluments paid to the remaining individuals are as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and other benefits	1,707	1,996	3,852	687	8,135
Employer's contribution to pension scheme	127	145	73	28	—
Discretionary bonuses	1,822	877	1,241	871	—
	<u>3,656</u>	<u>3,018</u>	<u>5,166</u>	<u>1,586</u>	<u>8,135</u>

The emoluments of the remaining individuals fell within the following bands:

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	Number of individuals			Number of individuals	
Emolument bands (in HK dollar)					
HK\$0—HK\$1,000,000	—	—	—	1	—
HK\$1,000,001—HK\$1,500,000	2	3	—	1	—
HK\$1,500,001—HK\$2,000,000	1	—	2	—	—
HK\$2,000,001—HK\$2,500,000	—	—	—	—	5
HK\$2,500,001—HK\$3,000,000	—	—	—	—	—
HK\$3,000,001—HK\$3,500,000	—	—	1	—	—

During the Relevant Periods, there was no emolument paid by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

31 Finance costs, net

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Finance income					
Interest on bank deposits	31,921	43,161	113,630	25,210	156,283
Finance costs					
Interest expense on bank borrowings					
—Wholly repayable within 5 years	127,255	361,070	591,769	265,951	401,858
—Not wholly repayable within 5 years	23,316	31,203	4,080	—	—
Interest expense on corporate bonds					
—Wholly repayable within 5 years	—	84,325	275,131	116,828	144,326
—Not wholly repayable within 5 years	78,909	78,849	—	—	—
Amortization of discount on non-current provisions	—	—	10,762	—	67,044
	229,480	555,447	881,742	382,779	613,228
Less: amount capitalized in qualifying assets (Notes 6 and 8)	(115,683)	(354,033)	(292,400)	(151,067)	(220,377)
	113,797	201,414	589,342	231,712	392,851
Finance costs, net	(81,876)	(158,253)	(475,712)	(206,502)	(236,568)

32 Income tax expense

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current income tax	7,791	172,731	124,728	7,724	127,907
Deferred income tax (Note 13)	13,533	53,585	(11,412)	1,066	190,337
	21,324	226,316	113,316	8,790	318,244

According to the New and High-Technology Enterprise Certificate jointly issued by the Beijing Municipal Science & Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of the State Administration of Taxation and Beijing Local Taxation Bureau, the following entities of the Group were recognized as new and high-technology enterprises with preferential income tax rate of 15%:

	Period with preferential rate
—Company	2012 to 2014
—Beijing Beinei Engine	2009 to 2014
—Powertrain	2013 to 2015

Except for the aforementioned companies and a subsidiary which is subject to Hong Kong profits tax at a rate of 16.5%, provision for PRC enterprise income tax is calculated based on the statutory income tax rate of 25% for each of the years ended 2011, 2012 and 2013 on the assessable

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

32 Income tax expense—continued

income of respective Group entities in accordance with relevant PRC enterprise income tax rules and regulations.

The reconciliation between the Group's actual tax charge and the amount which is calculated based on the statutory income tax rate of 25% in the PRC is as follows:

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before income tax	2,784,140	3,785,057	3,126,729	1,713,520	2,657,822
Tax calculated at the statutory tax rate of 25%	696,035	946,264	781,682	428,380	664,456
Preferential tax rates on income of certain Group entities	(1,826)	(3,464)	(11,640)	(3,087)	(1,244)
Impact on share of results of joint ventures and associates	(871,363)	(948,015)	(1,505,567)	(740,759)	(703,301)
Income not subject to tax	(4,363)	(116,191)	(87,715)	(49)	(21,242)
Expenses not deductible for tax purposes	10,611	100,678	25,006	9,120	7,223
Utilization of previously unrecognized tax losses	(166)	(57,951)	—	—	—
Tax losses/deductible temporary differences for which no deferred tax was recognized	192,396	304,995	911,550	315,185	372,352
Tax charge	21,324	226,316	113,316	8,790	318,244

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

33 Earnings/(losses) per share

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Relevant Periods.

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit/(loss) attributable to equity holders of the Company					
—continuing operations	2,698,386	3,458,569	2,776,380	1,650,211	1,809,713
—discontinuing operations	(99,903)	(41,142)	—	—	—
	<u>2,598,483</u>	<u>3,417,427</u>	<u>2,776,380</u>	<u>1,650,211</u>	<u>1,809,713</u>
Weighted average number of ordinary shares in issue (thousands)	<u>4,860,326</u>	<u>5,001,266</u>	<u>5,612,391</u>	<u>5,469,700</u>	<u>6,381,818</u>

During the Relevant Periods, there were no potential dilutive ordinary shares and diluted earnings/(losses) per share was equal to basic earnings/(losses) per share.

34 Dividends

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000 except for per share data	RMB'000 except for per share data	RMB'000 except for per share data	RMB'000 except for per share data (unaudited)	RMB'000 except for per share data
Dividends declared/paid	<u>—</u>	<u>1,500,000</u>	<u>1,807,937</u>	<u>212,482</u>	<u>677,984</u>
Dividends per share (RMB)	<u>—</u>	<u>0.30</u>	<u>0.32</u>	<u>0.04</u>	<u>0.11</u>

The Company has paid dividends of approximately RMB678 million in August and September 2014 to its shareholders.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

35 Consolidated statements of cash flows

(a) Cash used in operations of continuing operations:

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before income tax	2,784,140	3,785,057	3,126,729	1,713,520	2,657,822
Adjustments for:					
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)
(Gain)/loss on disposal of					
—property, plant and equipment and intangible assets	(7,882)	(5,020)	1,507	426	50
—investments in subsidiaries	—	(440,608)	(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)	—	—
Depreciation on property, plant and equipment	128,775	113,403	554,460	131,264	783,522
Amortization on					
—land use rights	10,562	24,281	35,883	12,450	57,958
—intangible assets	14,116	55,719	217,342	91,722	187,803
Provision for impairment					
—inventories	12,334	81,035	223,594	119,732	116,897
—receivables	5,635	709	7,876	—	(5,856)
—property, plant and equipment	—	—	2,095	—	—
Net foreign exchange gain	(65,983)	(6,417)	(25,597)	(25,155)	52,714
Finance costs, net	81,876	158,253	475,712	206,502	236,568
Amortization of deferred income from government grant	(12,159)	(5,210)	(13,323)	(7,351)	(7,229)
	(534,037)	(708,945)	(1,698,742)	(719,925)	1,267,045
Changes in working capital:					
—increase in accounts receivable	(134,790)	(579,773)	(1,746,128)	(390,064)	(524,394)
—(increase)/decrease in advances to suppliers, other receivables and prepayments	(377,407)	(1,896,220)	(756,103)	5,380	(236,863)
—(increase)/decrease in inventories	(363,427)	(625,725)	(2,082,190)	(707,675)	1,258,715
—increase/(decrease) in accounts payable	297,139	1,173,349	3,075,270	1,288,531	(764,286)
—increase/(decrease) in advance from customers, other payables and accruals	294,560	2,120,948	1,393,561	391,314	(1,386,401)
—increase/(decrease) in provisions	33,802	44,191	72,954	(16,515)	133,000
Net cash used in operations of continuing operations	(784,160)	(472,175)	(1,741,378)	(148,954)	(253,184)

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

35 Consolidated statements of cash flows—continued

(b) Proceeds from disposals of property, plant and equipment and intangible assets comprise:

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net book amount	962	17,199	453,753	9,437	26,726
Gain/(loss) on disposals (Note 28)	7,882	5,020	(1,507)	(426)	(50)
(Increase)/decrease in receivables	(386)	88	(410,951)	298	411,248
Cash proceeds	<u>8,458</u>	<u>22,307</u>	<u>41,295</u>	<u>9,309</u>	<u>437,924</u>

(c) Disposals of investments in subsidiaries:

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Non-current assets	—	1,545,942	365,415	—	—
Current assets	—	3,513,887	359,088	—	—
Total assets	—	5,059,829	724,503	—	—
Non-current liabilities	—	(1,182,309)	(130,051)	—	—
Current liabilities	—	(3,671,545)	(452,269)	—	—
Total liabilities	—	(4,853,854)	(582,320)	—	—
Non-controlling interests	—	(88,583)	—	—	—
	—	117,392	142,183	—	—
Total consideration (Note 1.2(b)(i) and (iv))	—	558,000	268,384	—	—
Gain on disposals	—	440,608	126,201	—	—
Net cash inflow/(outflow) is determined as follows:					
Cash proceeds received	—	90,206	736,178	350,000	—
Less: cash and cash equivalents disposed	—	(902,902)	(38,253)	—	—
	—	(812,696)	697,925	350,000	—

(d) The balance of cash and cash equivalents as at December 31, 2011 on the consolidated statement of cash flows includes the cash and cash equivalents that have been classified as assets held for sale amounting to approximately RMB 429,606,000 (Note 20).

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

36 Commitments

(a) Capital commitments

The Group and the Company have the following capital commitments for property, plant and equipment not provided for as at December 31, 2011, 2012 and 2013 and June 30, 2014 respectively.

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for	2,130,371	3,460,419	2,759,867	6,596,713
Authorized but not contracted for	7,041,955	5,466,371	19,895,326	19,117,038

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for	1,104,514	1,501,801	1,241,429	905,535
Authorized but not contracted for	7,041,955	5,466,371	2,914,070	9,908,104

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 1 year	15,461	86,443	748	81,318
1 to 5 years	—	217,842	—	13,302
Over 5 years	—	—	—	—
	15,461	304,285	748	94,620

	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 1 year	6,347	72,286	748	65,425
1 to 5 years	—	217,842	—	8,400
Over 5 years	—	—	—	—
	6,347	290,128	748	73,825

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

37 Business combination

As disclosed in Note 1.2 (b)(iii), on January 4, 2013 the Company acquired BAIC Group's entire 50% equity interests in Beijing Benz with a cash consideration of approximately RMB 6,725,247,000. On November 18, 2013 ("Acquisition Date"), the Company acquired a further 1% equity interests in Beijing Benz with a cash consideration of RMB 216,000,000 and thereby obtained control of Beijing Benz which became a subsidiary of the Company since then.

The following table summarizes the consideration paid for Beijing Benz, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the Acquisition Date.

	<u>RMB'000</u>
Consideration:	
—Cash	216,000
—Fair value of existing 50% equity interests in Beijing Benz at Acquisition Date	8,742,000
	<u>8,958,000</u>
Recognized amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	12,230,501
Land use rights	4,012,023
Intangible assets	16,203
Deferred income tax assets	2,714,555
Inventories	5,037,956
Accounts receivable	3,769,222
Other receivables and prepayments	992,162
Cash and cash equivalents	10,176,141
Total identifiable assets acquired	<u>38,948,763</u>
Borrowings	(4,107,198)
Accounts payable	(6,714,613)
Advances from customers	(65,626)
Other payables and accruals	(9,757,135)
Current income tax liabilities	(485,546)
Deferred income tax liabilities	(900,962)
Provisions	(892,520)
Deferred income from government grants	(43,800)
Total identifiable liabilities assumed	<u>(22,967,400)</u>
Non-controlling interests	(7,830,868)
Goodwill (Note 8)	807,505
	<u>8,958,000</u>

Acquisition-related costs of RMB 8,100,000 have been charged to general and administrative expenses in the consolidated statement of comprehensive income for the year ended December 31, 2013.

The goodwill is primarily arisen from the synergy reached from the combination of two automotive enterprises.

Non-controlling interests in Beijing Benz were recognized at proportionate share of its net assets.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**37 Business combination—continued**

The Group recognized a gain of approximately RMB 156,552,000 as a result of remeasuring at fair value of its 50% equity interest in Beijing Benz held before the business combination. The gain is included in other gains in the Group's statement of comprehensive income for the year ended December 31, 2013 (Note 28).

The revenue and net profit included in the consolidated statement of comprehensive income were approximately RMB 5,934,369,000 and RMB 248,462,000 respectively during the period from November 18, 2013 to December 31, 2013.

Had Beijing Benz been consolidated from January 1, 2013, the consolidated statement of comprehensive income would show pro-forma revenue and net profit of approximately RMB 40,067,731,000 and RMB 3,428,038,000 respectively for 2013.

Refer to Section III for additional financial information of Beijing Benz as at December 31, 2011, 2012 and November 17, 2013.

38 Related party transactions

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The immediate parent company of the Company is BAIC Group, a state-owned enterprise established in the PRC. BAIC Group is beneficially owned by SASAC Beijing which also owns a significant portion of the productive assets and entities in the PRC (collectively referred as the "government-related entities"). In accordance with IAS 24 "Related Party Disclosures," government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by SASAC Beijing are regarded as related parties of the Group. On that basis, related parties include BAIC Group, other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence, and key management personnel of the Company and BAIC Group, as well as their close family members. For the purpose of the related party transaction disclosures, management believes that meaningful information relating to related party transactions has been adequately disclosed.

In addition to the information disclosed elsewhere in the Financial Information, the following transactions were carried out in the ordinary course of the Group's business and were determined based on mutually agreed terms for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

38 Related party transactions—continued

(a) Significant transactions with related parties:

	For the year ended December 31,			For the six months ended June 30,	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Sale of goods and materials to					
—immediate holding company	—	75	2,612	—	—
—fellow subsidiaries	22,661	249,817	569,792	184,829	729,961
—joint ventures	192,398	204,540	278,630	142,459	144,922
—an associate	138	8,653	459	—	459
—other related companies	32,596	18,926	100,683	32,763	206,042
Services provided to					
—immediate holding company	1,100	3,108	—	—	40
—fellow subsidiaries	—	—	—	—	26
—joint ventures	77,235	2,671	—	—	—
—associates	19,322	4,556	23,165	15,386	17,255
—other related companies	1,716	1,157	7,937	—	48,165
Purchases of goods and materials from					
—immediate holding company	—	57,764	6,793	8	—
—fellow subsidiaries	600,556	1,708,587	2,129,119	775,586	1,205,015
—joint ventures	—	4,261	—	—	—
—associates	7,148	7,266	—	—	—
—other related companies	297,579	585,170	3,977,519	392,497	9,329,860
Services received from					
—immediate holding company	17,318	22,303	36,816	11,872	87,695
—fellow subsidiaries	16	340,952	433,785	127,978	357,909
—joint ventures	—	—	56,471	—	172,165
—associates	153,998	—	—	—	—
—other related companies	—	—	789,048	261,776	1,038,969
Rental expenses paid/payable to					
—fellow subsidiaries	46,223	45,326	145,129	5,123	58,402
Proceeds from disposal of investments to					
—immediate holding company	—	586,190	268,384	—	—
—fellow subsidiaries	—	1,354,644	—	—	—
Proceeds from disposal of intangible assets and property, plant and equipment to					
—fellow subsidiaries	—	—	290,453	—	—
—immediate holding company	—	—	122,368	—	—
Interest income received from					
—an associate	—	11,863	26,062	3,139	34,980
Interest expenses paid/payable to					
—an associate	—	38,704	67,167	29,246	35,647
Key management compensations					
—Salaries, allowances and other benefits	6,370	7,545	9,760	3,278	5,829
—Employer's contribution to pension scheme	437	568	431	128	132
—Discretionary bonuses	3,478	2,824	4,628	3,905	1,234

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

38 Related party transactions—continued

(b) Significant balances with related parties:

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Accounts receivable				
—immediate holding company	—	1,554	1,429	1,218
—fellow subsidiaries	—	5,662	271,253	293,109
—joint ventures	20,528	21,069	31,652	29,974
—other related companies	—	5,280	111,531	74,896
Advances to suppliers				
—immediate holding company	109,119	60,049	—	—
—fellow subsidiaries	35,483	132,431	146,518	422,662
—associates	7,148	1,072	—	—
—other related companies	—	—	—	2,002
Other receivables and prepayments				
—immediate holding company	1,275	467,970	137,462	135
—fellow subsidiaries	33,648	499,922	1,282,329	24,261
—joint ventures	600	600	600	—
—associates	138	2,508	—	—
—other related companies	1,980	—	75,699	185,840
Cash and cash equivalents				
—an associate	—	794,719	5,903,793	2,767,887
Liabilities				
Accounts payable				
—immediate holding company	—	9,636	2,367	—
—fellow subsidiaries	36,701	197,530	989,475	1,078,907
—associates	360	5,723	—	—
—other related companies	59,464	16,844	4,625,885	4,439,245
Advances from customers				
—immediate holding company	306	—	190	190
—fellow subsidiaries	—	21,324	19,888	59,006
—associates	—	—	537	10,353
—other related companies	—	—	—	138
Other payables and accruals				
—immediate holding company	318,010	28,476	1,254,184	993,304
—fellow subsidiaries	496,835	476,264	223,638	433,255
—joint ventures	—	1,698	38,788	67,713
—associates	153,997	—	—	—
—other related companies	6,500	5,965	1,268,536	1,440,302
Dividends payable to				
—immediate holding company	—	21,530	747,535	374,367
—other related companies	—	—	1,029,730	919,634
Borrowings from				
—an associate	—	815,000	1,715,900	1,027,000
Entrusted loan through banks provided by				
—immediate holding company	300,000	300,000	—	—

note:

The above balances with related parties at December 31, 2011 contain amounts included under assets/liabilities of disposal group classified as held for sale (Note 20).

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued

38 Related party transactions—continued

(c) Guarantees:

	Group			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees on bank loans provided by:				
—immediate holding company	1,253,264	—	1,000,000	—
—a fellow subsidiary (Beijing Beinei Limited)	35,000	—	—	—
Guarantees provided to:				
—other related companies	65,000	—	—	—
	<u>65,000</u>	<u>—</u>	<u>1,000,000</u>	<u>—</u>
	Company			
	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees provided to:				
—subsidiaries	—	1,518,170	1,527,305	1,574,409
Guarantees provided by:				
—immediate holding company	—	—	1,000,000	—
—subsidiaries	—	—	2,499,000	2,350,000
	<u>—</u>	<u>—</u>	<u>2,499,000</u>	<u>2,350,000</u>

(d) In March 2011, the Company entered into four non-exclusive trademark license agreements with BAIC Group, pursuant to which BAIC Group agreed to grant the Company non-exclusive licenses to use the trademarks and related logos and designs registered in the name of BAIC Group in the PRC from March 2011 to February 2016 at nil consideration.

39 Subsequent events

(a) On July 24, 2014, the Company completed the acquisition from BAIC Group its entire interests in BAIC Guangzhou Automotive Co., Ltd. (“Guangzhou Company”) for a cash consideration of approximately RMB 2,369.8 million, of which, the Company has paid in advance RMB 710.9 million and is included in other long-term assets as at June 30, 2014.

Guangzhou Company had total assets of approximately RMB 555,923,000, RMB 768,041,000 and RMB 1,931,634,000 and RMB 2,927,781,000 and net assets of approximately RMB 551,842,000, RMB 528,422,000 and RMB 815,788,000 and RMB 1,166,352,000 respectively as at December 31, 2011, 2012 and 2013 and June 30, 2014. It recorded no revenue and net loss of approximately RMB 16,512,000, RMB 23,420,000, RMB 63,111,000, RMB 20,975,000 and RMB 29,436,000 respectively for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014.

Additional financial information of Guangzhou Company as at December 31, 2011, 2012 and 2013 and June 30, 2014 and for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014 are set out in Section IV of this report.

II. NOTES ON THE FINANCIAL INFORMATION OF THE GROUP—continued**39 Subsequent events —continued**

- (b) On August 12, 2014, the Company issued RMB 1 billion of private placement bonds with an annual interest rate of 5.4% and a term of three years. On September 10 and 22, 2014, the Company issued RMB 400 million and RMB 600 million medium-term notes, with a term of seven years and an annual interest rate of 5.74% and 5.54% respectively.

III. ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ

The following is the financial information of Beijing Benz for each of the years ended December 31, 2011 and 2012 and the period from January 1, to November 17, 2013 before Beijing Benz became a subsidiary of the Company.

BALANCE SHEETS OF BEIJING BENZ

	Note	As at December 31,		As at
		2011	2012	November 17,
		RMB'000	RMB'000	2013
				RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	4	4,065,275	7,641,285	11,764,225
Land use rights	5	220,881	890,594	874,456
Intangible assets	6	1,205	8,275	16,203
Deferred income tax assets	7	1,936,516	2,278,238	2,714,555
		<u>6,223,877</u>	<u>10,818,392</u>	<u>15,369,439</u>
Current assets				
Inventories	8	2,910,094	3,803,654	5,037,956
Accounts receivable	9	8,306,180	4,366,093	3,769,222
Other receivables and prepayments	10	336,655	139,955	992,162
Derivative financial instruments	11	—	3,334	—
Cash and cash equivalents	12	5,757,213	6,213,110	10,176,141
		<u>17,310,142</u>	<u>14,526,146</u>	<u>19,975,481</u>
Total assets		<u><u>23,534,019</u></u>	<u><u>25,344,538</u></u>	<u><u>35,344,920</u></u>

BALANCE SHEETS OF BEIJING BENZ (CONTINUED)

	Note	As at December 31,		As at
		2011	2012	November 17,
		RMB'000	RMB'000	2013
				RMB'000
EQUITY				
Capital and reserves attributable to equity holders				
Paid-in capital	13	4,098,241	5,329,791	8,057,552
Other reserves	14	475,009	474,673	541,297
Retained earnings		1,510,630	3,421,533	4,679,633
Total equity		6,083,880	9,225,997	13,278,482
LIABILITIES				
Non-current liabilities				
Borrowings	15	350,000	279,000	934,000
Provisions	16	597,450	612,422	615,482
Deferred income from government grants	17	243,000	43,800	43,800
		1,190,450	935,222	1,593,282
Current liabilities				
Accounts payable	18	4,837,849	5,142,795	6,714,613
Advances from customers		214,901	170,433	65,626
Other payables and accruals	19	7,761,691	7,326,644	9,757,135
Current income tax liabilities		603,479	298,828	485,546
Borrowings	15	2,650,000	1,977,859	3,173,198
Provisions	16	191,769	266,760	277,038
		16,259,689	15,183,319	20,473,156
Total liabilities		17,450,139	16,118,541	22,066,438
Total equity and liabilities		23,534,019	25,344,538	35,344,920
Net current assets/(liabilities)		1,050,453	(657,173)	(497,675)
Total assets less current liabilities		7,274,330	10,161,219	14,871,764

STATEMENTS OF COMPREHENSIVE INCOME OF BEIJING BENZ

	Note	For the year ended December 31,		For the period from January 1, to November 17,
		2011 RMB'000	2012 RMB'000	2013 RMB'000
Revenue		28,688,223	29,673,370	27,285,863
Cost of sales	21	(22,134,377)	(23,696,286)	(21,928,794)
Gross profit		6,553,846	5,977,084	5,357,069
Selling and distribution expenses	21	(1,736,878)	(2,128,920)	(2,364,074)
General and administrative expenses	21	(1,329,734)	(1,456,209)	(1,400,398)
Other gains, net	20	394,387	170,969	108,486
Operating profit		3,881,621	2,562,924	1,701,083
Finance income	23	94,996	93,882	80,091
Finance costs	23	(76,403)	(98,552)	(104,888)
Finance income/(costs), net		18,593	(4,670)	(24,797)
Profit before income tax		3,900,214	2,558,254	1,676,286
Income tax expense	24	(420,993)	(647,351)	(418,186)
Profit for the year/period		3,479,221	1,910,903	1,258,100
Other comprehensive (loss)/gain				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Fair value (losses)/gains on cash flow hedges		—	(336)	336
Total comprehensive income		3,479,221	1,910,567	1,258,436

STATEMENTS OF CHANGES IN EQUITY OF BEIJING BENZ

	Paid-in capital	Capital reserve	Statutory surplus reserve	Hedging reserve	(Accumulated losses) /retained earnings	Total
	RMB'000 (Note 13)	RMB'000 (Note 14(a))	RMB'000 (Note 14(b))	RMB'000 (Note 14(c))	RMB'000	RMB'000
Balance at January 1, 2011	4,098,241	49,872	425,137	—	(1,968,591)	2,604,659
Total comprehensive income for the year	—	—	—	—	3,479,221	3,479,221
Balance at December 31, 2011 ..	<u>4,098,241</u>	<u>49,872</u>	<u>425,137</u>	<u>—</u>	<u>1,510,630</u>	<u>6,083,880</u>
Total comprehensive (loss)/ income for the year	—	—	—	(336)	1,910,903	1,910,567
Transactions with owners—capital injection	1,231,550	—	—	—	—	1,231,550
Balance at December 31, 2012 ..	<u>5,329,791</u>	<u>49,872</u>	<u>425,137</u>	<u>(336)</u>	<u>3,421,533</u>	<u>9,225,997</u>
Total comprehensive income for the period	—	—	—	336	1,258,100	1,258,436
Transactions with owners—capital injection	2,727,761	66,288	—	—	—	2,794,049
Balance at November 17, 2013	<u>8,057,552</u>	<u>116,160</u>	<u>425,137</u>	<u>—</u>	<u>4,679,633</u>	<u>13,278,482</u>

STATEMENTS OF CASH FLOWS OF BEIJING BENZ

	Note	For the year ended December 31,		For the period from January 1, to November 17,
		2011	2012	2013
		RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Cash generated from operations	25	1,764,677	6,266,670	3,963,706
Interest received		94,996	93,882	80,091
Interest paid		(71,736)	(93,107)	(22,312)
Income tax paid		(1,560,649)	(1,293,724)	(580,064)
Net cash generated from operating activities		227,288	4,973,721	3,441,421
Cash flows from investing activities				
Purchase of property, plant and equipment		(1,311,724)	(4,368,844)	(3,915,840)
Purchase of land use rights		(131,633)	(677,931)	—
Proceeds from disposal of property, plant and equipment		5,853	21,025	1,388
Net cash used in investing activities		(1,437,504)	(5,025,750)	(3,914,452)
Cash flows from financing activities				
Capital injection		—	1,231,550	2,578,049
Proceeds from borrowings		2,400,000	2,533,617	5,966,385
Repayments of borrowings		—	(3,276,758)	(4,116,046)
Net cash generated from financing activities		2,400,000	488,409	4,428,388
Net increase in cash and cash equivalents				
Cash and cash equivalents at beginning of the year/period		4,567,409	5,757,213	6,213,110
Exchange gains on cash and cash equivalents		20	19,517	7,674
Cash and cash equivalents at end of the year/period		5,757,213	6,213,110	10,176,141

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ**1 General information**

Beijing Benz (formerly known as Beijing Benz-Daimler Chrysler Automotive Co., Ltd.) was incorporated in the PRC as an equity joint venture with limited liability. The address of Beijing Benz's registered office is No.8 Boxing Road, Beijing Economic and Technological Development Area ("BDA"), the PRC.

Beijing Benz is principally engaged in the design, development, production and sales of passenger vehicles and related auto parts. From January 1, 2011 to January 3, 2013, Beijing Benz was 50%, 39.454% and 10.546% owned by BAIC Group, Daimler AG and Daimler Greater China Ltd. respectively. On January 4, 2013, BAIC Group transferred its entire 50% interests in Beijing Benz to the Company and thereafter Beijing Benz became 50%, 39.454% and 10.546% owned by the Company, Daimler AG and Daimler Greater China Ltd. till November 17, 2013.

2 Basis of preparation

The financial information of Beijing Benz for the years ended December 31, 2011 and 2012 and for the period from January 1, to November 17, 2013 has been prepared in accordance with IFRSs issued by IASB under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value and in accordance with the accounting policies of the Group presented on the basis set out in Note 2 of Section II. These policies have been consistently applied to the years and period presented, unless otherwise stated.

3 Segment information

Beijing Benz's segment information is determined on the basis of internal reports that are regularly reviewed by the Executive Management Committee, in order to allocate resources and assess performance. It has been determined that Beijing Benz is an operating segment as a whole based on these management reports.

There was no individual customer which accounts for 10% or more of Beijing Benz's revenue for all the years/period presented. All of its customers are located in the PRC.

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

4 Property, plant and equipment

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture, equipment and toolings RMB'000	Construction in progress RMB'000	Total RMB'000
Net book amount at January 1,						
2011	807,233	643,281	80,946	1,855,222	274,214	3,660,896
Additions	—	152,994	22,478	—	807,926	983,398
Transfers upon completion	100,863	152,337	11,825	152,719	(417,744)	—
Disposals	—	—	(3,014)	(8,237)	—	(11,251)
Depreciation	(52,951)	(172,178)	(20,157)	(322,482)	—	(567,768)
Net book amount at						
December 31, 2011	<u>855,145</u>	<u>776,434</u>	<u>92,078</u>	<u>1,677,222</u>	<u>664,396</u>	<u>4,065,275</u>
At December 31, 2011						
Cost	1,231,639	2,001,258	152,848	2,912,079	696,565	6,994,389
Accumulated depreciation and impairment	(376,494)	(1,224,824)	(60,770)	(1,234,857)	(32,169)	(2,929,114)
Net book amount	<u>855,145</u>	<u>776,434</u>	<u>92,078</u>	<u>1,677,222</u>	<u>664,396</u>	<u>4,065,275</u>
Net book amount at January 1,						
2012	855,145	776,434	92,078	1,677,222	664,396	4,065,275
Additions	81,387	506,099	30,174	265,392	3,418,816	4,301,868
Transfers upon completion	367	54,169	—	314,871	(369,407)	—
Disposals	(15,081)	(59,821)	(2,041)	(12,992)	—	(89,935)
Depreciation	(60,305)	(171,200)	(27,242)	(377,176)	—	(635,923)
Net book amount at						
December 31, 2012	<u>861,513</u>	<u>1,105,681</u>	<u>92,969</u>	<u>1,867,317</u>	<u>3,713,805</u>	<u>7,641,285</u>
At December 31, 2012						
Cost	1,296,148	2,459,570	177,415	3,425,457	3,745,974	11,104,564
Accumulated depreciation and impairment	(434,635)	(1,353,889)	(84,446)	(1,558,140)	(32,169)	(3,463,279)
Net book amount	<u>861,513</u>	<u>1,105,681</u>	<u>92,969</u>	<u>1,867,317</u>	<u>3,713,805</u>	<u>7,641,285</u>
Net book amount at January 1,						
2013	861,513	1,105,681	92,969	1,867,317	3,713,805	7,641,285
Reclassifications	—	737,353	—	(737,353)	—	—
Additions	2,744	72,822	44,966	51,192	4,637,763	4,809,487
Transfers upon completion	2,201,473	845,649	108,787	82,059	(3,237,968)	—
Transfer to intangible assets	—	—	—	—	(7,093)	(7,093)
Disposals	—	(12,782)	(320)	(3,928)	—	(17,030)
Depreciation	(93,609)	(266,447)	(64,694)	(237,674)	—	(662,424)
Net book amount at						
November 17, 2013	<u>2,972,121</u>	<u>2,482,276</u>	<u>181,708</u>	<u>1,021,613</u>	<u>5,106,507</u>	<u>11,764,225</u>
At November 17, 2013						
Cost	3,500,365	5,149,926	325,895	1,876,995	5,106,507	15,959,688
Accumulated depreciation and impairment	(528,244)	(2,667,650)	(144,187)	(855,382)	—	(4,195,463)
Net book amount	<u>2,972,121</u>	<u>2,482,276</u>	<u>181,708</u>	<u>1,021,613</u>	<u>5,106,507</u>	<u>11,764,225</u>

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

4 Property, plant and equipment—continued

Depreciation has been charged to the following function of expenses:

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost of sales	515,829	559,708	577,615
Selling and distribution expenses	11,271	8,765	9,844
General and administrative expenses	40,668	67,450	74,965
	<u>567,768</u>	<u>635,923</u>	<u>662,424</u>

Beijing Benz has capitalized borrowing costs amounting to approximately RMB 560,000 and RMB 18,165,000 on qualifying assets of property, plant and equipment for the year ended December 31, 2012 and the period from January 1 to November 17, 2013, respectively. Borrowing costs were capitalized at the weighted average of its borrowing rate of 5.76% and 5.95% for the respective year/period.

5 Land use rights

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost			
At beginning of year/period	106,771	238,404	916,335
Additions	131,633	677,931	—
At end of year/period	<u>238,404</u>	<u>916,335</u>	<u>916,335</u>
Accumulated amortization			
At beginning of year/period	15,472	17,523	25,741
Amortization	2,051	8,218	16,138
At end of year/period	<u>17,523</u>	<u>25,741</u>	<u>41,879</u>
Net book amount			
At end of year/period	<u>220,881</u>	<u>890,594</u>	<u>874,456</u>

Amortization of land use rights has been charged to cost of sales and general and administrative expenses.

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

6 Intangible assets

The intangible assets mainly comprised of computer softwares at December 31, 2011, December 31, 2012 and November 17, 2013.

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Cost			
At beginning of year/period	40,461	40,461	49,552
Additions	—	9,091	11,465
At end of year/period	40,461	49,552	61,017
Accumulated amortization			
At beginning of year/period	30,313	39,256	41,277
Amortization	8,943	2,021	3,537
At end of year/period	39,256	41,277	44,814
Net book amount			
At end of year/period	1,205	8,275	16,203

Amortization of intangible assets has been charged to general and administrative expenses.

7 Deferred income tax assets

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
To be recovered after more than 12 months	461,800	458,957	463,664
To be recovered within 12 months	1,474,716	1,819,281	2,250,891
	1,936,516	2,278,238	2,714,555

The movements in deferred income tax assets during the year/period are as follows:

	Provisions for impairment losses	Accruals	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2011	280,520	705,154	24,643	1,010,317
Credited/(charged) to statement of comprehensive income	23,210	920,843	(17,854)	926,199
At December 31, 2011	303,730	1,625,997	6,789	1,936,516
(Charged)/credited to statement of comprehensive income	(3,976)	346,390	(692)	341,722
At December 31, 2012	299,754	1,972,387	6,097	2,278,238
(Charged)/credited to statement of comprehensive income	(10,235)	421,757	24,795	436,317
At November 17, 2013	289,519	2,394,144	30,892	2,714,555

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

8 Inventories

	As at December 31,		As at
	2011	2012	November 17,
	RMB'000	RMB'000	2013
Raw materials	1,441,609	2,381,871	2,693,328
Work in progress	122,142	166,148	216,900
Finished goods	1,446,966	1,368,106	2,240,199
	3,010,717	3,916,125	5,150,427
Less: provision for impairment	(100,623)	(112,471)	(112,471)
	<u>2,910,094</u>	<u>3,803,654</u>	<u>5,037,956</u>

The cost of inventories recognized as an expense and included in cost of sales for each of the years ended December 31, 2011 and 2012 and the period from January 1, to November 17, 2013 amounted to approximately RMB 22,134,377,000, RMB 23,696,286,000 and RMB 21,928,794,000 respectively.

9 Accounts receivable

	As at December 31,		As at
	2011	2012	November 17,
	RMB'000	RMB'000	2013
Trade receivables, gross (note (a))	7,726,546	4,412,231	3,731,440
Less: provision for impairment	(151,236)	(151,236)	(151,236)
	7,575,310	4,260,995	3,580,204
Notes receivable (note (b))	730,870	105,098	189,018
	<u>8,306,180</u>	<u>4,366,093</u>	<u>3,769,222</u>

notes:

- (a) The majority of sales are made on credit. Credit periods of up to 6 months may be granted in respect of sales to customers with good credit history and long-established relationship with Beijing Benz. The ageing analysis of trade receivables is as follows:

	As at December 31,		As at
	2011	2012	November 17,
	RMB'000	RMB'000	2013
Within 1 year	7,575,310	4,260,995	3,580,204
Over 3 years	151,236	151,236	151,236
	<u>7,726,546</u>	<u>4,412,231</u>	<u>3,731,440</u>

No trade receivables were past due but not impaired as at December 31, 2011 and 2012 and November 17, 2013.

Trade receivables of approximately RMB 151,236,000 were impaired as at December 31, 2011 and 2012 and November 17, 2013, on which full provision was made as at respective year/period ends. The ageing of these impaired receivables was over 3 years.

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

9 Accounts receivable—continued

Movement on the provision for impairment of trade receivables is as follows:

	RMB'000
As at January 1, 2011 and 2012 and November 17, 2013	<u>151,236</u>

(b) All of the notes receivable are bank acceptance notes with average maturity period of within six months.

(c) Substantially all accounts receivable are denominated in RMB and the carrying amounts of accounts receivable approximate their fair values.

10 Other receivables and prepayments

	As at December 31,		As at
	2011	2012	November 17,
	RMB'000	RMB'000	2013
			RMB'000
Deposits and prepayments	288,747	78,325	111,772
Value-added tax and consumption tax recoverable	—	—	602,039
Amount due from an investor (note)	—	—	216,000
Others	<u>47,908</u>	<u>61,630</u>	<u>62,351</u>
	<u>336,655</u>	<u>139,955</u>	<u>992,162</u>

note:

This represents amount due from the Company for the acquisition of 1% equity interest in Beijing Benz.

11 Derivative financial instruments

	As at December 31,		As at
	2011	2012	November 17,
	RMB'000	RMB'000	2013
			RMB'000
Forward foreign exchange contracts			
—cash flow hedges	<u>—</u>	<u>3,334</u>	<u>—</u>

The total notional principal amount of the outstanding forward foreign exchange contracts at December 31, 2012 was approximately RMB 98,066,854.

During 2012 Beijing Benz entered into forward foreign exchange contracts of selling RMB and purchasing Euro to hedge against their relative currency movements for settlement of Euro denominated trade payables due to Daimler AG (the hedged forecast transactions).

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

12 Cash and cash equivalents

	As at December 31,		As at
	2011	2012	November 17,
	RMB'000	RMB'000	2013
			RMB'000
Cash at bank and on hand	1,794,666	2,779,420	3,696,876
Short-term bank deposits	3,962,547	3,433,690	6,479,265
	<u>5,757,213</u>	<u>6,213,110</u>	<u>10,176,141</u>

13 Paid-in capital

	Original	Equivalent
	currency	
	USD'000	RMB'000
At January 1, 2011 and at December 31, 2011	585,707	4,098,241
Additions	195,338	1,231,550
At December 31, 2012	781,045	5,329,791
Additions	439,461	2,727,761
At November 17, 2013	<u>1,220,506</u>	<u>8,057,552</u>

14 Other reserves

(a) Capital reserve

Capital reserve represents the difference between the amount of registered paid-in capital and the funds actually received upon completion of capital injection.

(b) Statutory surplus reserve

In accordance with the articles of association of Beijing Benz, it was required to set up certain statutory reserves (including general reserve and enterprise development reserve) which were non-distributable. The transfers of these reserves are at discretion of its directors. These statutory reserves can only be utilized, upon approval by the relevant authority, to offset previous years' losses or to increase capital.

(c) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

15 Borrowings

	As at December 31,		As at
	2011	2012	November 17,
	RMB'000	RMB'000	2013
			RMB'000
Short-term borrowings			
Unsecured bank borrowings	2,350,000	1,849,859	2,994,198
Add: current portion of long-term bank borrowings	300,000	128,000	179,000
	<u>2,650,000</u>	<u>1,977,859</u>	<u>3,173,198</u>
Long-term borrowings			
Unsecured bank borrowings	650,000	407,000	1,113,000
Less: current portion of long-term bank borrowings	(300,000)	(128,000)	(179,000)
	<u>350,000</u>	<u>279,000</u>	<u>934,000</u>
Total borrowings	<u>3,000,000</u>	<u>2,256,859</u>	<u>4,107,198</u>
	As at December 31,		As at
	2011	2012	November 17,
	RMB'000	RMB'000	2013
			RMB'000
Maturity of borrowings			
Within 1 year	2,650,000	1,977,859	3,173,198
Between 1 and 2 years	206,000	179,000	—
Between 2 and 5 years	144,000	100,000	934,000
	<u>3,000,000</u>	<u>2,256,859</u>	<u>4,107,198</u>
	As at December 31,		As at
	2011	2012	November 17,
			2013
Weighted average annual interest rates			
Bank borrowings	5.25%	5.15%	3.46%
	As at December 31,		As at
	2011	2012	November 17,
	RMB'000	RMB'000	2013
			RMB'000
Undrawn facilities			
Over 1 year	600,000	7,084,120	11,641,744

The carrying amounts of borrowings approximate their fair values and all borrowings are denominated in RMB except for a bank borrowing of RMB 2,994,198,000 being denominated in Euro as at November 17, 2013.

16 Provisions

	As at December 31,						As at November 17,		
	2011			2012			2013		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Warranties	191,769	521,597	713,366	266,760	536,569	803,329	277,038	539,629	816,667
Compensation to suppliers	—	75,853	75,853	—	75,853	75,853	—	75,853	75,853
	<u>191,769</u>	<u>597,450</u>	<u>789,219</u>	<u>266,760</u>	<u>612,422</u>	<u>879,182</u>	<u>277,038</u>	<u>615,482</u>	<u>892,520</u>

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

16 Provisions—continued

Movement of provisions for each of the years ended December 31, 2011 and 2012 and the period from January 1, 2013 to November 17, 2013 is as follows:

	Warranties	Compensation to suppliers	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2011	491,986	75,853	567,839
Additions	332,302	—	332,302
Payments	(110,922)	—	(110,922)
At December 31, 2011	713,366	75,853	789,219
Additions	243,840	—	243,840
Payments	(153,877)	—	(153,877)
At December 31, 2012	803,329	75,853	879,182
Additions	276,794	—	276,794
Payments	(263,456)	—	(263,456)
At November 17, 2013	816,667	75,853	892,520

17 Deferred income from government grants

- (a) Balance at December 31, 2011 represents the unutilized balance of government grants received when Beijing Benz relocated from the former address to BDA after compensating for the fixed and intangible assets loss, production suspension and expenses related to the relocation due to city planning. This was recognized as other gains in the statement of comprehensive income in 2012 upon completion of relocation (Note 20).
- (b) Balances at December 31, 2012 and November 17, 2013 represent the refund received for acquiring the land where the engine factory of Beijing Benz is located.

18 Accounts payable

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade payable	4,724,146	5,127,795	6,712,613
Notes payable	113,703	15,000	2,000
	<u>4,837,849</u>	<u>5,142,795</u>	<u>6,714,613</u>

Ageing analysis of trade payable is as follows:

	As at December 31,		As at November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 1 year	4,724,146	5,127,795	6,712,613

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

19 Other payables and accruals

	As at December 31,		As at
	2011	2012	November 17,
	RMB'000	RMB'000	2013
Sales discounts	3,144,388	3,858,671	4,535,101
Advertising and promotion	442,295	787,296	931,595
Wages, salaries and other employee benefits	351,090	447,526	447,165
Service fees and charges	954,936	830,500	1,256,244
Other taxes	1,807,908	420,779	30,673
Others	1,061,074	981,872	2,556,357
	<u>7,761,691</u>	<u>7,326,644</u>	<u>9,757,135</u>

20 Other gains, net

	For the year ended		For the period
	December 31,		from January 1,
	2011	2012	to November 17,
	RMB'000	RMB'000	2013
Gain from sales of scrap materials	187,612	21,848	15,378
Loss on disposal of property, plant and equipment	(6,452)	(68,910)	(15,641)
Foreign exchange gains/(losses)	174,569	(70,484)	28,517
Government grants (Note 17(a))	—	243,000	6,423
Commission income	28,799	44,789	59,026
Others	9,859	726	14,783
	<u>394,387</u>	<u>170,969</u>	<u>108,486</u>

21 Expenses by nature

	For the year ended		For the
	December 31,		period from
	2011	2012	January 1, to
	RMB'000	RMB'000	November 17,
Raw materials used	20,950,336	22,025,529	20,949,181
Changes in inventories of finished goods and work-in-progress	(1,170,068)	34,854	(922,845)
Advertising and promotion	1,048,115	922,226	746,904
Employee benefit costs (Note 22)	827,589	1,333,454	1,279,982
Depreciation on property, plant and equipment (Note 4)	567,768	635,923	662,424
Amortization on			
—land use rights (Note 5)	2,051	8,218	16,138
—intangible assets (Note 6)	8,943	2,021	3,537
Impairment charges on inventories	13,183	11,947	—
Warranty expenses (Note 16)	332,302	243,840	276,794
Operating lease expenses	24,012	40,939	13,265
Auditors' remuneration	2,340	2,094	1,988
Others	2,594,418	2,020,370	2,665,898
Total cost of sales, selling and distribution expenses, and general and administrative expenses	<u>25,200,989</u>	<u>27,281,415</u>	<u>25,693,266</u>

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

22 Employee benefit costs

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Wages and salaries	757,527	1,224,304	1,168,817
Pension schemes (note)	63,842	108,767	111,051
Termination benefits	6,220	383	114
	<u>827,589</u>	<u>1,333,454</u>	<u>1,279,982</u>

note:

The employees of Beijing Benz participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby Beijing Benz is required to contribute to the schemes at 20% of the employees' basic salaries. There is no further obligation for payment of other retirement benefits beyond the above annual contributions.

23 Finance income/(costs), net

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Finance income			
Interest on bank deposits	<u>94,996</u>	<u>93,882</u>	<u>80,091</u>
Finance costs			
Interest expense on bank borrowings			
—Wholly repayable within 5 years	76,403	99,112	40,478
Amortization of discount on non-current provisions	<u>—</u>	<u>—</u>	<u>82,575</u>
	76,403	99,112	123,053
Less: amount capitalized in qualifying assets (Note 4)	<u>—</u>	<u>(560)</u>	<u>(18,165)</u>
	<u>76,403</u>	<u>98,552</u>	<u>104,888</u>
Finance income/(costs), net	<u>18,593</u>	<u>(4,670)</u>	<u>(24,797)</u>

24 Income tax expense

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Current income tax	1,347,192	989,073	854,503
Deferred income tax credit (Note 7)	<u>(926,199)</u>	<u>(341,722)</u>	<u>(436,317)</u>
	<u>420,993</u>	<u>647,351</u>	<u>418,186</u>

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

24 Income tax expense—continued

The reconciliation between the actual tax charge and the amount which is calculated based on the statutory income tax rate of 25% in the PRC is as follows:

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit before income tax	3,900,214	2,558,254	1,676,286
Tax calculated at statutory tax rate	975,054	639,564	419,072
Preferential tax rate (note)	(87,782)	—	—
Expenses not deductible for tax purposes	3,415	5,710	—
Utilization of previously unrecognized tax losses	(469,694)	—	—
Others	—	2,077	(886)
Tax charge	420,993	647,351	418,186

note:

Pursuant to Kai Guo Shui 2009 No.159 Notice: Approval for application of transitional corporate income tax rates of Beijing Benz-Daimler Chrysler Automotive Co., Ltd., since January 1, 2008, Beijing Benz was subject to transitional corporate income tax rates as set out below: 2008: 18%, 2009: 20%, 2010: 22%, 2011: 24%, 2012 and afterwards: 25%.

25 Cash generated from operations

	For the year ended December 31,		For the period from January 1, to November 17,
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit before income tax	3,900,214	2,558,254	1,676,286
Adjustments for:			
Loss on disposal of property, plant and equipment	6,452	68,910	15,641
Depreciation on property, plant and equipment	567,768	635,923	662,424
Amortization on			
—land use rights	2,051	8,218	16,138
—intangible assets	8,943	2,021	3,537
Impairment charge on inventories	13,183	11,947	—
Finance (income)/costs, net	(18,593)	4,670	24,797
	4,480,018	3,289,943	2,398,823
Changes in working capital:			
—increase in inventories	(1,446,201)	(905,507)	(1,234,302)
—(increase)/decrease in receivables	(6,834,021)	4,113,117	(255,337)
—increase/(decrease) in payables and accruals	5,564,881	(230,883)	3,054,522
Net cash generated from operations	1,764,677	6,266,670	3,963,706

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

26 Commitments

(a) Capital commitments

Beijing Benz has the following capital commitments not provided for as at December 31, 2011 and 2012 and November 17, 2013, respectively:

	As at December 31,		As at
	2011	2012	November 17, 2013
	RMB'000	RMB'000	RMB'000
Contracted but not provided for	1,626,665	2,566,745	1,212,421
Authorized but not contracted for	20,429,771	12,157,059	17,912,854
	<u>22,056,436</u>	<u>14,723,804</u>	<u>19,125,275</u>

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31,		As at
	2011	2012	November 17, 2013
	RMB'000	RMB'000	RMB'000
Up to 1 year	3,111	84,860	—
1 to 5 years	—	166,385	—
	<u>3,111</u>	<u>251,245</u>	<u>—</u>

27 Related party transactions

(a) Significant transactions with related parties are listed below which were carried out in the ordinary course of business and were determined based on mutually agreed terms:

	For the year ended		For the
	2011	2012	period from January 1, to November 17, 2013
	RMB'000	RMB'000	RMB'000
Sale of goods and materials to			
—investors and other related companies	1,481,375	989,930	665,431
Services provided to			
—investors and other related companies	13,871	51,358	60,187
Purchases of goods and materials from			
—investors and other related companies	12,937,617	14,135,898	12,301,903
Services received from			
—investors and other related companies	230,405	992,038	1,800,146
Rental expenses paid/payable to			
—a related company	—	12,163	63,184
Interest received from			
—a related company	—	1,794	16,540
Key management compensation			
—salaries and other employee benefits	15,852	18,031	18,322
	<u>15,852</u>	<u>18,031</u>	<u>18,322</u>

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF BEIJING BENZ—continued

27 Related party transactions—continued

- (b) Significant balances with related parties are listed below which were unsecured, interest free and repayment on demand:

	As at December 31,		As at
	2011	2012	November 17,
	RMB'000	RMB'000	2013
			RMB'000
Assets			
Trade receivables			
—investors and other related companies	176,197	184,293	269,947
Notes receivable			
—a related company	125,340	—	—
Other receivables and prepayments			
—investors and other related companies	31,131	51,358	65,193
Bank deposit			
—a related company	—	602,471	2,195,897
Liabilities			
Accounts payable			
—investors and other related companies	1,683,257	2,388,841	4,901,959
Advances from customers			
—a related company	125,000	—	—
Other payables and accruals			
—investors and other related companies	280,998	682,967	1,835,292

IV. ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU COMPANY

As stated in Note 39 of Section II above, on July 24, 2014, the Company completed the acquisition from BAIC Group its entire interests in Guangzhou Company.

The following is the financial information of Guangzhou Company for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2013 and 2014.

BALANCE SHEETS OF GUANGZHOU COMPANY

	Note	As at December 31,			As at June 30,
		2011	2012	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	16,194	307,258	1,208,019	2,131,963
Land use rights	5	263,268	254,752	328,563	323,462
Intangible assets	6	84	101	65	47
Other receivables and prepayments	7	43,671	15,775	35,485	56,958
		<u>323,217</u>	<u>577,886</u>	<u>1,572,132</u>	<u>2,512,430</u>
Current assets					
Inventories		—	—	163	2,476
Other receivables and prepayments	7	192,803	18,742	28,494	51,557
Cash and cash equivalents	8	39,903	171,413	330,845	361,318
		<u>232,706</u>	<u>190,155</u>	<u>359,502</u>	<u>415,351</u>
Total assets		<u>555,923</u>	<u>768,041</u>	<u>1,931,634</u>	<u>2,927,781</u>
EQUITY					
Capital and reserves attributable to equity holders					
Paid-in capital	9	630,000	630,000	980,000	1,360,000
Capital reserve		119	119	596	596
Accumulated losses		(78,277)	(101,697)	(164,808)	(194,244)
Total equity		<u>551,842</u>	<u>528,422</u>	<u>815,788</u>	<u>1,166,352</u>
LIABILITIES					
Non-current liabilities					
Borrowings	10	—	—	705,000	971,000
Deferred income from government grants	11	—	100,000	270,493	269,252
		<u>—</u>	<u>100,000</u>	<u>975,493</u>	<u>1,240,252</u>
Current liabilities					
Accounts Payable	12	—	—	—	42,492
Other payables and accruals	13	4,081	139,619	140,353	478,685
		<u>4,081</u>	<u>139,619</u>	<u>140,353</u>	<u>521,177</u>
Total liabilities		<u>4,081</u>	<u>239,619</u>	<u>1,115,846</u>	<u>1,761,429</u>
Total equity and liabilities		<u>555,923</u>	<u>768,041</u>	<u>1,931,634</u>	<u>2,927,781</u>
Net current assets		<u>228,625</u>	<u>50,536</u>	<u>219,149</u>	<u>(105,826)</u>
Total assets less current liabilities		<u>551,842</u>	<u>628,422</u>	<u>1,791,281</u>	<u>2,406,604</u>

STATEMENTS OF COMPREHENSIVE INCOME OF GUANGZHOU COMPANY

	Note	For the year ended December 31,			For the six months ended June 30,	
		2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
General and administrative expenses	15	(16,952)	(31,652)	(65,887)	(22,212)	(33,314)
Other (losses)/gains, net	14	(2)	7,461	829	203	600
Operating loss		(16,954)	(24,191)	(65,058)	(22,009)	(32,714)
Finance income	17	442	771	1,947	1,034	3,278
Finance costs	17	—	—	—	—	—
Finance income, net		442	771	1,947	1,034	3,278
Total loss and comprehensive loss for the year/ period		(16,512)	(23,420)	(63,111)	(20,975)	(29,436)

STATEMENTS OF CHANGES IN EQUITY OF GUANGZHOU COMPANY

	Paid-in capital	Capital reserve	Accumulated losses	Total
	RMB'000 (Note 9)	RMB'000 (Note 10)	RMB'000	RMB'000
Balance at January 1, 2011	330,000	—	(61,765)	268,235
Total comprehensive loss for the year	—	—	(16,512)	(16,512)
Transactions with owners—capital injection	300,000	119	—	300,119
Balance at December 31, 2011	<u>630,000</u>	<u>119</u>	<u>(78,277)</u>	<u>551,842</u>
Total comprehensive loss for the year	—	—	(23,420)	(23,420)
Balance at December 31, 2012	<u>630,000</u>	<u>119</u>	<u>(101,697)</u>	<u>528,422</u>
Total comprehensive loss for the year	—	—	(63,111)	(63,111)
Transactions with owners—capital injection	350,000	477	—	350,477
Balance at December 31, 2013	<u>980,000</u>	<u>596</u>	<u>(164,808)</u>	<u>815,788</u>
Balance at January 1, 2013	630,000	119	(101,697)	528,422
Total comprehensive loss for the period	—	—	(20,975)	(20,975)
Transactions with owners—capital injection	350,000	477	—	350,477
Balance at June 30, 2013 (unaudited)	<u>980,000</u>	<u>596</u>	<u>(122,672)</u>	<u>857,924</u>
Balance at January 1, 2014	980,000	596	(164,808)	815,788
Total comprehensive loss for the period	—	—	(29,436)	(29,436)
Transactions with owners—capital injection	380,000	—	—	380,000
Balance at June 30, 2014	<u>1,360,000</u>	<u>596</u>	<u>(194,244)</u>	<u>1,166,352</u>

STATEMENTS OF CASH FLOWS OF GUANGZHOU COMPANY

	Note	For the year ended December 31,			For the six months ended June 30,	
		2011	2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Cash used in operations	18	(8,234)	(44,368)	(56,155)	(22,389)	(11,165)
Interest received		442	771	1,947	1,034	3,278
Net cash used in operating activities		(7,792)	(43,597)	(54,208)	(21,355)	(7,887)
Cash flows from investing activities						
Purchase of property, plant and equipment		(59,960)	(261,026)	(740,448)	(184,352)	(607,640)
Purchase of land use rights		—	—	(84,012)	(67,512)	—
Purchase of intangible assets		(90)	(35)	(2)	(2)	—
Funds to immediate holding company		(192,255)	—	—	—	—
Repayments from immediate holding company		—	192,255	—	—	—
Receipt of government grant		—	100,000	119,551	—	—
Proceeds from disposal of property, plant and equipment		—	7,463	1	—	—
Net cash (used in)/generated from investing activities		(252,305)	38,657	(704,910)	(251,866)	(607,640)
Cash flows from financing activities						
Capital injection		300,000	—	350,000	350,000	380,000
Proceeds from borrowings		—	—	705,000	50,000	266,000
Funds from immediate holding company		—	136,450	—	—	—
Repayments to immediate holding company		—	—	(136,450)	(136,450)	—
Net cash generated from financing activities		300,000	136,450	918,550	263,550	646,000
Net increase in cash and cash equivalents		39,903	131,510	159,432	(9,671)	30,473
Cash and cash equivalents at beginning of the year		—	39,903	171,413	171,413	330,845
Cash and cash equivalents at end of the year		39,903	171,413	330,845	161,742	361,318

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU COMPANY**1 General information**

Guangzhou Company was established in the PRC on December 30, 2010 as a limited liability company. The address of Guangzhou Company's registered office is No. 168, Tashandadao Road, Zengjiang Sub-District, Zengcheng, Guangzhou, Guangdong Province, the PRC.

Guangzhou Company was currently in pre-operating stage with no revenue generated for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014. Guangzhou Company's principal business will be the production and sales of passenger vehicles and related auto parts. Guangzhou Company was wholly-owned by BAIC Group for each of the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014.

2 Basis of preparation

The Financial Information of Guangzhou Company has been prepared in accordance with IFRSs issued by IASB under the historical cost convention, as modified by financial assets and financial liabilities at fair value and in accordance with the accounting policies of the Group presented on the basis set out in Note 2 of Section II. These policies have been consistently applied to the years presented, unless otherwise stated.

As at June 30, 2014, the current liabilities of Guangzhou Company exceeded its current assets by approximately RMB 106 million. The Company has completed the acquisition of Guangzhou Company on July 24, 2014 and will provide financial support to Guangzhou Company to meet its financial and working capital requirements when fall due.

3 Segment information

Guangzhou Company's segment information is determined on the basis of internal reports that are regularly reviewed by the Executive Director, in order to allocate resources and assess performance. It has been determined that Guangzhou Company is an operating segment as a whole based on these management reports.

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU
COMPANY—continued

4 Property, plant and equipment

	Buildings	Machinery	Vehicles	Furniture and office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount at January 1,						
2011	—	—	—	—	—	—
Additions	—	60	874	1,195	14,159	16,288
Depreciation	—	(2)	(21)	(71)	—	(94)
Net book amount at December 31,						
2011	—	58	853	1,124	14,159	16,194
At December 31, 2011						
Cost	—	7,523	874	1,195	14,159	23,751
Accumulated depreciation	—	(7,465)	(21)	(71)	—	(7,557)
Net book amount	—	58	853	1,124	14,159	16,194
Net book amount at January 1,						
2012	—	58	853	1,124	14,159	16,194
Additions	—	5	810	483	290,161	291,459
Depreciation	—	(7)	(144)	(244)	—	(395)
Net book amount at December 31,						
2012	—	56	1,519	1,363	304,320	307,258
At December 31, 2012						
Cost	—	65	1,684	1,678	304,320	307,747
Accumulated depreciation	—	(9)	(165)	(315)	—	(489)
Net book amount	—	56	1,519	1,363	304,320	307,258
Net book amount at January 1,						
2013	—	56	1,519	1,363	304,320	307,258
Additions	77,700	5,567	813	1,103	816,958	902,141
Disposals	—	—	—	(4)	—	(4)
Depreciation	(628)	(138)	(196)	(414)	—	(1,376)
Net book amount at December 31,						
2013	77,072	5,485	2,136	2,048	1,121,278	1,208,019
At December 31, 2013						
Cost	77,700	5,632	2,497	2,777	1,121,278	1,209,884
Accumulated depreciation	(628)	(147)	(361)	(729)	—	(1,865)
Net book amount	77,072	5,485	2,136	2,048	1,121,278	1,208,019
Net book amount at January 1,						
2013	—	56	1,519	1,363	304,320	307,258
Additions	—	—	634	659	225,735	227,028
Depreciation	—	(3)	(82)	(180)	—	(265)
Net book amount at June 30, 2013						
(unaudited)	—	53	2,071	1,842	530,055	534,021
At June 30, 2013 (unaudited)						
Cost	—	65	2,318	2,337	530,055	534,775
Accumulated depreciation	—	(12)	(247)	(495)	—	(754)
Net book amount	—	53	2,071	1,842	530,055	534,021

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU COMPANY—continued

4 Property, plant and equipment—continued

	<u>Buildings</u> RMB'000	<u>Machinery</u> RMB'000	<u>Vehicles</u> RMB'000	<u>Furniture and office equipment</u> RMB'000	<u>Construction in progress</u> RMB'000	<u>Total</u> RMB'000
Net book amount at January 1,						
2014	77,072	5,485	2,136	2,048	1,121,278	1,208,019
Additions	—	1,174	4,674	2,187	917,898	925,933
Depreciation	<u>(1,256)</u>	<u>(278)</u>	<u>(141)</u>	<u>(314)</u>	—	<u>(1,989)</u>
Net book amount at June 30,						
2014	<u>75,816</u>	<u>6,381</u>	<u>6,669</u>	<u>3,921</u>	<u>2,039,176</u>	<u>2,131,963</u>
At June 30, 2014						
Cost	77,700	6,806	7,171	4,964	2,039,176	2,135,817
Accumulated depreciation	<u>(1,884)</u>	<u>(425)</u>	<u>(502)</u>	<u>(1,043)</u>	—	<u>(3,854)</u>
Net book amount	<u>75,816</u>	<u>6,381</u>	<u>6,669</u>	<u>3,921</u>	<u>2,039,176</u>	<u>2,131,963</u>

Depreciation of property, plant and equipment has been charged to general and administrative expenses.

Guangzhou Company has capitalized borrowing costs amounting to approximately RMB 12,365,000, RMB 712,000 and RMB 27,720,000 respectively on qualifying assets of property, plant and equipment for the year ended December 31, 2013 and six months ended June 30, 2013 and 2014. Borrowing costs were capitalized at the weighted average of its borrowing rate of 5.9% for the respective year and periods.

As at June 30, 2014, Guangzhou Company has not obtained the formal ownership certificate for certain buildings with carrying value of approximately RMB 25,504,000. In the opinion of the director, the absence of formal title to these buildings does not impair their values to the Guangzhou Company as the probability of the Guangzhou Company being evicted on the ground of absence of formal title is remote.

5 Land use rights

	<u>For the year ended December 31,</u>			<u>For the six months ended June 30,</u>	
	<u>2011</u> RMB'000	<u>2012</u> RMB'000	<u>2013</u> RMB'000	<u>2013</u> RMB'000 (unaudited)	<u>2014</u> RMB'000
Cost					
At beginning of year	268,235	268,235	268,235	268,235	352,247
Additions	—	—	84,012	84,012	—
At end of year	<u>268,235</u>	<u>268,235</u>	<u>352,247</u>	<u>352,247</u>	<u>352,247</u>
Accumulated amortization					
At beginning of year	—	(4,967)	(13,483)	(13,483)	(23,684)
Amortization	<u>(4,967)</u>	<u>(8,516)</u>	<u>(10,201)</u>	<u>(4,539)</u>	<u>(5,101)</u>
At end of year	<u>(4,967)</u>	<u>(13,483)</u>	<u>(23,684)</u>	<u>(18,022)</u>	<u>(28,785)</u>
Net book amount					
At end of year	<u>263,268</u>	<u>254,752</u>	<u>328,563</u>	<u>334,225</u>	<u>323,462</u>

Amortization of land use rights has been charged to general and administrative expenses.

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU COMPANY—continued

6 Intangible assets

The intangible assets mainly comprised of computer softwares at December 31, 2011, 2012 and 2013 and June 30, 2014.

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost				(unaudited)	
At beginning of year	—	90	125	125	127
Additions	90	35	2	2	—
At end of year	90	125	127	127	127
Accumulated amortization					
At beginning of year	—	(6)	(24)	(24)	(62)
Amortization	(6)	(18)	(38)	(20)	(18)
At end of year	(6)	(24)	(62)	(44)	(80)
Net book amount					
At end of year	84	101	65	83	47

Amortization of intangible assets has been charged to general and administrative expenses.

7 Other receivables and prepayments

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for property, plant and equipment	43,671	15,775	35,962	56,958
Receivable from immediate holding company (Note 20(b))	192,255	—	—	—
Others	548	18,742	28,017	51,557
	236,474	34,517	63,979	108,515
Less: non-current portion	(43,671)	(15,775)	(35,485)	(56,958)
Current portion	192,803	18,742	28,494	51,557

8 Cash and cash equivalents

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	39,903	171,413	330,845	361,318

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU COMPANY—continued

9 Paid-in capital

	RMB'000
At January 1, 2011	330,000
Additions	300,000
At December 31, 2011 and 2012	630,000
Additions	350,000
At December 31, 2013	980,000
At January 1, 2013	630,000
Additions	350,000
At June 30, 2013 (unaudited)	980,000
At January 1, 2014	980,000
Additions	380,000
At June 30, 2014	1,360,000

10 Borrowings

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current borrowings				
Secured bank borrowings	—	—	705,000	971,000
Maturity of borrowings				
Between 1 and 2 years	—	—	120,100	240,100
Between 2 and 5 years	—	—	584,900	730,900
	—	—	705,000	971,000
Weighted average annual interest rates				
Bank borrowings	—	—	5.90%	5.90%
Undrawn facilities				
Within 1 year	—	—	—	1,072,426
Over 1 year	—	—	1,345,000	—
	—	—	1,345,000	1,072,426

All the borrowings are denominated in RMB and the carrying amounts of borrowings approximate their fair values.

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU COMPANY—continued

11 Deferred income from government grants

Balances at December 31, 2012, 2013 and June 30, 2014 represent the unamortized portion of grants received from Municipal Government of Zengcheng.

12 Accounts payable

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	—	—	—	35,918
Notes payable	—	—	—	6,574
	—	—	—	42,492
	<u>—</u>	<u>—</u>	<u>—</u>	<u>42,492</u>

Aging analysis of trade payables is as follows:

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current to 1 year	—	—	—	35,918
1 year to 2 years	—	—	—	—
2 years to 3 years	—	—	—	—
over 3 years	—	—	—	—
	—	—	—	35,918
	<u>—</u>	<u>—</u>	<u>—</u>	<u>35,918</u>

13 Other payables and accruals

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Payable for property, plant and equipment	—	2,535	132,376	461,164
Interest payable	—	—	1,270	1,596
Wages, salaries and other employee benefits	946	95	5,366	9,418
Payable to immediate holding company (Note 20(b))	—	136,450	—	—
Other taxes	30	(139)	450	3,128
Others	3,105	678	891	3,379
	4,081	139,619	140,353	478,685
	<u>4,081</u>	<u>139,619</u>	<u>140,353</u>	<u>478,685</u>

14 Other (losses)/gains, net

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gain/(loss) on disposal of property, plant and equipment	—	7,463	(3)	—	(714)
Others	(2)	(2)	832	203	1,314
	<u>(2)</u>	<u>7,461</u>	<u>829</u>	<u>203</u>	<u>600</u>

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU
COMPANY—continued

15 Expense by nature

	For the year ended December 31,			For the six months ended June,	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
Advertising and promotion	778	2,022	1,252	527	1,588
Employee benefit costs (Note 15)	5,658	13,280	42,444	13,075	18,732
Depreciation on property, plant and equipment (Note 4)	94	395	1,376	265	1,989
Amortization on					
—land use rights (Note 5)	4,967	8,516	10,201	4,539	5,101
—intangible assets (Note 6)	6	18	38	20	18
Transportation expenses	1,058	1,992	1,380	493	670
Utilities	195	504	662	175	238
Operating lease expenses	—	—	1,051	291	459
Taxes	2,011	2,362	2,851	1,584	2,363
Consulting fees	—	—	2,309	456	1,058
Others	2,185	2,563	2,323	787	1,098
Total general and administrative expenses	<u>16,952</u>	<u>31,652</u>	<u>65,887</u>	<u>22,212</u>	<u>33,314</u>

16 Employee benefit costs

	For the year ended December 31,			For the six months ended June 30,	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
Wages and salaries	3,885	8,655	32,310	10,254	13,394
Social security costs	636	1,539	3,952	1,176	1,466
Housing benefits	317	758	2,131	623	762
Welfare, medical and other expenses	820	2,328	4,051	1,022	3,110
	<u>5,658</u>	<u>13,280</u>	<u>42,444</u>	<u>13,075</u>	<u>18,732</u>

17 Finance income, net

	For the year ended December 31,			For the six months ended June,	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
Finance income					
Interest on bank deposits	<u>442</u>	<u>771</u>	<u>1,947</u>	<u>1,034</u>	<u>3,278</u>
Finance costs					
Interest expense on bank borrowings					
—Wholly repayable within 5 years	—	—	12,365	712	27,720
Less: amount capitalized in qualifying assets (Note 4)	<u>—</u>	<u>—</u>	<u>(12,365)</u>	<u>(712)</u>	<u>(27,720)</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Finance income, net	<u>442</u>	<u>771</u>	<u>1,947</u>	<u>1,034</u>	<u>3,278</u>

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU COMPANY—continued

18 Cash used in operations

	For the year ended December 31,			For the six months ended June 30,	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
Loss before income tax	(16,512)	(23,420)	(63,111)	(20,975)	(29,436)
Adjustments for:					
(Gain)/loss on disposal of property, plant and equipment	—	(7,463)	3	—	—
Depreciation on property, plant and equipment	94	395	1,376	265	1,989
Amortization on					
—land use rights	4,967	8,516	10,201	4,539	5,101
—intangible assets	6	18	38	20	18
Finance income, net	(442)	(771)	(1,947)	(1,034)	(3,278)
Amortization of government grant	—	—	(621)	—	(1,240)
	<u>(11,887)</u>	<u>(22,725)</u>	<u>(54,061)</u>	<u>(17,185)</u>	<u>(26,846)</u>
Changes in working capital:					
—increase in other receivables and prepayments	(548)	(18,195)	(9,275)	(9,069)	(23,063)
—increase in inventories	—	—	(163)	—	(2,313)
—Increase in account payable	—	—	—	—	35,916
—increase/(decrease) in other payables and accruals	<u>4,201</u>	<u>(3,448)</u>	<u>7,344</u>	<u>3,865</u>	<u>5,141</u>
Net cash used in operations	<u>(8,234)</u>	<u>(44,368)</u>	<u>(56,155)</u>	<u>(22,389)</u>	<u>(11,165)</u>

19 Commitments

Capital commitments

Guangzhou Company has the following capital commitments for property, plant and equipment not provided for as at December 31, 2011, 2012 and 2013 and June 30, 2014 respectively.

	As at December 31,			As at June 30,
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Contracted but not provided for	<u>170,283</u>	<u>425,030</u>	<u>928,607</u>	<u>660,552</u>

NOTES ON THE ADDITIONAL FINANCIAL INFORMATION OF GUANGZHOU COMPANY—continued

20 Related party transactions

- (a) Significant transactions with related parties are listed below which were carried out in the ordinary course of business and were determined based on mutually agreed terms:

	For the year ended December 31,			For the six months ended June 30,	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Purchases of property, plant and equipment					
—fellow subsidiaries	—	—	102,526	583	162,195
Purchases of goods and materials from					
—fellow subsidiaries	—	—	—	—	20,851

- (b) Significant balances with related parties are listed below which were unsecured, interest free and repayment on demand:

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Other receivables and prepayments				
—immediate holding company	192,255	—	—	—
Liabilities				
Accounts payable				
—fellow subsidiaries	—	—	—	19,048
Other payables and accruals				
—immediate holding company	—	136,450	—	—

- (c) Guarantees:

	As at December 31,			As at June 30,
	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees on bank loans provided by:				
—immediate holding company	—	—	705,000	971,000

V. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect to any period subsequent to June 30, 2014 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or paid by the Company or any of its subsidiaries in respect of any period subsequent to June 30, 2014.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong