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

(A joint stock limited company incorporated in The People's Republic of China with limited liability)
Stock code: 1958

*For identification purpose only

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Corporate Information

LEGAL NAME OF THE COMPANY

北京汽車股份有限公司

ENGLISH NAME OF THE COMPANY

BAIC Motor Corporation Limited

REGISTERED OFFICE

The fifth Building, Block 25 Shuntong Road, Shunyi District, Beijing 101300, China

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COMPANY SECRETARY

Mr. Yan Xiaolei
5th Floor, No. 99 Shuangde Street, Renhe Town, Shunyi District, Beijing, China

COMPANY SECRETARY ASSISTANT

Ms. Yung Mei Yee
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H SHARE STOCK CODE

1958

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Chairman's Statement

1.575million units

The Beijing Brand, Beijing Benz and Beijing Hyundai have recorded sales of 1.5752 million units of vehicles in total, representing a year-on-year growth of 16.8%

4.51billion

In 2014, the Group recorded profit attributable to the Company's equity shareholders of RMB4.51 billion, representing a year-on-year growth of 66.2%

Dear Shareholders,

First of all, on behalf of the Board of Directors (the "Board") of BAIC Motor Corporation Limited. I would like to express my heartfelt gratitude to each and every shareholder for your unwavering support to BAIC Motor Corporation Limited and its subsidiaries (the "Group").

The year 2014 was a year that the Group metamorphosed into a butterfly. On the back of the industry-benchmark growth of more than 50% in business volume (with sales exceeding 300,000 units and other breakthroughs) by the proprietary Beijing Motor brand (the "Beijing Brand") of BAIC Motor Corporation Limited (the "Company"), the Company went through a successful initial public offering ("IPO") and was listed on the Main Board of the Hong Kong Stock Exchange on December 19, 2014. It has also created history in Hong Kong's IPO with two "number ones" – first, it is number one in the amount of funds raised for Chinese car manufacturers, and secondly, it is number one in the amount of funds raised for Beijing state-owned enterprises. The achievements of the Group in 2014 were the result of ongoing rapid growth in the automobile market in China. They were also due to the strong support of the central and Beijing municipal governments, as well as the capital market's approval of the Group's positive development trend and achievements made in the past years.

During 2014, the automobile market faced unfavorable conditions of slowing growth and intensifying competition. The Beijing Brand, Beijing Benz and Beijing Hyundai have recorded sales of 1.5752 million units of vehicles in total, representing a year-on-year growth of 16.8%. In 2014, the Group recorded profit attributable to the Company's equity shareholders of RMB4.51 billion with a year-on-year growth of 66.2%.

The year 2015 is the final year of the Twelfth Five-Year Plan for China's economy. The downward pressure on the macro-economy faced by the automobile market is increasing. Environmental protection and traffic congestion issues are becoming more prominent. Under such circumstances, further slowdown in the overall growth of the Chinese automobile industry may well be the new normal. As market competition intensifies, competition in automobile industry will also change gradually from the "qualifying competition" during the "Twelfth Five" period into "knockout competition" during the "Thirteenth Five" period. Like huge waves sweeping away the sand, enterprises that survive the rigorous baptism of the market competition will become the mainstay of China's automobile market in the future.

For this purpose, the current Board will lead the management team of the Company to focus on the following two aspects of the work:

Chairman's Statement

First, we will manage the enterprise according to the laws and ensure compliance in our operations. The year 2015 is the first full year of operation since the Company landed on the international capital market. The Group will carry out its business operations according to the requirements of building an international public company. We will further improve the corporate governance structure, implement strictly the laws and regulations, and rules of regulatory bodies, and safeguard the interests of all shareholders especially those of the minority shareholders. We will enhance the compliant operation and risk prevention systems of the Group and raise the overall level of standardized operations.

Secondly, we will drive the development of the enterprise through innovation. Under the new normal stage of intensifying market competition, the Group will focus on enhancing the quality of development and economic benefits and promote transformation and upgrading through restructuring. We will accelerate the transformation from a traditional industrial enterprise into one that provides manufacturing services and is innovative, and will seek a balanced development through both organic and acquisitive growth. At the same time, the Group will actively adapt to the new trend represented by mobile Internet technology. We will promote upgrading of the industrial structure through information technology applications and business model innovation, thus extending the industry's value chain. We will actively adapt to the mega trend of reform of state-owned enterprises by liberating the mind and innovating the management model, and by utilizing flexibly various types of reform tools to achieve efficient allocation of capital, technology, talent, channels and other resources, so as to promote our own development and deliver more dividends of reform.

Through these efforts, all the Directors are convinced that the Group will achieve greater development in 2015. Moreover, we will repay Shareholders and contribute to the society with outstanding results.

Last but not least, I would like to express my heartfelt gratitude to the management team, all our employees and business partners for all their hard work in the past year, and to our Shareholders for their support and care!

Chairman
Xu Heyi

March 22, 2015

President's Statement

Dear Shareholders,

I am pleased to present the audited consolidated results of the Group for the year ended December 31, 2014.

During 2014, despite the negative impact of continued economic slowdown, frequent regulatory controls and restrictions imposed by the central and local governments, price cut of joint venture brands and falling market share for domestic brands, we have sustained the favorable trend of rapid development since our establishment and fulfilled all major production and operation targets under the guidance of the Board of Directors and with the management principles of "striving for success, demonstrating accountability and pursuing lean management".

During 2014, despite the twelve consecutive years of declining share of domestic brands in China's passenger car market, our Group managed to buck the trend and achieved a significant growth in sales revenue. Our Beijing Brand and our joint venture brands achieved aggregate sales of 1.5752 million complete vehicles, representing a 16.8% growth from the previous year level. Among them, the Beijing Brand sold nearly 310 thousand vehicles, representing a growth of more than 50%. The Senova D series launched its brand while Wevan's M20 gained favorable market comments. Beijing Benz sold 145.5 thousand vehicles for a 25.4% year-on-year increase and successfully launched the hot selling LWB C-Class sedan and gained more market segments; while Beijing Hyundai was able to achieve sales of 1.12 million vehicles, an increase of 8.7%, despite its perennial capacity constraint, which is a breakthrough of over one million units in sales volume for two consecutive years. In addition, our Group has achieved significant breakthrough in key production and operational areas such as cost reduction and efficiency improvement, research and development of new products, quality control and management innovations.

In 2015, the automobile industry will see both opportunities and challenges. In the face of increasingly fierce market competition and the new norm of slowing growth, our Group will follow the Board of Directors' instructions and focus more on improving the quality of our growth and economic efficiency. We aim to enhance our profitability through a broad-based quality improvement, efficiency gain and upgrade in the management of our operations. Thus, we are targeting "restructuring, repositioning, enhancing intrinsic value and increasing efficiency" in our operations this year.

In 2015, the Beijing Brand will steadfastly aim for increased product sales and a bigger market share by introducing new vehicle models (especially the launch of SUVs) to create hot-selling star cars, thus enabling the transformation of products from volume-based to quality-based. Beijing Benz will grasp the opportunity provided by the rapid growth in the luxury car segment and aim for market-share leadership without sacrificing profit. Further, with the commissioning of its new production base, Beijing Hyundai is expected to achieve higher average selling price per car and improve the sales mix of its high-to mid-end market and SUV ("D+S") models, thus fortifying its position among the first-tier players in the domestic passenger car market. It will also take this opportunity to seek new breakthroughs.

In 2015, the Company will continue to deepen reform and innovation, strengthen the optimization of businesses and consolidation of resources, optimize our management flow and performance management system, improve the performance appraisal system on various business and production units, enhance overall budget management, and further promote full value-chain cost control. We will continue to extend our product range, increase our research and development investment, and improve the competitive advantages of our products. We'll also enhance the operating performance of the Beijing Brand and unleash the superior capabilities of the joint venture companies, thus making our Group the leader in the Chinese automobiles market.

Finally, on behalf of the management team, I want to extend my sincere gratitude to the support from our Shareholders, the Board of Directors and the Board of Supervisors, as well as the hard work of all staff!

President
Li Feng

March 22, 2015

Summary of Financial Information

Summary of financial information of the Group for the years from 2011 to 2014 is as follows:

(Unit: RMB million)

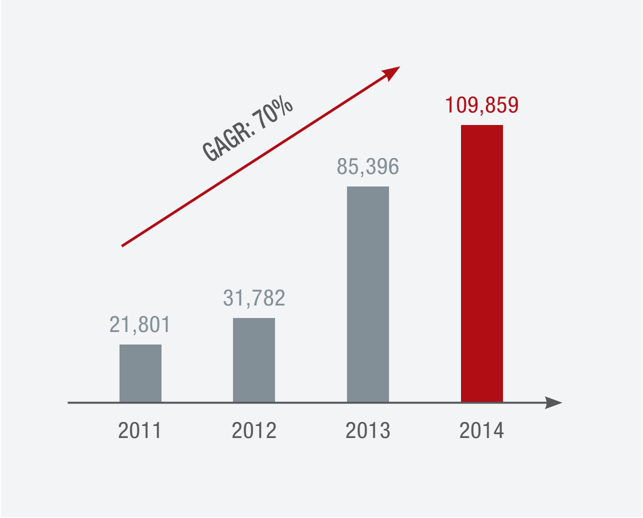
	For the year ended 31 December			
	2014	2013 (restated)	2012	2011
Comprehensive income				
Revenue	**56,370**	12,782	3,520	1,916
Cost of sales	**47,387**	12,367	3,688	1,888
Gross profit	**8,983**	415	(168)	28
Other gains, net	**1,540**	620	1,856	106
Selling and distribution expenses	**5,646**	2,203	1,031	399
General and administrative expenses	**3,455**	1,316	506	355
Finance costs-net	**533**	474	158	82
Share of profit/(losses) of joint venture	**5,712**	5,987	3,835	3,572
Share of profit/(losses) of associates	**97**	36	(43)	(86)
Profit before income tax	**6,698**	3,065	3,785	2,784
Income tax expense	**857**	114	226	21
Profit for the year	**5,841**	2,951	3,478	2,567
Attributable to:				
Equity holders of the Company	**4,511**	2,714	3,417	2,598
Non-controlling interests	**1,330**	237	61	(31)

	As of 31 December			
	2014	2013	2012	2011
Total assets, total liabilities and non-controlling interest				
Total assets	**109,859**	85,396	31,782	21,801
Total liabilities	**67,890**	54,342	15,770	10,501
Non-controlling interest	**8,614**	7,362	215	441

Note: As the acquisition of 100% equity interest of Guangzhou Company in 2014 constitutes a business combination under common control, the data is restated in 2013. The data of 2011 and 2012 are from the Company's Prospectus when Listing ("Prospectus").

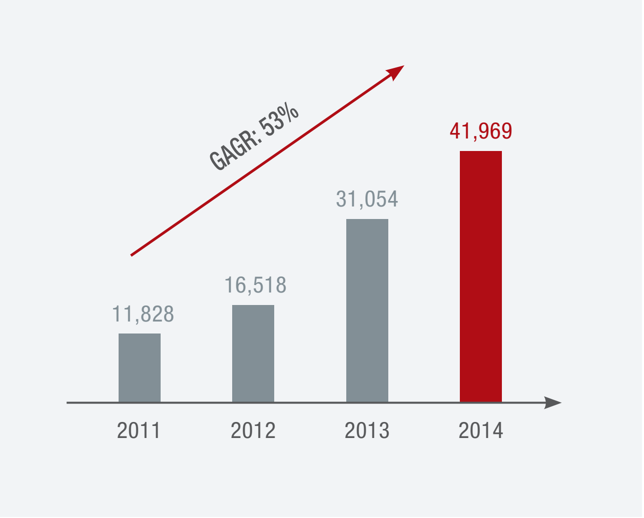
Total Asset

RMB million



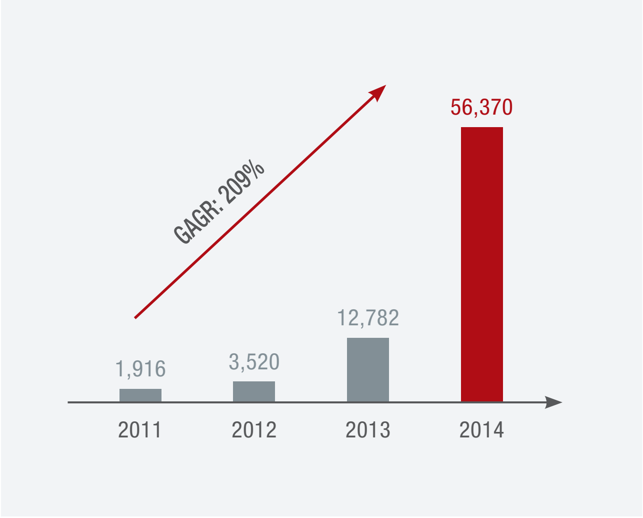
Total Equity

RMB million



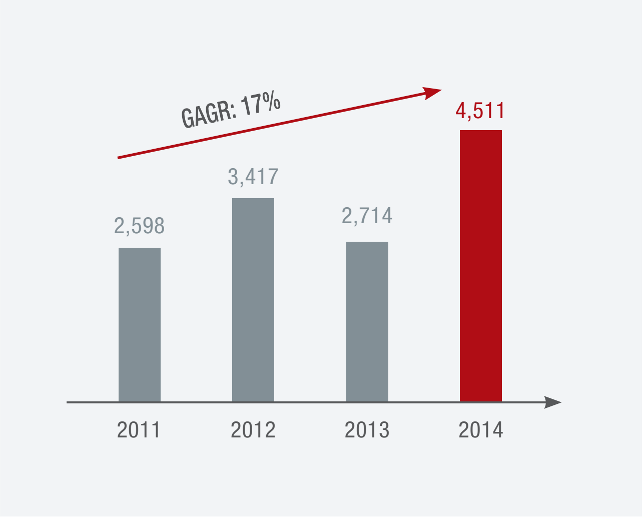
Revenue

RMB million



Profit Attributable to Equity Holders of the Company

RMB million



Company Profile

OVERVIEW

The Company, founded in September 2010, is the platform for vehicle source aggregation and business development of Beijing Automobile Group Co. Ltd (“BAIC Group”). It is strongly supported by the Beijing Municipal Government. The Company completed its H shares initial public offering and was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on December 19, 2014. (H share stock abbreviation: Beijing Motor; H share stock code: 1958).

We are a leading manufacturer of passenger vehicles in China, and are also one of the large passenger vehicle manufacturers listed on the Hong Kong Stock Exchange. Our business covers (i) the Beijing Brand, which has a leading technology platform and has experienced fast sales growth, (ii) the premium passenger vehicle brand of Mercedes-Benz[1] which has a long history, and (iii) Beijing Hyundai's mid- to high-end brand[2] with stable sales growth. We offer a variety of passenger vehicle models to cover different market segments such as the joint venture brands of premium and mid to high tier markets and proprietary brands for the mid-to-high-end and the economical market segments. We offer mid to large size sedans, mid-size sedans, compact sedans, small-size sedans, SUV, MPV and CUV products to satisfy demands of customers for different types of vehicles.

BEIJING BRAND

The Beijing Brand passenger vehicle business is currently operated through three product series, including Senova, BJ and Wevan. The manufacturing Bases for Beijing Brand are Beijing base (Beijing branch), Zhuzhou base (Zhuzhou branch) and Guangzhou base (i.e., our subsidiary, BAIC (Guangzhou) Automotive Co., Ltd, hereafter referred to as “Guangzhou Company”).

We totally sold 309,648 units of Beijing Brand passenger vehicles in 2014, a year-on-year increase of 53.1%.

1 “Mercedes-Benz” is the brand of Daimler AG, and our subsidiary, Beijing Benz, is endorsed to use the brand.

2 “Hyundai” is the brand of Hyundai Motor Company and our joint venture, Beijing Hyundai, is endorsed to use the brand.

Senova (紳寶)

We commenced the sales of Senova passenger vehicles in 2013. Senova is a mid- to high-end passenger vehicle product series and targets customers who value both vehicle performance and cost efficiency. At present, we manufacture and sell the models of D70, D50, D20 and SUV Model of X65 under the Senova product series and plan to launch the models of D60, D80 and Senova CC sedans, as well as the SUV models of X55 and C33 under the Senova product series within 2015.

BJ (北京)

We commenced the sales of BJ E-series sedan in 2012 and BJ40 off-road vehicles in December 2013. As part of an initiative to rebrand our vehicles of proprietary brands, we discontinued the BJ E-series products and rebranded the BJ E-series facelift as Senova D20 in November 2014.

Wevan (威旺)

We commenced the sales of Wevan passenger vehicles in 2011. Our Wevan product series focuses on CUV and MPV products, and targets small and micro businesses and individuals in China. Major products include the MPV model of Wevan M20, CUV models of Wevan 306, Wevan 307, Wevan 205 and Wevan 206.

BEIJING BENZ

Beijing Benz Automotive Co., Ltd. ("Beijing Benz") is our subsidiary. The Company holds 51% equity interest of Beijing Benz, while Daimler AG (Daimler AG) and its wholly-owned subsidiary, Daimler Greater China Ltd., together hold 49% equity interest of Beijing Benz. Beijing Benz is the third-largest producer of Chinese joint venture premium passenger vehicles market by sales in 2013.

Beijing Benz commenced the sales of passenger vehicles of Mercedes-Benz brand in 2006. It currently manufactures and sells the E-Class sedan, the C-Class sedan and the SUV model of GLK. Beijing Benz launched a long-wheelbase version ("LWB") of the new C-Class in August 2014 and plans to introduce a new generation of GLK, a standard-wheelbase version of the new C-Class sedan and SUV model of GLA in 2015.

In 2014, Beijing Benz totally sold 145,468 units of passenger vehicles, a year-on-year increase of 25.4%.

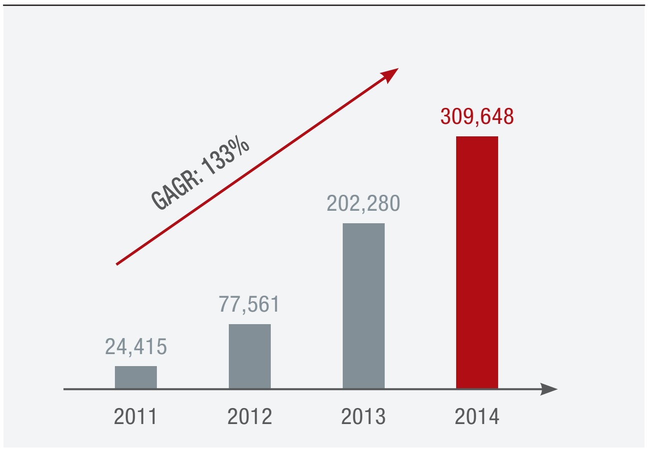
BEIJING HYUNDAI

Beijing Hyundai Motor Co., Ltd. ("Beijing Hyundai") is the joint venture between our Company and Hyundai Motor Company ("Hyundai Motor"). Beijing Automobile Investment Co., Ltd. ("Beijing Automobile Investment"), our subsidiary, and Hyundai Motor, each holds 50.0% equity interest of Beijing Hyundai respectively. Beijing Hyundai is the second-largest joint venture brand passenger vehicle in China in 2013 in terms of sales volume of a single brand.

In 2013, the annual sales volume of Beijing Hyundai exceeded one million units. In 2014, Beijing Hyundai sold 1,120,048 units of vehicles, a year-on-year increase of 8.7%; and as of October 2014, Beijing Hyundai reached a cumulative sales volume of over six million units since its establishment in 2002.

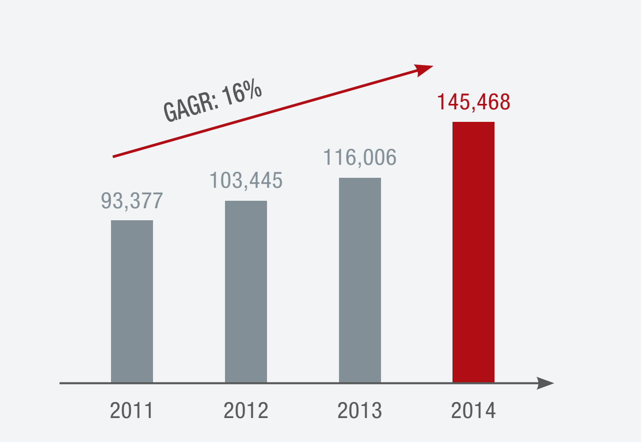
Sales Volume of Beijing Brand

Unit



Sales Volume of Beijing Benz

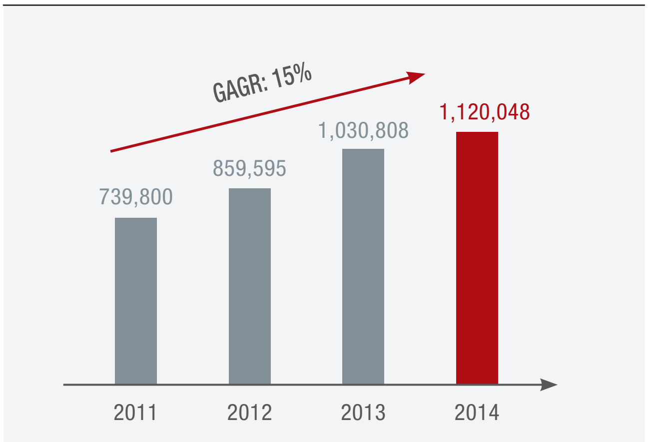
Unit



Company Profile

Sales Volume of Beijing Hyundai

Unit



ENGINES AND AUTOMOBILE PARTS AND COMPONENTS

The engines and other key automobile parts and components manufactured by the Group are used for manufacturing of our own passenger vehicles, as well as for sales to other automobile manufacturers.

As to Beijing Brand, we develop and manufacture engines mainly based on Saab technology and all such engines are used in Senova series passenger vehicles. At the same time, we produce core parts and components including connecting rods and camshafts for private use of BAIC Motor.

Beijing Benz commenced to manufacture engines in 2013. The annual production capacity of the manufacturing base of Beijing Benz was designed to reach 300,000 units. It is the only engine manufacturing base of Mercedes-Benz-branded passenger vehicles outside Germany, thus empowering Beijing Benz with the ability to manufacture critical parts and components of engines. Since the middle of 2014, Beijing Benz began to export to Germany critical parts and components of engines (including cylinder head, cylinder block and boss rod) produced by its engine manufacturing base, for Daimler AG's global manufacturing plants to produce engines.

MANUFACTURING FACILITIES

The Group has specialized production facilities to manufacture and assemble products. All of our manufacturing bases are located in China, and are equipped with advanced production facilities. The following table shows the existing manufacturing facilities of the Group by the end of 2014:

	Location	Designed annual production capacity (units)
Beijing Brand		
Beijing branch	Beijing	150,000
Zhuzhou branch	Zhuzhou	200,000
Guangzhou Company	Guangzhou	100,000
Beijing Benz		
MRA factory	Beijing	230,000

DEALERSHIP NETWORK

The Group has built an extensive dealership network in China. Sales and marketing activities are carried out by Beijing Brand, Beijing Benz and Beijing Hyundai respectively.

RESEARCH AND DEVELOPMENT STATUS

The Group believes that research and development ability is crucial to future development of an enterprise. The research and development of the Group is done independently and through forming alliances with cooperative partners. As of the Date of Issue of the Report, BAIC Motor and Beijing Benz are developing and planning to introduce at least 8 new and updated models by the end of 2015.

Beijing Brand mainly carries out research and development activities through the Company's passenger vehicle research institute, with focus on product development, quality control, manufacturing development and procurement control. Research personnel of Beijing Brand include professionals from Korea, the United States, Australia and Japan. Over 30% of the research personnel possess master's degree and above, and many of them once studied abroad and/or worked overseas.

In 2009, BAIC Group acquired Saab technology, including structural design of three Saab models, two turbo engines, two gear boxes and production tools and moulds. Through adopting and upgrading Saab's design and technical standards, Beijing Brand has built its own passenger vehicle platform, system and parts and components to meet the needs of passenger vehicle design and development.

In addition, Beijing Benz started using the new research and development centre in Beijing in July 2014. The new centre covers an area of approximately 150,000 square meters with a total construction area of approximately 236,000 square meters, and is equipped with advanced research and development facilities for localized adaptive design, testing of automobiles and components, production of prototype and localized components. It is also the largest research and development centre in joint venture outside Germany for Daimler AG.

COMPANY STRUCTURE

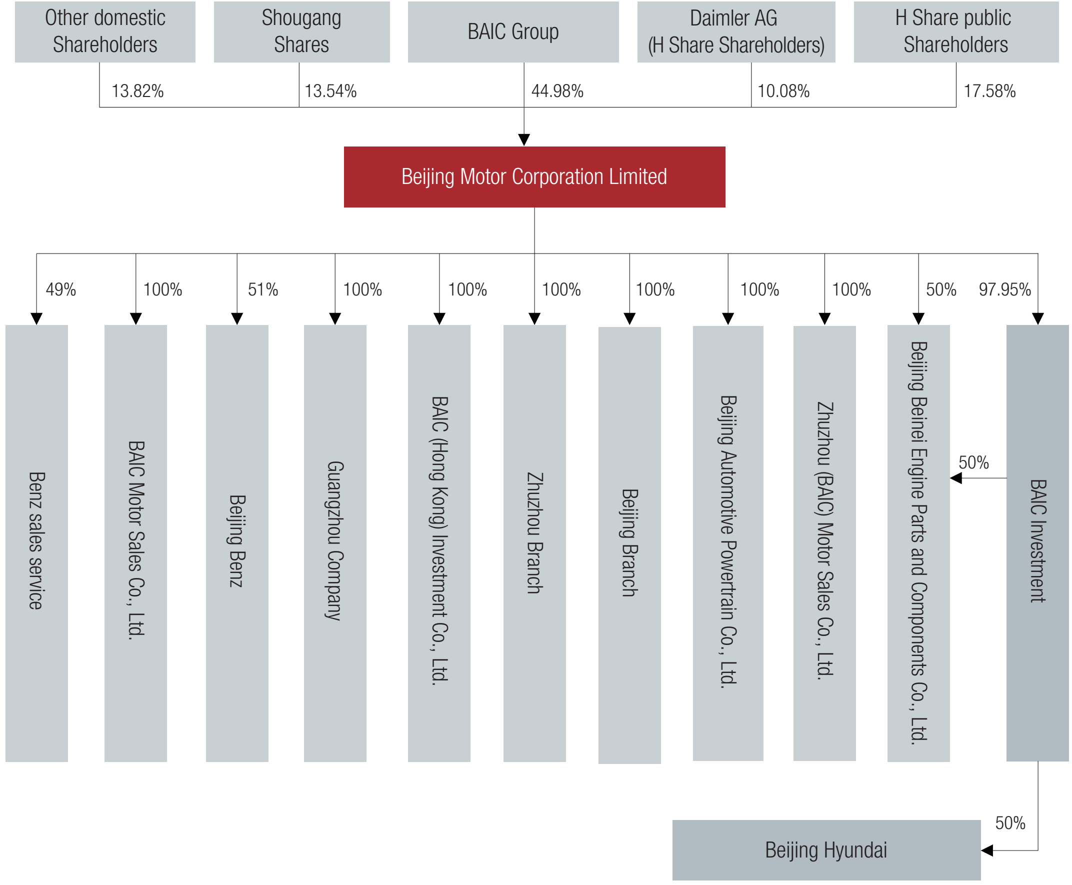
Our ownership structure has the characteristic of diversity and internationalization.

BAIC Group is the only Controlling Shareholder of the Company with 44.98% equity interest of the Company as of the Date of Issue of the Report. BAIC Group is one of the five major automobile manufacturing groups with over 50 years of operating history. It has developed into a diversified business and has become a comprehensive and modern automobile conglomerate integrating vehicle research and development, components manufacturing, automobile service trade, education and investment and financing business, as well as incubation of new industries. The Group is a key passenger vehicle resource and business development platform built by BAIC Group.

Beijing Shougang Co., Ltd. ("Shougang Shares"), Beijing State-owned Capital Operation and Management Center, Beijing Energy Investment (Group) Co., Ltd. and Beijing Industrial Developing Investment Management Co., Ltd are our important state-owned Shareholders in Beijing, among which Shougang Shares is the second-largest Shareholder of the Company with 13.54% equity interest of the Company as of the Date of Issue of the Report.

In order to consolidate the strategic cooperation relations between our Company and Daimler AG, the world class manufacturer, our Company and BAIC Group signed a series of agreements with Daimler AG in 2012 and 2013, including buying stakes of the Company for Daimler AG, raising stake in Beijing Benz for the Company, and technology licensing and arrangement for product sales and services. Daimler AG holds 10.08% equity interest of our Company as of the Date of Issue of the Report.

The following chart is our brief Company structure as of the Date of Issue of the Report:



BEIJING BRAND • MAJOR MODEL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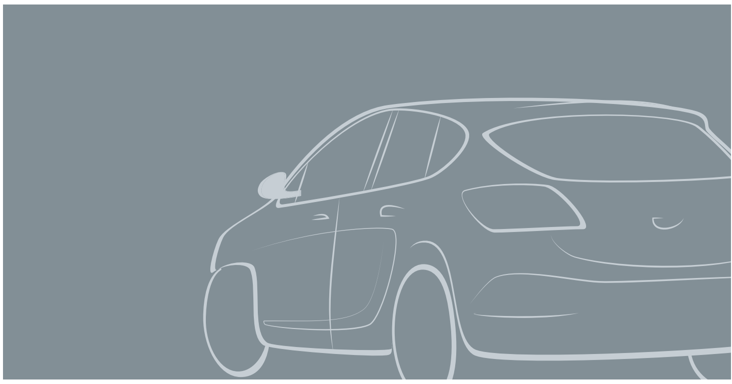
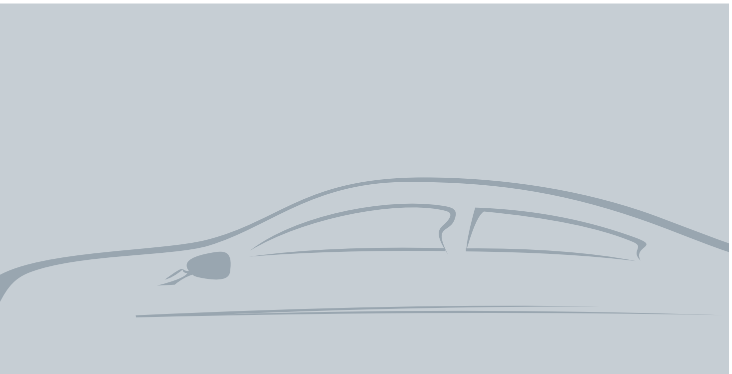


1. Senova D50 / 2. Senova CC / 3. Senova D80 / 4. Senova D70
5. BJ40 / 6. Senova X65 / 7. Senova D20 (two-box) / 8. Wevan M20



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BEIJING BENZ • MAJOR MODEL

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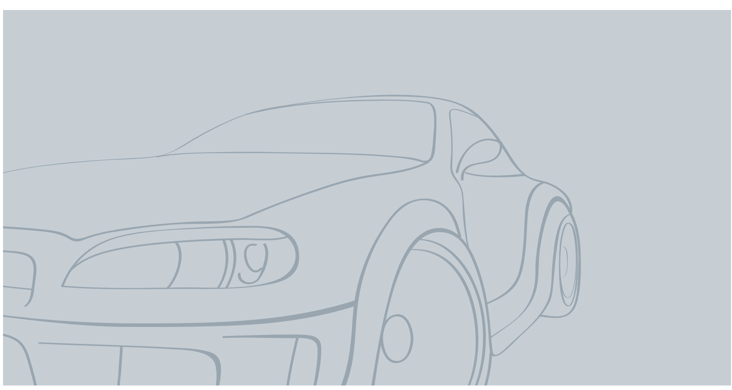
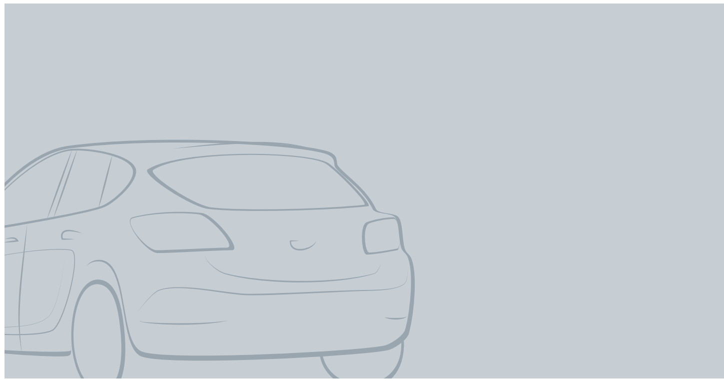


1. LWB version E-Class (sport) / 2. LWB version E-Class / 3. GLK
4. LWB version New C-Class (sport) / 5. LWB version New C-Class / 6. GLA

4



5

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BEIJING HYUNDAI • MAJOR MODEL

1

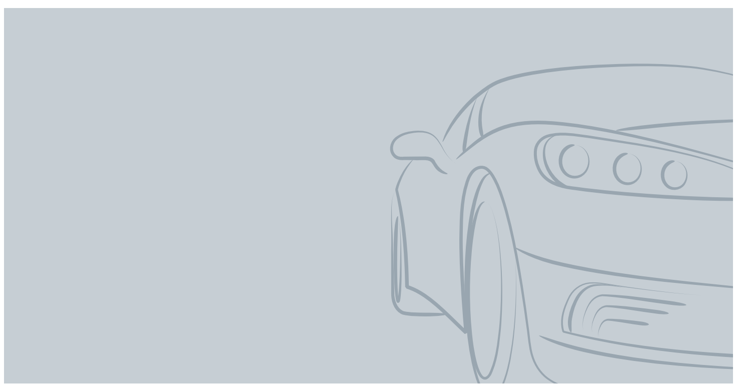
2

3

1. New Santa Fe / 2. Mistra/ 3. Sonata 9th Generation /
4. ix25/ 5. New ix35 / 6. Elantra Langdong

4

5



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Management Discussion and Analysis

INDUSTRY OVERVIEW AND BUSINESS SEGMENT OVERVIEW

Industry overview

The global economy is expected to have grown by 2.6% in 2014, while the gross domestic product ("GDP") of the PRC is projected to have increased by 7.4% over last year. This lower growth rate as compared with 2013 indicates that the PRC's economic development has entered a "new normal". As an important part of the national economy, the PRC's passenger vehicle market has shown overall steady growth in 2014. According to the statistics from the China Association of Automobile Manufacturers, in 2014 both the automobile production output and sales volume in the PRC exceeded 23.0 million units in 2014, with production output at around 23.7 million units, representing a year-on-year increase of approximately 7.3%, and the sales volume at around 23.5 million units, representing a year-on-year increase of approximately 6.9%.

Business segment overview

In 2014, Beijing Motor's proprietary brand and joint venture brands together achieved vehicle sales of 1,575.2 thousand units in total, representing a year-on-year increase of 16.8%. Specifically, the Beijing Brand recorded an annual sales volume of 309.6 thousand units, with a growth rate of over 50%; Beijing Benz recorded vehicle sales of 145.5 thousand units, representing a year-on-year increase of 25.4%; while Beijing Hyundai recorded vehicle sales of 1,120.0 thousand units, representing a year-on-year increase of 8.7%. In addition, the Group also made major breakthroughs in terms of improving cost-efficiency, new product research and development, quality control, management innovation and other major production and operation aspects.

Out of the aforementioned total vehicles sales of 1,575.2 thousand units, the annual sales volume of our SUV was 331,086 units. The annual sales volume of the off-road vehicles sold by the Beijing Automobile Works Co, Ltd., a subsidiary of BAIC Group, was 1,419 units.

Beijing Brand

2014 has brought about rapid growth in both the overall performance and market influence of the Beijing Brand, with annual sales volume reaching 309.7 thousand units, representing a year-on-year increase of approximately 53.1% from 202.3 thousand units in 2013. With the rapid expansion of the dealership network, Beijing Brand has become one of the auto brands that managed to break the 300,000-unit wholesale sales within the shortest period of time in the industry of the PRC. Meanwhile, the products of Beijing Brand also obtained various awards in 2014, substantially enhancing the brand's influence.

Sales of Senova series were 123.8 thousand units in 2014, representing a year-on-year increase of approximately 76.1% as compared with 70.3 thousand units in 2013. Specifically, Senova D20 (former E series) achieved sales of 77.6 thousand units, and was the best seller in its markets segment across a number of domestic cities. On the other hand, it only took Senova D50 nine months to achieve monthly sales of over 8,000 units, with its sales growth outperforming its major competitors.

In 2014, BJ 40 under BJ series recorded sales of 7.1 thousand units on the back of market recognition of its excellent passing ability and tough exterior.

Sales of Wevan series were 173.3 thousand units in 2014, representing a year-on-year increase of approximately 33.0% compared with 130.3 thousand units in 2013. Wevan's M20 model achieved sales of over 70,000 units in its second year in the market. In less than four years after being introduced to the market, Wevan already boasted more than 300,000 existing users in November 2014, becoming one of the micro-car brands to achieve this ownership number within the shortest period of time.

In respect of new energy vehicles, in 2014, the pure electric new energy vehicles including E150EV and Wevan 307EV under Beijing Brand achieved sales of 5.5 thousand units, representing a year-on-year increase of approximately 223.5% as compared with 1.7 thousand units in 2013, outperforming other competitors in the domestic pure electric vehicle market.

Beijing Benz

Although the domestic passenger vehicle market and premium vehicle market have maintained double digit growth over recent years, the increase in the number of domestic cities introducing restrictive measures on car ownership, the campaign to rein in the consumption of luxury products and other factors have still exerted certain impact on the overall growth of the domestic premium vehicle market.

Faced with more fierce domestic market competition, Beijing Benz still managed to obtain favorable business performance in 2014. In 2014, Mercedes-Benz brand (including imported vehicles and domestic vehicles manufactured by Beijing Benz) achieved cumulative sales growth in the PRC, surpassing the average growth rate of approximately 24% of the domestic premium vehicle market. Specifically, sales of Beijing Benz were 145.5 thousand units, representing a year-on-year increase of approximately 25.4%, accounting for around 54.5% of the total sales units of Mercedes-Benz brand vehicles in the PRC.

In August 2014, Beijing Benz introduced Mercedes-Benz brand's first long-wheelbase version ("LWB") of a mid-sized vehicle on the PRC's premium joint venture sedan market – the new LWB C-Class sedan, which was also the first vehicle model launched by Beijing Benz based on the new Mercedes-Benz Rear-wheel-drive Architecture ("MRA") platform. This new LWB C-Class sedan has instantly become a market favorite since being released.

PERFORMANCE ANALYSIS AND DISCUSSION

Revenue

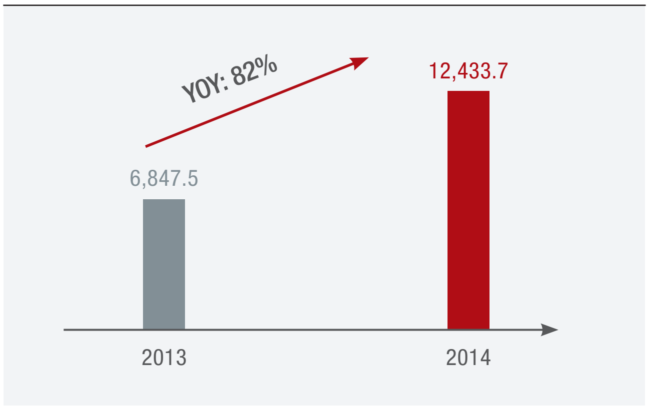
The Group's main business operations are the design, research and development, manufacturing and sales of passenger vehicles and the related after-sale services. The above business has brought sustained and stable revenue to our Group. In 2014, our Group achieved a total revenue of approximately RMB56,370.3 million, of which:

Beijing Motor[1] generated revenue of RMB12,433.7 million, accounting for 22.1% of the total revenue, representing an increase of approximately 81.6% as compared with the total revenue in 2013, mainly attributable to (i) increase in the sales volume of Beijing Motor; and (ii) increase in the average selling price of Beijing Motor vehicles as a result of the launch of the new Senova D50 model;

Beijing Benz generated revenue of RMB43,936.6 million, accounting for 77.9% of the total revenue, representing an increase of approximately 640.4% as compared with the total revenue in 2013, mainly attributable to (i) increase in the sales volume of Beijing Benz; and (ii) inclusion of only 44 days of revenue of Beijing Benz in the Group's 2013 consolidated results.

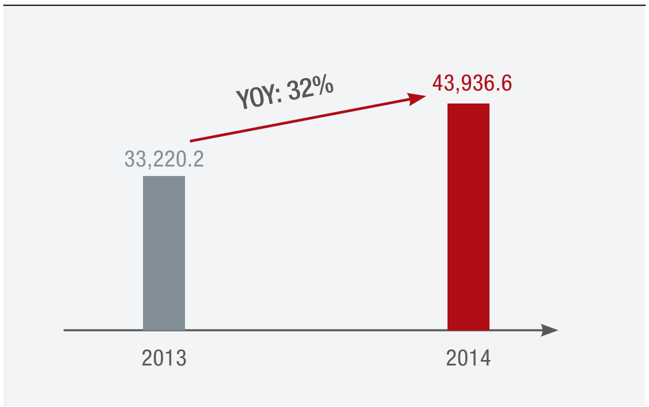
Revenue of BAIC Motor

RMB million



Revenue of Beijing Benz

RMB million



Note: between January 1 to November 17, 2013, the revenue of Beijing Benz was RMB27,285.86 million; and between November 18 to December 31, 2013, the revenue of Beijing Benz was RMB5,934.37 million.

Cost of Sales

In 2014, the Group incurred total cost of sales of approximately RMB47,386.8 million, of which:

Beijing Motor incurred cost of sales of RMB12,502.6 million, accounting for 26.4% of the total cost of sales, representing an increase of approximately 59.8% as compared with the total cost of sales in 2013, mainly attributable to (i) increase in the sales volume of Beijing Motor; and (ii) increase in the average cost of Beijing Motor vehicles due to the launch of the new Senova D50 model;

Beijing Benz incurred cost of sales of RMB34,884.2 million, accounting for 73.6% of the total cost of sales, representing an increase of approximately 668.2% as compared with the total cost of sales in 2013, mainly attributable to (i) increase in the sales volume of Beijing Benz; and (ii) inclusion of only 44 days of cost of sales of Beijing Benz in the Group's 2013 consolidated results.

Gross profit

Based on the aforesaid reasons, the Group's gross profit increased by 2,063.8% from approximately RMB415.2 million in 2013 to RMB8,983.5 million in 2014. Gross margins for 2014 and 2013 are 15.9% and 3.2%, respectively, of which:

Beijing Motor's gross margin improved to -0.6% from approximately -14.3% in 2013. Gross margin of major products had achieved from negative to positive, mainly because (i) the gross margin of the new Senova D50 model is higher than the average level of Beijing Motor's products in 2013; and, (ii) part of the cost has been offset by the cost-cutting measures taken by the Company.

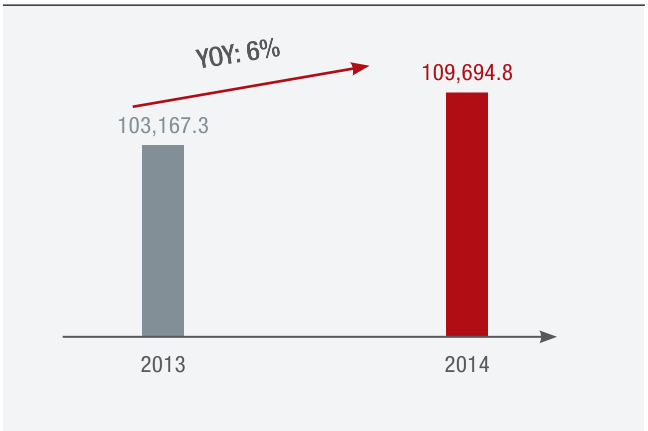
Beijing Benz's gross margin rose from 20.3% in 2013 to 20.6%.

[1] In reference to the business segment, "Beijing Motor" means the consolidated results of our Company and its subsidiaries (excluding Beijing Benz).

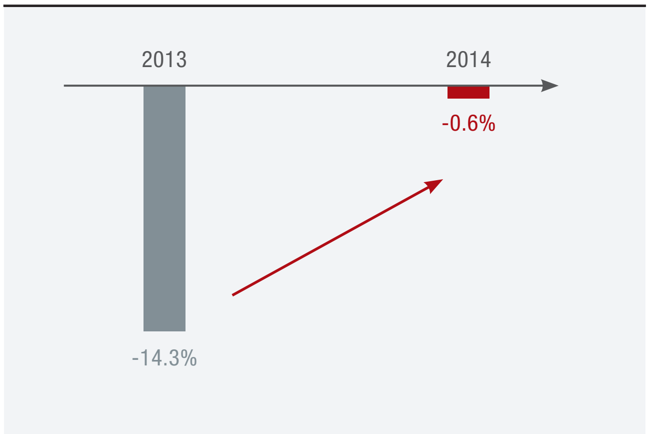
Management Discussion and Analysis

Revenue of Beijing Hyundai

RMB million



Gross Profit of Beijing Motor



Selling and distribution expenses

In 2014, the Group incurred total selling and distribution expenses of approximately RMB5,646.8 million, of which:

Beijing Motor incurred selling and distribution expenses of RMB1,625.1 million, accounting for 28.8% of total selling and distribution expenses, representing an increase of approximately 0.9% compared with that of 2013, mainly because (i) Beijing Motor achieved growth in sales volume; and (ii) part of the selling and distribution expenses has been offset by the cost-cutting measures taken by the Company;

Beijing Benz incurred selling and distribution expenses of RMB4,021.7 million, accounting for 71.2% of total selling and distribution expenses, representing an increase of approximately 578.6% compared with that of 2013, mainly attributable to (i) increase in the sales volume of Beijing Benz, and, (ii) inclusion of only 44 days of such expenses of Beijing Benz in the Group's 2013 consolidated results.

General and administrative expenses

In 2014, the Group incurred general and administrative expenses of approximately RMB3,455.0 million, of which:

Beijing Motor incurred general and administrative expenses of RMB947.8 million, accounting for 27.4% of total general and administrative expenses, representing an increase of approximately 18.9% compared with that of 2013, mainly due to business development and increase in wages as a result of the headcount growth;

Beijing Benz incurred general and administrative expenses of RMB2,507.2 million, accounting for 72.6% of the total general and administrative expenses, representing an increase of approximately 451.7% compared with that of 2013, mainly attributable to (i) increase in wages and depreciation, as well as the increase in technical support costs as a result of new car models and new production capacity including engines; and (ii) inclusion of only 44 days of such expenses of Beijing Benz in the Group's 2013 consolidated results.

Share of profits of joint ventures and associates

The Group recorded a total investment income of RMB5,809.1 million in 2014, representing a decrease of 3.5% over last year, of which RMB5,688.6 million came from Beijing Hyundai, representing a year-on-year increase of 5.35%. In 2014, the Group was no longer entitled to the share of profits from Beijing Benz as a joint venture. The Group was entitled to RMB571.2 million in share of profits from Beijing Benz during the period from January 4, 2013 to November 17, 2013.

Financial expenses

In 2014, the Group incurred total net financial expenses of approximately RMB533.1 million, of which:

Beijing Motor incurred financial expense of RMB560.4 million, accounting for 105.1% of the total financial expenses, an increase of approximately 16.7% compared with that of 2013, mainly due to the increase in borrowings;

Beijing Benz generated financial income of RMB27.3 million, accounting for -5.1% of total financial expenses, representing an increase of approximately 525.0% compared with that of 2013, mainly attributable to (i) foreign exchange gains as a result of the appreciating RMB exchange rate against Euro; and (ii) inclusion of only 44 days of such expenses of Beijing Benz in the Group's 2013 consolidated results.

Income tax

The amount of enterprise income tax payable by the Group in 2014 as calculated pursuant to the Enterprise Income Tax Law of the People's Republic of China was RMB856.5 million, of which:

Beijing Motor recognized deferred tax assets of RMB18.8 million, attributable to temporary differences arising between tax bases of assets and liabilities and their carrying amounts.

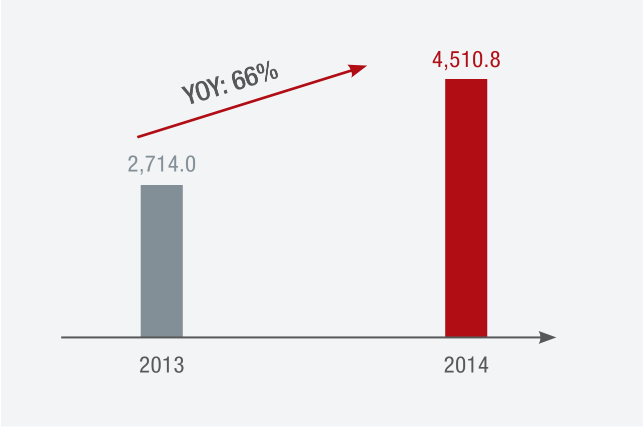
The amount of income tax payable by Beijing Benz was RMB875.4 million, accounting for 102.2% of the total income tax payable. This figure represents an increase of approximately 909.2% compared with that of 2013, mainly attributable to (i) increase in the profit of Beijing Benz before income tax; and (ii) inclusion of only 44 days of profit of Beijing Benz in the Group's 2013 consolidated results.

Profit attributable to equity holders of the Company

Based on the aforesaid reasons, the Group recorded a profit attributable to equity holders of the Company of approximately RMB4,510.8 million in 2014, representing an increase of 66.2% from 2013; and earnings per share of approximately RMB0.70, representing an increase of 45.8% from 2013.

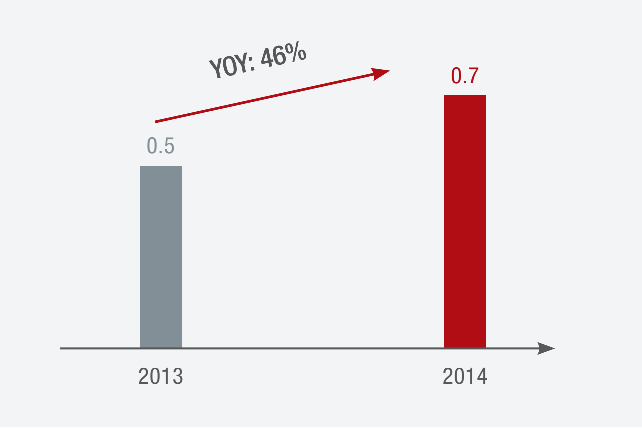
Profit Attributable to Equity Holders

RMB million



Earnings per Share

RMB



Financial assets

As of December 31, 2014, the Group had cash and cash equivalents of RMB21,923.3 million, notes receivable of RMB3,970.9 million, notes payable of RMB1,229.1 million, outstanding short-term loans of RMB15,983.1 million, outstanding long-term loans of RMB13,935.2 million, and unused bank credit line of RMB29,019.3 million. The Group had commitments for capital expenditure of approximately RMB15,052.8 million at the same point in time.

As of December 31, 2013, the Group had cash and cash equivalents of RMB16,789.9 million, short-term deposits with initial term of over three months of RMB4.5 million, notes receivable of RMB2,606.2 million, notes payable of RMB707.5 million, outstanding short-term loans of RMB7,833.4 million, outstanding long-term loans of RMB15,122.5 million, and unused bank credit line of RMB33,183.2 million.

Total assets

As of December 31, 2014, the total assets of the Group were approximately RMB109,858.7 million, representing an increase of approximately RMB24,462.9 million compared with that in 2013, mainly attributable to (i) increase in fixed assets, intangible assets and construction-in-progress; and (ii) crediting of the funds raised from the Global Offering into the relevant accounts.

Management Discussion and Analysis

Total liabilities

As of December 31, 2014, the total liabilities of the Group were approximately RMB67,890.0 million, representing an increase of approximately RMB13,547.8 million compared with that in 2013, mainly due to the increase in borrowings. Among these, the amount of fixed-rate liabilities was approximately RMB11,240.5 million.

Total equity

As of December 31, 2014, the total equity of the Group was approximately RMB41,968.6 million, representing an increase of approximately RMB10,915.1 million compared with that in 2013, mainly due to the completion of the Global Offering within 2014.

Net gearing ratio

As of December 31, 2014, the Group's net gearing ratio (net liabilities/(total borrowings and financial leasing commitments less cash and cash equivalents)) was 136.5%, representing a decrease of 0.2 percentage points from 136.7% as compared with that in 2013.

Significant investment

The Group incurred research and development expenses and capital expenditures of RMB14,576.9 million in total in 2014, mainly attributable to (i) fixed asset investment projects for Beijing Benz, (ii) fixed asset investment projects for Beijing Motor; and (iii) research and development projects for Beijing Motor, etc.

Material acquisitions and disposals

The Company completed the purchase of its entire equity interests in Guangzhou Company from BAIC Group on 24 July, 2014 with cash consideration of RMB2,369.8 million.

Pledge of asset

As of December 31, 2014, the Group had pledged notes receivable of RMB1,275.1 million and pledged inventory of RMB1,869.0 million, respectively.

Contingent liabilities

The Group had no material contingent liability within 2014.

Employee and remuneration policies

As of December 31, 2014, the Group had 22,015 employees, while the figure was 20,371 as of December 31, 2013. In 2014, the Group incurred total staff costs of RMB3,490.5 million, representing an increase of approximately 196.1% compared with that in 2013, mainly attributable to (i) increase in headcount; and, (ii) inclusion of only 44 days of costs and expenses of Beijing Benz in the Group's 2013 consolidated results.

The Group sets employee remuneration standards based on industry average levels, and gives rewards based on the Group's operating performance and the performance of individual employees.

As of December 31, 2014, the Group has no share incentive arrangement.

RISK FACTORS

Risks relating to macroeconomic downward

The Group's operating performance is affected to a large extent by the growth rate of the PRC's economy. The 2014 GDP growth as announced by the government of the PRC is lower than those in previous years. Such situation, if persists, may lead to an overall decline in the demand for passenger vehicles, thus adversely affecting the performance of the Group. The Group will pay continuous attention to the PRC's macroeconomic situations, and introduce responsive measures in due course.

Policy risks

As at the end of 2014, approximately seven cities in the PRC have introduced passenger vehicle registration policies by lottery, auction and a combination of both. At the same time, cities including Beijing, Tianjin and Shenzhen have imposed travel restrictions on vehicles. Such policies may adversely affect the performance of auto manufacturers including the Group. If more cities in the PRC adopt the policies that restrict vehicle registration and vehicle travel, the Group's operating performance may be affected.

Risks relating to the costs of raw materials, components and automobile parts

The costs of raw materials, components and automobile parts constitute the majority of the Group's cost of sales. Therefore, fluctuations in their supply or prices may have certain impact on the Group's operating performance. In 2014, the Group incurred raw material costs of approximately RMB43,961.5 million, accounting for approximately 77.6% of the total cost of sales.

Foreign exchange risks

As certain procurement transactions of the Group are settled in Euro, the Group is of the opinion that exchange rate fluctuation begins to exert certain impact on the Group's overall financial performance, but such impact is still controllable. The Group has taken measures to hedge foreign exchange risks by purchasing forward contracts.

Risks relating to losses of the Beijing Brand business

Due to its late start, the Group's Beijing Brand business still has underutilized production capacity, and the Group continued to record operating losses and negative operating cash flow for this business segment in 2014. Nevertheless, the Group noted that, main products of the Beijing Brand achieved positive gross profit as compared with negative gross profit over previous years; and the loss situation improved as compared with 2013.

OUTLOOK OF 2015

Beijing Brand

The Group expects that for passenger vehicle market in a narrow sense, sales of proprietary brands will continue to maintain rapid growth in 2015, and manufacturers of proprietary brand vehicles will continue to strengthen their sales of SUV products. The new round of energy conservation subsidy policy will have positive impact on proprietary brands. With the reform of public service vehicles moving forward to local governments, demonstration effects of using proprietary brand vehicles as public service vehicles will continue to grow in the country.

To align with the industry development trend, Beijing Brand's overall business objectives in 2015 will focus on "adjusting structure, promoting transformation, expanding internal strengths, pursuing efficiency and effectiveness". We will use new products and new models as the entry points, conduct research on consumers and competitors, and respond promptly to the demand and changes of the industry. To achieve such objectives, firstly, the Company will continue to carry out the optimization of systems, establish a timely and accurate user and competition research system, and develop a fast and efficient market response system. Secondly, the Company will continue to promote structural adjustment from the three dimensions, namely, products, markets, and distributors (adjustment of products structure refers to increasing sales of SUV products quickly; markets structure adjustment refers to promoting the rapid expansion and penetration of sale channels; distributors structure adjustment refers to the realization of balanced regional development and the improvement of profitability). Finally, the Company plans to rapidly improve sales capability, including the abilities to solicit customers and facilitate transactions, standardize dealer's basic operation capability, consolidate service assurance and strengthen customer relation management.

With the above business objectives, the Group expects to launch a variety of brand new products in the market during 2015, including Senova X65, Senova D80, Senova X55, Senova C33 and Senova CC.

Senova X65 was launched on March 21, 2015. It is a mid- to high-end compact SUV of our proprietary brand, with 2.0L turbo engine and with either manual or automatic transmission.

Senova D80 was launched on April 20, 2015. It is a high-end mid-size Sedan of our proprietary brand, available with 1.8L naturally-aspirated engine and 2.0L turbo engine and with either manual or automatic transmission.

Senova CC was launched on April 20, 2015. It is a high-performance product among the Senova series, including sedan and SUV.

We plan to launch Senova X55 in the third quarter of 2015. It is a mid-end compact SUV of our proprietary brand, available with 1.5L naturally-aspirated engine and 1.5L turbo engine and with either manual or automatic transmission,

We plan to launch Senova C33 in the third quarter of 2015. It is a SUV available with 1.3L and 1.5L naturally-aspirated engine options and with either manual or automatic transmission.

Beijing Benz

The Group estimates that in 2015, growth of luxury vehicle market will be apparently faster than passenger vehicle market, the driving force of which mainly comes from upgrade and update of non-luxury vehicles, increase in the demand for compact luxury vehicles and the psychological effect on customers imposed by license plate limitation policy in various places in the PRC.

According to such an overall trend, Beijing Benz will, on the basis of the Group's annual business objectives, focus on customers, apply more "internet thinking" and further enrich the product lines.

With the above business objectives, Beijing Benz is expected to have three brand new products coming into market successively in 2015, including the new generation of GLK SUV, standard-wheelbase version of new C-Class sedan and GLA SUV.

The standard-wheelbase version of new C-Class sedan, available with 1.6L and 2.0L turbo engine options and with a 7-speed automatic transmission, is planned to be launched in the second quarter of 2015.

The GLA model, a premium SUV, available with 1.6L and 2.0L turbo engine options and with automatic transmission, was launched on April 20, 2015. This is Beijing Benz's first compact model based on the new MFA platform.

The new generation of GLK model, a premium SUV, available with 1.8L turbo engine and 3.0L naturally aspirated engine options and comes with manual and automatic all-in-one transmission, is planned to be launched in the fourth quarter of 2015.

Beijing Hyundai

The Company expects that after Beijing Hyundai's new production base going into operation, the average revenue of a single vehicle and the proportion of "D+S" products will further increase, consolidating the first camp position of Beijing Hyundai in the PRC's passenger vehicle industry while seeking for new breakthroughs.

In 2015, Beijing Hyundai plans to further expand its dealership network by permeating into third and fourth tier cities, strengthening dealership network coverage over the cities in central part of China, and entering into new markets in south-central China that are experiencing rapid economic growth.

In respect of the launch of new products, the ninth generation Sonata with 2.0L and 2.4L turbo engine options and automatic transmission, which was launched on March 20, 2015, will see a further improvement in its competitiveness in China's market as a result of the brand new body and interior and exterior designs.

Beijing Hyundai launched a new generation of SUV model, the New Tucson, on April 20, 2014. It comes with 1.6L and 2.0L engine options. It is expected that the launch of this new model will increase the competitiveness of Beijing Hyundai, as well as the proportion of D+S products.

Report of the Board of Directors

The Board of Directors hereby presents the report of the Board of Directors, annual report and 2014 audited consolidated financial statements as prepared in accordance with the International Financial Reporting Standards (IFRS).

COMPANY PROFILE AND INITIAL PUBLIC OFFERING

The Company was incorporated as a joint stock Company in the PRC with limited liability on September 20, 2010. On December 19, 2014, the Company's H Shares have been successfully listed on the Main Board of the Hong Kong Stock Exchange.

MAIN BUSINESS

Please refer to the section headed "Company Profile" on Pages 8 to 17 of this Report for details.

PERFORMANCE

The 2014 annual performance and financial condition as of December 31, 2014 of the Company and the Group are set out on Pages 62 to 153 of the audited consolidated financial statements.

PROPERTY

Change of property, plant and equipment of the Company and the Group in 2014 are set forth in Note 7 to audited consolidated financial statements.

SHARE CAPITAL

The total share capital of the Company is RMB7,595,338,182 and is divided into 7,595,338,182 shares with RMB1.00 par value per share as of the Date of Issue of the Report.

TAXATION

Tax position of the Company and the Group are set forth in Note 32 to audited consolidated financial statements.

EVENTS AFTER BALANCE SHEET DATE

The details for events after balance sheet date of the Company and the Group are set forth in Note 39 to audited consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of the change in the reserves of the Company and the Group for 2014 are set forth, in Note 22 to audited consolidated financial statements and on pages 67 to 68 of the Consolidated Statement of Changes in Equity respectively, among which the details of the reserve distributable to shareholders are set forth in Note 22 to audited consolidated financial statements.

Article 193 of the Articles of Association of the Company provides that other than complying with Chinese accounting standards and regulations, the audited consolidated financial statements of the Company shall be prepared in accordance with IFRSs or the accounting standards in other place(s) where the Company is listed. In the event of any major or substantial discrepancies between these two standards, such discrepancies shall be indicated in the notes to audited consolidated financial statements. Assignment of the after-tax profits of an accounting year shall be subject to an after-tax profit amount calculated based on either the Chinese accounting standards and regulations or the aforementioned foreign accounting standards, whichever is lower.

Pursuant to the Company Law and the Articles of Association, the Board advises taking 10% of after-tax profits as statutory surplus reserve fund rather than allocation made to the discretion reserve fund. This plan will be submitted to the 2014 general meeting for review and approval.

PROFIT DISTRIBUTION

The Board recommends distributing dividend in respect of 2014 annual performance at RMB0.3 per share (tax inclusive). The proposal will be submitted to the Company's 2014 annual general meeting for review and approval.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES

The Company and the Group have made no purchase, redemption and sale of the Company's listed securities in 2014.

USE OF PROCEEDS OBTAINED FROM THE INITIAL PUBLIC OFFERING

The Company was listed on the Main Board of the Hong Kong Stock Exchange on December 19, 2014. The net proceeds from initial public offering are around RMB7,910.3 million.

The net proceeds from the initial public offering have not been spent as of the end of 2014. In 2015, the Company plans to begin using the net proceeds from the initial public offering, with purposes consistent with those as set forth in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

MAJOR CLIENTS AND SUPPLIERS

Major Clients

The transaction amount of the Group for the top five clients accounts for approximately 5.3% of total revenue in 2014, among which the transaction amount of the single biggest client accounts for approximately 1.4% of total revenue.

In 2014, none of the Directors, associates of directors or shareholders of the Company (who to the best of the Directors' knowledge held more than a 5% interest in the Company's share capital) has interests in the top five clients of the Group this year.

Report of the Board of Directors

Major Suppliers

The transaction amount of the Group for the top five suppliers accounts for approximately 70.2% of the cost of sales in 2014, among which the transaction amount of the single largest supplier accounts for approximately 35.6% of the total purchases (raw material used in cost of sales) in the year.

In 2014, Daimler AG, the Group's largest supplier, BAIC Yinxiang Automobile Co., Ltd., the second largest supplier, and Beijing Hainachuan Johnson Automotive Parts Co., Ltd., the third largest supplier, are the related parties of the Group, and together they account for around 64.0% of total purchases (raw material used in cost of sales) in the year.

In 2014, Mr. Hubertus Troska and Mr. Bodo Uebber, the non-executive Directors of the Company, held interest in Daimler AG. Save as disclosed above, to the best knowledge of the Directors, none of the Directors, associates of Directors and Shareholders of the Company (who to the best of the Directors' knowledge held more than a 5% interest in the Company's share capital) has interests in the top five suppliers of the Group in 2014.

BANK LOAN AND OTHER BORROWINGS

The details for bank loan and other borrowings of the Company and the Group as of December 31, 2014 are set forth in Note 23 to audited consolidated financial statements.

DONATION

In 2014, the Company has donated a total of RMB28.0 million to Fund for Nature Protection in its project "Let Nature Take Its Course" and other organizations.

HUMAN RESOURCE, STAFF REMUNERATION AND PENSION SCHEME

Please refer to the section headed "Human Resources" on page 59 of this Report for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets out the information of Directors, Supervisors and senior management of the Company in 2014.

Directors

Name	Position	Commencement Date of Appointment[1]
Mr. Xu Heyi	Chairman of the Board and non-executive Director	September 20, 2010
Mr. Zhang Xiyong	Non-executive Director	September 6, 2013
Mr. Li Zhili	Non-executive Director	September 20, 2010
Mr. Li Feng	Executive Director and president	September 6, 2013
Mr. Ma Chuanqi	Non-executive Director	September 20, 2010
Mr. Qiu Yinfu	Non-executive Director	June 24, 2013
Mr. Hubertus Troska	Non-executive Director	November 18, 2013
Mr. Bodo Uebber	Non-executive Director	November 18, 2013
Ms. Wang Jing	Non-executive Director	April 24, 2014
Mr. Yang Shi	Non-executive Director	September 20, 2010
Mr. Fu Yuwu	Independent non-executive Director	December 2, 2014
Mr. Wong Long Tak Patrick	Independent non-executive Director	December 2, 2014
Mr. Bao Robert Xiaochen	Independent non-executive Director	December 2, 2014
Mr. Zhao Fuquan	Independent non-executive Director	December 2, 2014
Mr. Liu Kaixiang	Independent non-executive Director	December 2, 2014

[1] Mr. Xu Heyi, Mr. Li Zhili, Mr. Ma Chuanqi and Mr. Yang Shi have been employed and appointed as Directors by the Company since the establishment of the Company on September 20, 2010; Mr. Zhang Yuguo has been employed and appointed as Supervisor by the Company since the establishment of the Company on September 20, 2010.

Supervisors

Name	Position	Commencement Date of Appointment
Mr. Zhang Yuguo	Chairman of the Board of Supervisors	September 20, 2010[1]
Mr. Yin Weijie	Supervisor	September 6, 2013
Mr. Zhu Zhenghua	Supervisor	July 13, 2011
Ms. Li Chengjun	Employee representative Supervisor	August 29, 2013
Mr. Zhang Guofu	Employee representative Supervisor	August 29, 2013

Senior Management

Name	Position	Commencement Date of Appointment
Mr. Li Feng	President	May 20, 2013
Mr. Li Jikai	Vice president	March 17, 2014
Mr. Zhang Hui	Vice president	August 21, 2013
Mr. Chen Hongliang	Vice president	March 22, 2013
Mr. Zhou Yanming	Vice president	December 10, 2010
Mr. Jiang Xiaodong	Vice president	March 17, 2014
Mr. Yin Taihe	Vice president	August 30, 2012
Mr. Chen Bao	Vice president	March 22, 2013
Mr. Liang Guofeng	Vice president	March 22, 2013
Mr. Liu Zhifeng	Vice president	June 1, 2013
Mr. Wu Robin Xuebin	Vice president	September 6, 2013
Mr. Yan Xiaolei	Board secretary and company secretary	September 20, 2010

Each of the independent non-executive Directors has declared and confirmed his independence pursuant to Rule 3.13 of the Listing Rules. The Company believes that all the independent non-executive Directors are independent on the basis of Rule 3.13 of the Listing Rules.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the Directors, Supervisors and senior management of the Company are set out in the section headed "Directors, Supervisors and Senior Management" on Pages 52 to 58 of this Report.

Report of the Board of Directors

BOARD DIVERSITY POLICY

The Company believes that Board diversity will offer numerous benefits to enhance the Company's performance. The Nomination Committee has formulated a "Board Diversity Policy" for the nomination and appointment of new directors. It specifies the selection criteria of director candidates shall include gender, age, culture and educational background, race, professional experience, skill, knowledge and service term and other factors; and the new director will eventually be determined according to the candidate's comprehensive capability and the contributions that an individual is expected to bring to the Board. The composition of the Board (including gender, age and service terms of each Director) will be disclosed in annual report every year.

The process of reviewing the composition of the Board will be reviewed and accepted in compliance with the above measurement criteria by the Nomination Committee. After the evaluation of each Director's skill and experience and his/her suitability to the Company's business, the Nomination Committee considers that the structure of the existing Board is reasonable during the Reporting Period and complies with the requirements of the "Board Diversity Policy" and no adjustment is required.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors has entered into a service contract with the Company for a term of three years, or from the date of the latest appointment to the expiring of the term of office of the second session of the Board (for the Directors), or to the expiring of the term of office of the second session of the Board of supervisors (for the Supervisors), whichever is shorter. The service contract sets out the main terms, key conditions and relevant rights, obligations and responsibilities of the appointed Directors and Supervisors, with particular emphasis on the duties of the independent non-executive Directors and the executive Directors, and it can be terminated in accordance with the relevant terms in the service contract.

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

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details of remuneration of Directors and Supervisors are set forth in Note 30 to audited consolidated financial statements.

REMUNERATION FOR FIVE INDIVIDUALS WITH THE HIGHEST REMUNERATION

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

MANAGEMENT CONTRACT

In 2014, no contract regarding the management and administration of overall business and any substantial part of the business has been entered into by the Company.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS OF SIGNIFICANCE

In 2014, the Group has not participated in, directly or indirectly, concluding contracts of significance in which the Director or the Supervisor is or was materially interested, and relate to the businesses of the Company and are subsisting during or by the end of the year.

Rights and Interests of Directors on Competing Businesses

In 2014, save as disclosed in the Report, none of the Director or their associates has any competing interests in the businesses which compete or are likely to compete with the Company, either directly or indirectly.

Directors and Supervisors Serving in Competing Businesses

The businesses of the Group are partially competing with those of BAIC Group and its subsidiaries. The Company's executive Director (Mr. Li Feng) devotes most of his time into managing the Company's daily operations.

The Company further declares that, as of the Date of Issue of the Report, the senior management are not involved in the daily business operation of BAIC Group and its subsidiaries which compete with the Group's business.

The chart below summarizes the information of the company's Directors serving in BAIC Group and its subsidiary companies:

Name	Main Positions in the Group	Main Positions in BAIC Group and Its Subsidiary Companies
Mr. Xu Heyi	• Chairman of the board, secretary of the Communist Party of China (CPC) committee and non-executive Director of the Company • Director of Beijing Benz • Director of BAIC Hong Kong • Director of BAIC Investment	• Chairman of the board, secretary of the CPC committee of BAIC Group • Chairman of the board of Beijing General Aviation Co. Ltd. • Chairman of the board of Beijing BAIC Electric Vehicle Co., Ltd.
Mr. Zhang Xiyong	• Non-executive Director of the Company	• Director, vice secretary of the CPC committee and general manager of BAIC Group • Board Chairman of BAIC Rocar Automobile Services & Trade Co., Ltd. • Executive director of BAIC International Development Co., Ltd.
Mr. Li Zhili	• Non-executive Director, vice secretary of the CPC committee and secretary of discipline inspection commission of the Company	• Director, vice secretary of the CPC committee and secretary of discipline inspection commission of BAIC Group
Mr. Li Feng	• Executive Director, President and vice secretary of the CPC committee • Director of Beijing Benz	• Director and member of the standing committee of the CPC committee of BAIC Group
Mr. Ma Chuanqi	• Non-executive Director of the Company • Director of BAIC Investment • Board Chairman of Beijing Hainachuan Investment Corp. • Director of Beijing Benz • Director of BAIC Hong Kong	• Director and chief financial officer of BAIC Group • Chairman of the board and secretary of the CPC committee of BAIC Group Finance Co., Ltd. ("BAIC Finance")

Report of the Board of Directors

Save as disclosed above, none of the Company's Directors, Supervisors or associates has any rights and interests in competing businesses or businesses that might be competing with the Group, nor do they have any conflicts of interest with the Group.

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

As of December 31, 2014, none of the Company's Directors, Supervisors and senior management have any interests or short positions (including those deemed to have according to the provisions of SFO) in the Company's or any of its associated corporation's shares, underlying shares or debentures which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 in Part XV of SFO, or any rights and interests or short positions, pursuant to section 352 in SFO, which are required to be recorded in the register referred to by the provision, or interests or short positions needed to be notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies (Model Code).

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or Supervisors or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right.

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

As of 31 December 2014, and to the best knowledge of the Directors, the following entities/persons (except for the Directors, Supervisors and senior management) have interests or short positions in the Shares or underlying shares which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 in Part XV of SFO, or recorded in the register required to be kept under section 336 of the SFO, or who were directly and/or indirectly deem to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Type of share	Amount of share/relevant share amount (Note 1)	Percentages to relevant share capital types (%) (Note 2)	Percentages to the total share capital (%)
BAIC Group	Domestic Share	3,424,376,191(L)	62.22	45.61
Shougang Shares	Domestic Share	1,028,748,707(L)	18.69	13.70
Shenzhen Benyuanjinghong Equity investment Funds Company (limited partnership)	Domestic Share	342,138,918(L)	6.22	4.56
Daimler AG	H Share	765,818,182(L)	38.2	10.20
Easy Smart Limited	H Share	278,651,500(L)	13.9	3.71
Kingwin Capital Group Limited	H Share	249,059,500(L)	12.42	3.32
Wang Ping	H Share	249,059,500(L)	12.42	3.32
HSBC Asia Holdings (UK) Limited	H Share	185,823,000(L)	9.27	2.47
HSBC Asia Holdings BV	H Share	185,823,000(L)	9.27	2.47
HSBC Finance (Netherlands)	H Share	185,823,000(L)	9.27	2.47
HSBC Holdings BV	H Share	185,823,000(L)	9.27	2.47
HSBC Holdings plc	H Share	185,823,000(L)	9.27	2.47
The Hongkong and Shanghai Banking Corporation Limited	H Share	185,823,000(L)	9.27	2.47
Morgan Stanley	H Share	120,659,900(L)	6.01	1.61
		55,889,400(S)	2.78	0.74
		0(P)	0	0.00

1. (L)- Long position, (S)- Short position, (P)- Shares can be loaned;

2. The percentage is calculated by the amount of shares held by relevant person/the amount of relevant types of shares issued by 31 December, 2014.

ARRANGEMENTS FOR SHARE PREEMPTIVE RIGHT AND STOCK OPTION

In 2014, no arrangement for share preemptive right and stock option was made by the Company, and there is no specific provisions under the China laws or the Articles regarding share preemptive right.

COMPLIANCE WITH THE REGULATIONS OF CORPORATE GOVERNANCE

For details, please refer to the section headed "Corporate Governance Report" on pages 41 to 51 in the Report.

AUDIT COMMITTEE

The Audit Committee has reviewed the Company's 2014 annual results, and the 2014 annual consolidated financial statements prepared in accordance with IFRSs.

AUDITORS

PricewaterhouseCoopers (PwC) and PricewaterhouseCoopers Zhong Tian LLP were appointed as the Company's auditors under IFRSs and China Accounting Standards, respectively, for the year ended December 31, 2014.

SUMMARY OF THE 4-YEAR FINANCIAL INFORMATION

Summary of the Group's operation performance, assets and liabilities for the last four financial years is set out in the section headed "Summary of Financial Information" on page 6 of the Report. This summary does not form part of the audited consolidated financial statements.

COMPLIANCE OF BAIC GROUP WITH THE NON-COMPETITION UNDERTAKING

The Company has received the Confirmation Letter from BAIC Group, which confirms that in 2014 BAIC Group has complied with every undertaking in the "Non-competition Undertaking" granted to the Company.

PUBLIC FLOAT

According to the information publicly available to the Company, and to the knowledge of the Directors, on the Date of Issue of the Report, the public held no less than 17.58% of shares issued by the Company, which complies with a waiver regarding public float obtained by the Company when Listing. For details, please refer to the Prospectus and the Announcement on partial exercise of over-allotment option dated January 12, 2015.

MATERIAL LITIGATION

As of December 31, 2014, the Group is not involved in any material litigation or arbitration. To the best knowledge of the Directors, there is also no ongoing or possible material litigation or claim against the Company.

CONNECTED TRANSACTIONS

The connected transactions of the Group in the year 2014 are as follows:–

Exempt Continuing Connected Transactions

1. ***Trademark and Technology Licensing Framework Agreement***

   The Company entered into a trademark and technology licensing framework agreement (the "Trademark and Technology Licensing Framework Agreement") with BAIC Group on December 2, 2014 for an initial term commencing on the Listing Date and expiring on December 31, 2016, subject to renewal upon mutual consents by both parties.

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

   The Trademark and Technology Licensing Framework Agreement was entered into on normal commercial terms and our Group paid trademark license fee of RMB 0 and technology license fee of RMB 0 to BAIC Group during 2014. For the purpose of Chapter 14A of the Listing Rules, the applicable percentage ratio was less than 0.1%. By virtue of Rule 14A.76 of the Listing Rules, the aforesaid connected transaction is exempted from annual reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Non-exempt Continuing Connected Transactions

We have entered into the following transactions with BAIC Group and its associates in the ordinary and usual course of our business. These continuing connected transactions are subject to the annual reporting, announcement and (as the case may be) independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. ***Trademark Licensing Agreement between BAIC Group and Beijing Benz***

   Beijing Benz has entered into a trademark licensing agreement with each of BAIC Group and Daimler AG respectively, in respect of its company name "Beijing Benz" and the production and assembly of existing vehicle models. The trademark licensing agreement entered into between BAIC Group and Beijing Benz commenced on February 28, 2003 and will remain effective within the term of the joint venture agreement of Beijing Benz. Pursuant to the Agreement, Beijing Benz does not have the "exclusive use" of the "Beijing" trademark in the Company's name, manufacturing and the assembly of exciting vehicle models, Beijing Benz has to pay to BAIC Group of the royalties regularly.

   Pursuant to the agreement, Beijing Benz and BAIC Group have agreed that the trademark licensing fee will be paid to BAIC Group with reference to a pre-agreed rate of the net revenue generated by each vehicle.

   We have applied to the Stock Exchange for exempting the aforesaid connected transaction from the announcement requirement under Chapter 14A of the Listing Rules, on condition that the maximum aggregate amount of non-exempt continuing connected transactions in each of 2014, 2015 and 2016 does not exceed the respective annual caps set out in the Prospectus. The Stock Exchange has approved the above exemption.

   For 2014, the annual cap of exemption approved by the Stock Exchange was RMB220.6 million, and the actual payment of trademark licensing fee by Beijing Benz to BAIC Group under the aforesaid agreement was RMB181.3 million.

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

   We have entered into a property and facility leasing framework agreement (the "Property and Facility Leasing Framework Agreement") with BAIC Group on December 2, 2014, pursuant to which our Group will lease properties and facilities from BAIC Group and/or its associates for manufacturing specific passenger vehicles.

   Pursuant to the agreement, the rent payables under the agreement shall be agreed based on arm's length negotiations between the relevant contracting parties with reference to market rates at relevant location and subject to relevant rules and regulations of the PRC; entering into individual agreements stipulating the specific terms and conditions (including property rents, payment methods and other usage fees) in respect of relevant leased properties and facilities; and the term of the agreement commenced on the Listing Date and expires on December 31, 2016, subject to renewal through mutual consents by both parties.

   We have applied to the Stock Exchange for exempting the aforesaid Connected Transaction from the announcement requirement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules, on condition that the maximum aggregate amount of non-exempt continuing connected transactions in each of 2014, 2015 and 2016 does not exceed the respective annual caps set out in the Prospectus. The Stock Exchange has approved the above exemption.

   For 2014, the annual cap of exemption approved by the Stock Exchange was RMB147.1 million, and the actual payment of property and facility leasing fee by our Group to BAIC Group under the aforesaid agreement was RMB127.4 million.

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

We have entered into a financial services framework agreement (the "Financial Services Framework Agreement") with BAIC Finance (associates of BAIC Group) on December 2, 2014, pursuant to which BAIC Finance will provide financial services including deposits, loans and discounted notes service and other services subject to obtaining relevant approvals from China Banking Regulatory Commission. The initial term of the agreement commenced on the Listing Date and expires on December 31, 2016, subject to renewal through mutual consents by both parties.

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

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

(b) *Loan services*. Interest rates on the loans to be advanced by BAIC Finance to our Group will not be higher than: (i) the loan interest rate published by the PBOC for loans of a similar type for the same period; (ii) the interest rate for similar loans offered by BAIC Finance to other subsidiaries of BAIC Group other than our Group; or (iii) the interest rate for loans of a similar type offered for the same period by independent commercial banks to the Group.

(c) *Other financial services*. The interest rates or services fees will be (i) subject to the benchmark fee (if applicable) for similar types of financial services published by the PBOC or China Banking Regulatory Commission from time to time; (ii) comparable to, or no less favorable to our Group than, the interest rates or fees charged by independent commercial banks or financial institutions for similar types of financial services; and (iii) comparable to, or no less favorable to our Group than, fees charged by BAIC Finance to the subsidiaries of BAIC Group other than our Group for similar financial services.

We have applied to the Stock Exchange to exempt the aforesaid connected transaction from the **announcement requirement and the independent shareholder's approval requirements** under Chapter 14A of the Listing Rules, on the condition that the maximum aggregate amount of non-exempt continuing connected transactions in 2014 does not exceed the respective annual caps set out in the Prospectus. The Stock Exchange has approved the above exemption.

For 2014, the annual cap of exemption approved by the Stock Exchange and the actual amount of the transactions under the aforesaid agreement are summarized as follows:

Items	Annual cap approved by the Stock Exchange (RMB million)	Actual amount (RMB million)
Maximum daily balance of deposits placed by our Group with BAIC Finance	14,733.1	9,193.0
Maximum daily balance of loans granted by BAIC Finance to our Group	2,988.0	1,796.5
Fees and charges paid by our Group to BAIC Finance for other financial services	39.2	0

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

We have entered into a products and services purchasing framework agreement (the "Products and Services Purchasing Framework Agreement") with BAIC Group on December 2, 2014, pursuant to which BAIC Group and/or its associates will provide products and services comprising automobile modules, raw materials, components and parts, labor services, logistics services, back-office services, advertising services and consultancy services ("Purchase of Products and General Services") to our Company and/or our subsidiaries. The initial term of the Products and Services Purchasing Framework Agreement commenced on the Listing Date and expires on December 31, 2016, subject to renewal through mutual consents by both parties.

In order to ensure that the terms of individual transaction in respect of the purchase of products and general services by our Group from BAIC Group are fair and reasonable and in line with market practices, our Group has adopted the following pricing policies and measures:

(i) to have regular contact with the suppliers of our Group (including the BAIC Group) to keep abreast of market developments and the price trend of general services;

(ii) before placing an individual purchase order, to invite certain number of suppliers (including BAIC Group) from the approved list of suppliers of our Group to submit quotations or proposals; and

(iii) to have the suppliers and pricing of products and general services determined by the collective decision of our Company's tender assessment board according to our Company's administrative measures for market quotations.

We have applied to the Stock Exchange for exempting the aforesaid connected transaction from the **announcement requirement and the independent shareholders' approval requirement** under Chapter 14A of the Listing Rules, on the condition that the maximum aggregate annual amount of non-exempt continuing connected transactions in each of 2014, 2015 and 2016 does not exceed the respective annual caps set out in the Prospectus. The Stock Exchange has approved the above exemption.

For 2014, the annual cap of exemption approved by the Stock Exchange and the actual amount of the transactions under the aforesaid agreement are summarized as follows:

Items	Annual cap approved by the Stock Exchange (RMB million)	Actual amount (RMB million)
Purchase of products	9,789.1	5,995.8
Purchase of services	3,651.0	2,831.6
Total	**13,440.1**	**8,827.4**

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

We entered into a Provision of Products and Services Framework Agreement (the "Provision of Products and Services Framework Agreement") with BAIC Group on December 2, 2014, pursuant to which BAIC Group and/or its associates will purchase products and services comprising facilities, raw materials, components and parts, complete vehicles, sales agency services, transportation services and consultancy services ("Provision of Products and General Services"). The initial term of the Provision of Products and Services Framework Agreement commenced on the Listing Date and expires on December 31, 2016, subject to renewal through mutual consents by both parties.

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

We have applied to the Stock Exchange to exempt the aforesaid connected transaction from the **announcement requirement and the independent shareholders' approval requirement** under Chapter 14A of the Listing Rules, on condition that the maximum aggregate amount of non-exempt continuing connected transactions in each of 2014, 2015 and 2016 does not exceed the respective annual caps set out in the Prospectus. The Stock Exchange has approved the above exemption.

For 2014, the annual cap of exemption approved by the Stock Exchange and the actual amount of the transactions under the aforesaid agreement are summarized as follows:

Items	Annual cap approved by the Stock Exchange (RMB million)	Actual amount (RMB million)
Sales of products	1,927.7	1,902.6
Services rendered	53.6	37.0
Total	**1,981.3**	**1,939.6**

6. Continuing Connected Transactions Relating to Daimler AG and its Associates

In 2014, in view of protection of trade secrets and to avoid factors that are unduly burdensome and detrimental to the business and operation of our Group, the Stock Exchange has granted the Company a waiver from strict compliance with written agreement and/or annual cap, announcements, annual reporting and/or independent shareholders' approval requirements in respect of certain continuing connected transactions of Daimler AG and its associates under the Listing Rules, as follows:

Transaction type	Transaction summary and pricing policy	Waivers granted
Sales of vehicles by Beijing Benz to Daimler AG and its associates	• **Transaction summary:** Daimler AG and its associates purchased vehicles from Beijing Benz for the purposes of research and development, testing, marketing and promotion and self-use. • **Pricing Policy:** In relation to the aforesaid transactions, the market prices of relevant vehicles have been taken into consideration to ensure that the prices are fair and reasonable and on normal commercial terms. • **Transaction amount:** None	Signing of written agreement
Purchases of parts and accessories by Beijing Benz from Daimler AG and its associates	• **Transaction summary:** Beijing Benz purchased from Daimler AG and its associates components (including chassis), spare parts and accessories for the purposes of production. • **Pricing Policy:** In relation to the aforesaid transactions, the market prices of similar products available in the market have been taken into consideration to ensure that the prices offered by Daimler AG and its associates are fair and competitive and on normal commercial terms. • **Transaction amount:** Not applicable.	Signing of written agreement, annual cap, annual reporting, announcement and independent shareholders' approval
Provision of the use of intellectual property rights (including trademarks and technologies) by Daimler AG and its associates to Beijing Benz	• **Transaction summary:** Beijing Benz is granted by Daimler AG a non-exclusive license for the use of trademarks (including the "Benz" trademark in its company name) and technologies in the manufacture and assembly of Mercedes-Benz branded passenger vehicles upon the periodic payment of royalties to Daimler AG and its associates. • **Pricing policy:** The prices for the use of technologies and trademarks have been agreed by Daimler AG and our Group on arm's length negotiations subject to our internal control procedures. The royalties payable for such licenses of technologies and trademarks are calculated as a percentage of the net revenue from vehicles and automobile parts and components which use the licensed technologies and trademarks. This net revenue is calculated based on the manufacturer's suggested retail price less the value-added tax, gross margin of dealers, sales rebates to dealers, consumption tax and sales discounts. • **Transaction amount:** Not applicable	Signing of written agreement, annual cap, annual reporting, announcement and independent shareholders' approval

Transaction type	Transaction summary and pricing policy	Waivers granted
Provision of services by Daimler AG and its associates to Beijing Benz	• **Transaction summary:** Beijing Benz has entered into service procurement agreements with Daimler AG and its associates, pursuant to which Daimler AG and its associates provided technical support, training, specialist assistance, IT support, sales consulting, marketing and operational management services during the track record period. • **Pricing policy:** The service fees charged by Daimler AG and its associates to our Group are determined based on arm's length negotiations subject to our internal control procedures. In relation to technical support services and specialist assistance services, Daimler AG and our Company agreed that the service fees to be paid will be determined on a fixed fee rate on a daily basis with reference to the historical rates paid by Beijing Benz for the provision of similar services. Our Company and its subsidiaries will take into account the market prices and comparable prices of similar services. • **Transaction amount:** Not applicable.	Signing of written agreement, annual cap, annual reporting, announcement and independent shareholders' approval
Provision of services, parts and accessories by Beijing Benz to Daimler AG and its associates	• **Transaction summary:** Beijing Benz sold components and spare parts and provided after-sales referral services to Daimler AG and its associates. • **Pricing policy:** In relation to the aforesaid transactions, our Group will take into account the market prices of the relevant parts, components and services offered by other suppliers to Daimler AG and its associates to ensure that the prices we offered to Daimler AG and its associates are fair and reasonable and on normal commercial terms. We determine the prices of our components, parts and assemblies by reference to the average profit margin in the market or based on the principle of cost plus a reasonable margin. • **Transaction amount:** Not applicable.	Signing of written agreement, annual cap, annual reporting, announcement and independent shareholders' approval

In relation to the continuing connected transactions arising from the sale of vehicles by Beijing Benz to Daimler AG and its associates, the Stock Exchange approved an annual cap of RMB65 million for 2014. During the year, the actual transaction amount was RMB0. For the purpose of Chapter 14A of the Listing Rules, the applicable percentage ratio was less than 0.1%.

By virtue of Rule 14A.76 of the Listing Rules, the aforesaid continuing connected transactions are exempted from annual reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Report of the Board of Directors

Independent Non-executive Directors' Review and Confirmation

Our independent non-executive Directors have reviewed the aforesaid continuing connected transactions (including the level of deposits with BAIC Finance under the Financial Services Framework Agreement) and have confirmed that they have been entered into: in the ordinary and usual course of our business; on normal or better commercial terms; on conditions no less favorable to the Company than those offered to or by (as the case may be) independent third parties, if it was not possible to judge (based on comparable transactions) whether such transactions have been carried out on normal commercial terms; and in accordance with relevant agreements whose conditions are fair and reasonable and in the interest of our Shareholders as a whole.

Auditor's Letter

Pursuant to Rule 14A.56 of the Listing Rules, we have engaged our auditor, PricewaterhouseCoopers, to report on our Group's continuing connected transactions in accordance with HKSAE3000 *Hong Kong Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and Practice Note 740 *Auditor's Letter on Continuing Connected Transactions* under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accounts. Based on its work, PwC has provided the Board of Directors with a letter confirming that, with respect to the aforesaid continuing connected transactions:

(a) nothing has come to PwC's attention that causes it to believe that the aforesaid continued connected transactions have not been approved by the Board of Directors;

(b) in relation to the transactions involving products or services supplied by our Group, nothing has come to PwC's attention that causes it to believe that the transactions have not followed our Group's pricing policy in any material way;

(c) nothing has come to PwC's attention that causes it to believe that the transactions have not been carried out in any material way in accordance with the relevant agreements; and

(d) in relation to the aggregate amounts for each of the aforesaid continuing connected transactions, nothing has come to PwC's attention that causes it to believe that the actual transaction amount of any of the aforesaid continuing connected transactions has exceeded the annual cap for 2014 as previously disclosed.

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

MODEL CODE

Having made all reasonable enquiries, the Board confirms that the Directors and the Supervisors have strictly followed the "Model Code for Securities Transactions by Directors of Listed Issuers" in Appendix 10 to the Listing Rules. The Company has not adopted a standard lower than that provided by the model code in relation to our Directors' securities dealings.

ACCOUNTING POLICIES

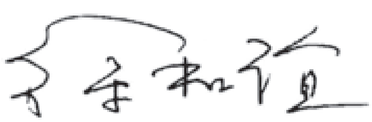
The principal accounting policies adopted in the preparation of our 2014 audited consolidated financial statements are consistent with the accounting policies for the preparation of our audited consolidated financial statements for the year ended December 31, 2013.

AUDIT OF ACCOUNTS

Grant Thornton China LLP was the auditor of our 2012 and 2013 financial statements prepared in accordance with Accounting Standards for Business Enterprises of the PRC ("China Accounting Standards").

In February 2015, the Board decided to engage PwC and PricewaterhouseCoopers Zhong Tian LLP as the auditors of the Company's 2014 consolidated financial statements prepared under IFRSs and China Accounting Standards, respectively. The appointment is effective from the Listing Date and expires at the conclusion of the Company's 2014 general meeting, and is subject to confirmation at the Company's 2014 general meeting.

In February 2015, the Board proposed the appointment of PwC and PricewaterhouseCoopers Zhong Tian LLP as the auditor of the Company's 2015 financial statements prepared under IFRSs and China Accounting Standards, respectively. The appointment is effective after the conclusion of the Company's 2014 general meeting until the conclusion of the 2015 general meeting, and is subject to approval at the Company's 2014 general meeting.



BY ORDER OF THE BOARD
Chairman
Xu Heyi

Beijing, March 22, 2015

Report of the Board of Supervisors

In 2014, pursuant to the Company Law, the Articles of Association and *Rules of Procedure of the Board of Supervisors of BAIC Motor Corporation Limited* (hereinafter referred to as "Rules of Procedure of the Board of Supervisors"), and in the spirit of accountability for the interest of the Company and in safeguarding the legitimate rights of the Shareholders, all the Supervisors have duly performed their supervisory duties to monitor and inspect the execution of the duties of the Directors and senior management and the operation and management activities of the Company. In doing so, they have promoted operational standard and healthy development of the Company.

THE WORK OF THE BOARD OF SUPERVISORS

1. Convening Meetings of the Board of Supervisors

In 2014, two meetings of the Board of Supervisors were held, in which the *Work Report of the Board of Supervisors of BAIC Motor Corporation Limited for 2013* and the applicable Rules of Procedure of the Board of Supervisors after the issuance and Listing of the H Shares were reviewed and approved.

2. Participating in the General Meetings and Attending the Board Meetings

Pursuant to the Articles of Association and the Rules of Procedure of the Board of Supervisors, members of the Board of Supervisors attended the first and second extraordinary general meetings of 2014 and the general meeting of 2013, and appointed the supervisors to act as the scrutineer of the meetings; attended the 8th, 9th and 14th meeting of the second session of the Board held on site and appointed the supervisors to act as the scrutineer of the meetings to ensure the legitimacy and compliance of voting on the resolutions in the meetings; and reviewed the meeting materials of 10th, 11th, 12th, 13th and 15th board meetings of the second session of the Board held in the form of communication.

By attending the general meetings and the Board meetings and reviewing relevant meeting materials, members of the Board of Supervisors enhanced their understanding of deliberation of resolutions of the general meetings and Board meetings of the Company, as well as the decision making process of the Board. They have also enhanced their understanding of the financial position, connected transactions and production and operation of the Company, the supervision over the performance of the duties of the Directors and senior management, decision on significant matters, normalization of operation and management activities, and effective monitoring. In doing so, they have played a positive role in promoting the Company's standardized governance and improving the operating efficiency of the Company.

3. Carrying out in-depth investigation and research on the enterprise

In 2014, the Board of Supervisors visited the Company's Automotive Research Institute and Guangzhou Company to conduct a research and investigation to understand the Institute's product research and development, operation management, team construction and research and development expense utilization; and to understand the status of plant construction, operation, construction fund utilization and demand planning of the Guangzhou company.

The members of the Board of Supervisors also conducted research on the front-line sales team to get the picture of the vehicle sales situation of the Company's joint venture brands and Beijing Brand, listen to the feedback of the sales department on new vehicle launch and to understand the competitive situation between the Company's products and the other products at similar industry level.

Report of the Board of Supervisors

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

In 2014, the Board of Directors further improved the corporate governance system pursuant to the relevant laws and regulations, Articles of Association and applicable requirements of the system to enhance operating standards and ensure higher efficiency in decision-making. The Directors and the senior management were devoted and duly performed their duties, working hard to be creative, while strengthening the management of different functions and actively promoting cost efficiency, with particular effort on enhancing product research and development and quality control and thus improving business performance. The Company further improved its internal management system and the supervision and assessment of relevant system implementation to ensure overall effective internal control and better standardization and efficiency of management. Through positive efforts, the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange.

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

The Board of Supervisors carefully read the 2014 audited consolidated financial statements of the Company, reviewed the standard unqualified audit report issued by PricewaterhouseCoopers, listened to the report of the Company's senior management on relevant audit and communicated with the auditors. The Board of Supervisors is of the view that the Company's 2014 audited consolidated financial statements meets the requirements of the relevant accounting standards and regulations; and it gives a true and fair view of the state of affairs of the Company's financial position and business performance; and the information reflecting the Company's operation is truthful, legitimate and complete without false information, misleading representation or material omissions.

In the midst of the market environment of the automobile industry in 2014, the Company actively implemented the management principle of "striving for success, demonstrating accountability and pursuing lean management", with focus on strengthening management, potential tapping and efficiency improvement, and achieved various management and operation targets set by the Board of Directors at the beginning of the year. The Listing of the Company on the main board of the Hong Kong Stock Exchange which has offered broader space of development for the Company on the one hand, while setting higher requirements and standards on the management of the Company on the other. We shall strictly comply with the Listing Rules, maintain high transparency and continuously improve the governance structure to reward investors with more excellent performance.

In 2015, the Board of Supervisors shall continue to duly perform its duties in accordance with the Company Law and the Articles of Association, the requirements of the general meeting, and the relevant laws, regulations and systems, with focus on the Company's operation targets and key work, while striving to learn, innovate and explore new approaches to prevent enterprise risks and protect the interest of the Company and the Shareholders, so as to procure the Company to operate in an orderly and effective manner.

By order of the Board of Supervisors
Chairman of the Board of Supervisors
Zhang Yuguo

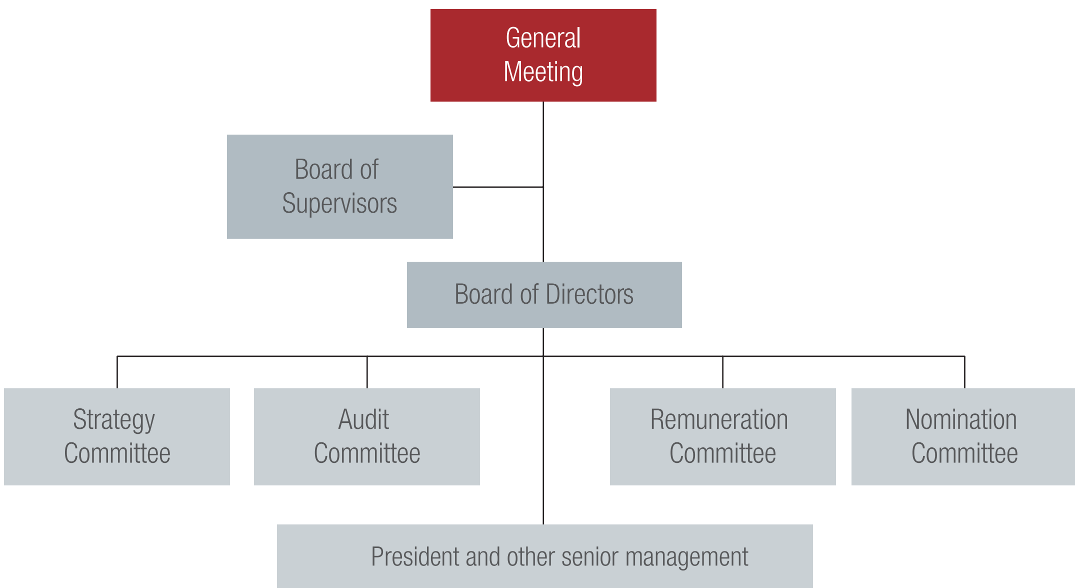
Beijing, March 22, 2015

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Company has been building and maintaining a high level of corporate governance so as to protect the rights and interests of shareholders and enhance the Company's corporate value and sense of responsibility. The Company has put together a sound and market-oriented corporate governance structure and established general meeting, the Board of Directors, the Special Committees and the Board of Supervisors, and implemented corporate governance practices in strict accordance with the Articles of Association. The Company has adopted the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules for corporate governance.

The Company's corporate governance structure is as follows:



Corporate Governance Report

All the Directors of the Company believe that from December 19, 2014 when the Company was listed, to the Date of Issue of the Report ("Reporting Period"), the Company complied with all the code provisions under the Corporate Governance Code.

GENERAL MEETING

Responsibility

The general meeting is the supreme decision-making body of the Company and is responsible for lawfully exercising its rights and making important decisions. The general meeting or the extraordinary general meeting is the channel for direct communication between the Company's Directors and Shareholders. Therefore, the Company attaches great importance to the general meeting. A 45-day notice shall be sent to all the shareholders in advance to encourage their attendance, and it shall request that all the Directors, Supervisors and secretary of the Board attend the meetings, while the President and other senior management should participate as non-voting delegates.

During the Reporting Period, the Company has not held any general meeting.

Substantial Shareholders

BAIC Group is the Controlling Shareholder of the Company and as of the Date of Issue of the Report, BAIC Group holds 44.98% of the shares. During the Reporting Period, BAIC Group did not circumvent the Board to make direct or indirect intervention in the Company's decision making and business operation.

For the year 2014, information on other substantial Shareholders and data on the personnel with a voting right of 5% or above in the general meeting of the Company (classes of Shares by Domestic Share and H Share) are set out on Page 30 of the Report.

BOARD OF DIRECTORS

Responsibility

Pursuant to the Articles of Association, the Company established the Board of Directors which is accountable to the general meeting. The Board of Directors comprised 15 Directors, including one executive Director, nine non-executive Directors and five independent non-executive Directors. The Directors are elected at the general meeting for a 3-year term of office, and are eligible for re-election upon expiry of the term.

The Board of Directors determines key policy plans, and reviews and monitors the Company's business operation. The Board of Directors has authorized the Company's senior management to oversee the day-to-day management of the Company, with operational authority and responsibility. In order to facilitate the Board of Directors to deliberate specific matters of the Company, the Board has set up four special committees, namely Strategy Committee, Audit Committee, Remuneration Committee and Nomination Committee (hereinafter collectively referred to as "Special Committees"). The Board of Directors has delegated various responsibilities to the Special Committees within their terms of reference.

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

Composition of the Board of Directors

As of the Date of Issue of the Report, the Board of Directors of the Company comprised fifteen members, which includes one executive Director, nine non-executive Directors and five independent non-executive Directors, as follows:

Mr. Xu Heyi	Chairman and non-executive Director
Mr. Zhang Xiyong	Non-executive Director
Mr. Li Zhili	Non-executive Director
Mr. Li Feng	Executive Director and President
Mr. Ma Chuanqi	Non-executive Director
Mr. Qiu Yinfu	Non-executive Director
Mr. Hubertus Troska	Non-executive Director
Mr. Bodo Uebber	Non-executive Director
Ms. Wang Jing	Non-executive Director
Mr. Yang Shi	Non-executive Director
Mr. Fu Yuwu	Independent non-executive Director
Mr. Wong Lung Tak Patrick	Independent non-executive Director
Mr. Bao Robert Xiaochen	Independent non-executive Director
Mr. Zhao Fuquan	Independent non-executive Director
Mr. Liu Kaixiang	Independent non-executive Director

The biographical details of the Directors are listed in the section headed "Directors, Supervisors and Senior Management" of the Report.

Within the Reporting Period, the Board of Directors were requested to comply with the Rule 3.10 (1) and Rule 3.10 (2) of the Listing Rules regarding the appointment of at least three independent non-executive directors (specifically, at least one of the independent non-executive directors shall posses appropriate professional qualification or expertise relating to accounting or financial management), and the Rule 3.10A of the Listing Rules about appointment of 1/3 of the Board members to be independent non-executive directors.

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

As the independent non-executive Directors have declared their independence pursuant to Rule 3.13 of the Listing Rules, the Company believes that the above personnel are independent persons. The independent non-executive Directors are invited to be the committee member of the Strategy Committee, Audit Committee, Remuneration Committee and Nomination Committee. Within the Reporting Period, the independent non-executive Directors raised no objection to the Board resolutions and other matters deliberated by Board of Directors.

Performance and Continuing Professional Development

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

The existing Directors have already participated in trainings relating to the governance of listed companies, directors' responsibilities and corporate governance held by Clifford Chance LLP in 2014.

Appointment and Re-election of Directors

The appointment, re-election and removal procedures and requirements of directors are set forth in the Articles of Association. The Nomination Committee is responsible for reviewing the composition of the Board of Directors and putting forward suggestions on the appointment, re-election and succession plan of directors.

On September 6, 2013, the Company held a general meeting to elect members of the second session of the Board of Directors, each with a 3-year term of office starting from the date of the resolution: Mr. Hubertus Troska and Mr. Bodo Uebber were elected as the non-executive Directors effective from November 18, 2013 and Ms. Wang Jing as an non-executive Director effective from April 24, 2014, with the expiry of the term of office being the same as that of the second session of Board of Directors.

On April 24, 2014, the Company held a general meeting to elect Mr. Fu Yuwu, Mr. Wong Lung Tak Patrick, Mr. Bao Robert Xiaochen and Mr. Liu Kaixiang to be the independent non-executive Directors of the Company. In addition, at the general meeting held by the Company on December 2, 2014, Mr. Zhao Fuquan was elected as an independent non-executive director. The aforesaid five independent non-executive Directors took office effective from December 2, 2014, the date of Board meeting was held, with the expiry of the term of office being the same as that of the second session of Board of Directors.

Corporate Governance Report

Each of the Directors has signed a service contract with the Company, in which the main terms, conditions and corresponding rights, obligations and responsibilities, and in particular the duties of independent non-executive Directors pertaining to the director appointment are stipulated. The contract can be terminated in accordance with relevant provisions of the service contract. None of the Directors or Supervisors has signed with the Company a service contract that cannot be terminated by the Company within a year without compensation (other than statutory compensation).

Board Meeting

Pursuant to the Articles of Association, the Board of Directors shall hold at least four regular meetings throughout the year and they shall be convened by the Chairman. A 14-day written notice along with board materials shall be served to all directors before the meeting, and in order to help the Directors attend the meetings with full understanding on all relevant issues, materials for consideration shall be distributed in advance so as to ensure effective decision-making during the meeting.

For meetings of the Special Committees, a 3-day advance written notice was served to all the committee members. The meeting notice, including meeting agenda and relevant documents of the Board of Directors, has set aside adequate time for the committee members to review and prepare for the meeting. Where the committee members of the Special Committees are not able to attend the meeting in person, the Company will communicate with them to ensure their rights to express opinions and to participate in decision-making.

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

Within the Reporting Period, the Company held four Board meetings, details of which are as follows:

Name of Board Meeting	Time	Main matters to be deliberated
15th Board Meeting of the second session of the Board	December 31, 2014	Proposal on application for annual caps of 2015 continuing connected transactions under the *Financial Services Framework Agreement* between the Company and BAIC Finance.
16th Board Meeting of the second session of the Board	January 20, 2015	Proposal on *Construction Project for Cross-Category Production of Proprietary Brand Sedan for BAIC (Guangzhou) Motor Corporation Limited*
17th Board Meeting of the second session of the Board	February 5, 2015	Proposal on share capital increase in Mercedes-Benz Leasing Co., Ltd. Proposal on the establishment of a joint-venture technical center with MBtech Group GmbH & Co. KGaA Proposal on engagement of accounting firm
18th Board Meeting of the second session of the Board	March 22, 2015	Proposal on 2014 Report of the Directors (draft) Proposal on 2015 Production and Operation plan Proposal on 2014 Audited Consolidated Financial Statements (draft) Proposal on 2014 Profit Distribution (draft) Proposal on 2014 Annual Report and Performance Announcement Proposal on 2015 Investment Plan Proposal on 2015 remuneration for independent directors Proposal on general mandate of share issuance Proposal on general mandate of issuance of debt financing instrument Proposal on employment of relevant senior managers Proposal on the revision of existing annual caps for continuing connected transactions

Attendance of the Directors at board meetings is as follows:

No.	Name	Position	No. of Attendance/ No. of Meeting	Attendance Rate
1	**Xu Heyi**	Chairman and non-executive Director	4/4	100%
2	**Zhang Xiyong**	Non-executive Director	4/4	100%
3	**Li Zhili**	Non-executive Director	4/4	100%
4	**Li Feng**	Executive Director and President	4/4	100%
5	**Ma Chuanqi**	Non-executive Director	4/4	100%
6	**Qiu Yinfu**	Non-executive Director	4/4	100%
7	**Hubertus Troska**	Non-executive Director	4/4	100%
8	**Bodo Uebber**	Non-executive Director	4/4	100%
9	**Wang Jing**	Non-executive Director	4/4	100%
10	**Yang Shi**	Non-executive Director	4/4	100%
11	**Fu Yuwu**	Independent non-executive Director	4/4	100%
12	**Wong Lung Tak Patrick**	Independent non-executive Director	4/4	100%
13	**Bao Robert Xiaochen**	Independent non-executive Director	4/4	100%
14	**Zhao Fuquan**	Independent non-executive Director	4/4	100%
15	**Liu Kaixiang**	Independent non-executive Director	4/4	100%

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

After making appropriate enquiries, all Directors and Supervisors confirmed that they have complied with the code provisions of the Model Code for Securities Transactions during the Reporting Period.

AUTHORIZATION OF THE BOARD OF DIRECTORS

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

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

FUNCTIONS OF CORPORATE GOVERNANCE

The Board of Directors confirmed that corporate governance is the joint responsibility of all Directors, and its function includes the following:

- Formulate and review the Company's policies and practices on corporate governance;
- Review and monitor the training and continuous professional development of the Directors and senior management;
- Review and monitor the Company's policies and practices on compliance with the legal and regulatory requirements;
- Develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- Review the Company's compliance with Corporate Governance Code and disclosure of information in the Corporate Governance Report.

Corporate Governance Report

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Company has established a Remuneration Committee with the responsibilities to confirm and review the remuneration policies and proposals of the Company's Directors and senior management. In 2014, except for the independent non-executive Directors who have received directors' remuneration from the Company, no Directors received remuneration from the Company as directors. The executive Directors received the remuneration of senior management in the Company. The remuneration standard of independent non-executive Directors is determined in accordance with the Company's actual situation and with reference to the average market level. The remuneration standard of each independent non-executive Director is RMB120,000 per year (before tax), which shall be calculated since the effective date of the term of office.

The remuneration details of the directors and supervisors for 2014 are set forth in Note 30 to the audited consolidated financial statements.

The remuneration paid to the senior management (including one Director) in 2014 is as follows:

Remuneration range (RMB)	Number of People
2,500,000 or above	1
2,000,001 — 2,500,000	3
1,500,001 — 2,000,000	2
1,500,000 or below	6
	12

LIABILITY INSURANCE OF DIRECTORS

The Company has liability insurance coverage for lawsuits for the Directors, Supervisors and senior management, effective from December 19, 2014, the Listing Date of the Company.

CHAIRMAN AND PRESIDENT

According to the requirement of provision A.2.1 of Corporate Governance Code, the role of chairman and chief executive should be separated.

Within the Reporting Period, the positions of Chairman and President (chief executive) of the Company are held by different individuals. The Company has clearly defined the responsibilities of the Chairman and the President and the detailed definition is provided in the Articles of Association and *Rules and Procedure of the Board Meeting of BAIC Motor Corporation Limited*.

The Chairman is responsible for convening and presiding over the Board meetings, approving meeting agenda and ensuring all major and relevant issues, including any proposal put forth by other Directors, are discussed by the Board promptly. He is responsible for the Board's efficient operation, including (but not limited to) taking measures to ensure that the questions raised by all the Directors shall receive proper and formal reply; and accurate, clear, complete and reliable data and materials are provided to all the directors in a timely manner. He shall ensure that the overall opinion of the Shareholders is passed on to the Board of the Directors, while promoting the culture of open and constructive debate at the Board meetings.

The President is accountable for the overall management and operation of the Company, in charge of the day-to-day work of the Company and reporting to the Board. The President works together with other senior managers and ensures that the Board's major decisions will be passed on to the senior management in a timely manner for effective implementation.

SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS

Strategy Committee

The Company has established a Strategy Committee to operate formally and perform corresponding duties effective from the Listing Date. The specific terms of reference of the Strategy Committee can be found on websites of the Stock Exchange and the Company.

The Strategy Committee comprises nine members, namely Mr. Xu Heyi (Chairman), Mr. Zhang Xiyong, Mr. Li Feng, Mr. Ma Chuanqi, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Yang Shi, Mr. Fu Yuwu and Mr. Zhao Fuquan, among which two of them are independent non-executive Directors.

Within the Reporting Period, the Strategy Committee held two meetings to review the following matters:

- Proposal on share capital increase in Mercedes-Benz Leasing Co., Ltd.;
- Proposal on the establishment of a joint-venture technical center with MBtech Group GmbH & Co. KGaA;
- Proposal on 2015 investment plan;
- Proposal on 2015 production and operation plan;
- Proposal on general mandate of share issuance;
- Proposal on general mandate of issuance of debt financing instrument.

Attendance of the committee members is as follows:

No.	Name	Position	No. of Attendance/ No. of Meeting	Attendance Rate
1	**Xu Heyi**	Chairman	2/2	100%
2	**Zhang Xiyong**	Committee member	2/2	100%
3	**Li Feng**	Committee member	2/2	100%
4	**Ma Chuanqi**	Committee member	2/2	100%
5	**Qiu Yinfu**	Committee member	2/2	100%
6	**Hubertus Troska**	Committee member	2/2	100%
7	**Yang Shi**	Committee member	2/2	100%
8	**Fu Yuwu**	Committee member	2/2	100%
9	**Zhao Fuquan**	Committee member	2/2	100%

Audit Committee

The Company has established an Audit Committee to operate formally and perform corresponding duties effective from the Listing Date, with responsibility over reviewing and monitoring the Company's financial reporting procedures. The specific terms of reference of the Audit Committee can be found on the websites of the Stock Exchange and the Company.

The Audit Committee comprises three members, namely Mr. Wong Lung Tak Patrick (Chairman), Mr. Ma Chuanqi and Mr. Liu Kaixiang, among which two of the members are independent non-executive director.

Within the Reporting Period, the Audit Committee held two meetings to deliberate the following matters:

- Proposal on engagement of accounting firm;
- Proposal on 2014 audited consolidated financial statements (draft);
- Proposal on 2014 annual report and performance announcement;
- Proposal on the revision of existing annual caps for continuing connected transactions.

The Audit Committee reviewed and presented reasonable comments on the financial reporting system, compliance procedures, internal monitoring and control (on resources, qualifications, training programs and budget of the employees in the accounting and finance departments), and risk management system and procedures.

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

Meanwhile, the Audit Committee has reviewed the overall performance of the Group in the financial year of 2014 and the audit report prepared by PwC for accounting matters and major discoveries during the audit process.

Attendance of the committee members is as follows:

No.	Name	Position	No. of Attendance/ No. of Meeting	Attendance Rate
1	**Wong Long Tak Patrick**	Chairman	2/2	100%
2	**Ma Chuanqi**	Committee member	2/2	100%
3	**Liu Kaixiang**	Committee member	2/2	100%

Remuneration Committee

The Company has established a Remuneration Committee to operate formally and perform corresponding duties effective from the Listing Date. The specific terms of reference of the Remuneration Committee can be found on the websites of the Stock Exchange and the Company.

The Remuneration Committee comprises five members, namely Mr. Bao Robert Xiaochen (Chairman), Mr. Li Feng, Ms. Wang Jing, Mr. Wong Long Tak Patrick and Mr. Liu Kaixiang, among which three are independent non-executive directors.

Within the Reporting Period, the Remuneration Committee held one meeting to review the following matters:

- Proposal on 2015 remuneration for independent Directors;
- Proposal on 2015 project incentive scheme.

The Remuneration Committee has made recommendations and suggestions to the Board of Directors on the 2015 remuneration proposal for independent non-executive directors.

Attendance of the committee members is as follows:

No.	Name	Position	No. of Attendance/ No. of Meeting	Attendance Rate
1	**Bao Robert Xiaochen**	Chairman	1/1	100%
2	**Li Feng**	Committee member	1/1	100%
3	**Wang Jing**	Committee member	1/1	100%
4	**Wong Long Tak Patrick**	Committee member	1/1	100%
5	**Liu Kaixiang**	Committee member	1/1	100%

Nomination Committee

The Company has established a Nomination Committee to operate formally and perform corresponding duties effective from the Listing Date. The specific terms reference of the Nomination Committee can be found on the websites of the Stock Exchange and the Company.

The Nomination Committee comprises five members, namely Mr. Xu Heyi (Chairman), Mr. Li Zhili, Mr. Fu Yuwu, Mr. Bao Robert Xiaochen and Mr. Zhao Fuquan, among which three are independent non-executive directors.

Within the Reporting Period, the Nomination Committee held one meeting to deliberate the following matters:

- Proposal on employment of relevant senior management;
- Proposal on Board Diversity Policy.

Attendance of the committee members is as follows:

No.	Name	Position	No. of Attendance/ No. of Meeting	Attendance Rate
1	**Xu Heyi**	Chairman	1/1	100%
2	**Li Zhili**	Committee member	1/1	100%
3	**Fu Yuwu**	Committee member	1/1	100%
4	**Bao Robert Xiaochen**	Committee member	1/1	100%
5	**Zhao Fuquan**	Committee member	1/1	100%

BOARD DIVERSITY POLICY

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

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

RESPONSIBILITY OF DIRECTORS IN RELATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors shall fulfill its duty to prepare the 2014 consolidated financial statements for the Group so as to present a true and fair view of the Group's production and operational condition, and of the business performance and cash flow of the Company.

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

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

The results of the Company and the Group for the year 2014, and the financial positions of the Group as of December 31, 2014 are set out in the consolidated financial statements audited by PwC on pages 62 to 153 of the Report.

COMPANY SECRETARY

Mr. Yan Xiaolei is the Secretary to the Board of Directors and the Company Secretary of the Company. He is responsible for putting forward suggestions on matters relating to corporate governance to the Board of Directors, and shall abide by the policies and procedures of the Board to ensure compliance with relevant laws and regulations. In order to maintain good corporate governance and ensure compliance with the Listing Rules and applicable laws in Hong Kong, the Company appointed Ms. Yung Mei Yee, Senior Manager of KCS Hong Kong Limited (a company secretary service provider), as the company secretary assistant to assist Mr. Yan Xiaolei in performing his duties as the Company Secretary of the Company.

In 2014, Mr. Yan Xiaolei and Ms. Yung Mei Yee attended no less than 15 hours of relevant professional training respectively, in compliance with Rule 3.29 of the Listing Rules.

Corporate Governance Report

CONTROL MECHANISM

Board of Supervisors

The Board of Supervisors comprises five Supervisors. The employee representatives supervisors are elected democratically by the employee representative congress, while non-employee representatives Supervisors are elected by the general meeting. The term of office of each Supervisor is three years, renewable upon re-election. The powers and functions of the Board of Supervisors include, but not limited to, reviewing and providing written opinions on the periodic reports of the Company prepared by the Board; monitoring the financial activities of the Company; supervising the performance of duties of Directors and senior management; proposing the removal of the Directors and senior management who have acted in breach of the laws, administrative regulations, the Articles of Association or the resolutions passed at the general meeting; requesting that the Directors and senior management to conduct rectification for actions causing damage to the interest of the Company; and proposing that extraordinary general meetings be convened.

In 2014, the Board of Supervisors has monitored the financial activities and the validity and compliance of the duties carried out by Directors and senior management of the Company. Two meetings were held, with attendance rate (including authorizing other Supervisors to attend the meeting) of 100%. The Supervisors also attended the general meetings and Board meetings and duly performed the duties of the Board of Supervisors.

Internal Control

The Board of Directors is responsible for establishing and maintaining the internal control system of the Company so as to review the effectiveness of all important monitoring procedures in relation to finance, operation, compliance and risk management, and to protect the rights and interests of the Shareholders. The review includes evaluation of internal control in different aspects by the Company's audit department, management department, legal affairs department and finance centers, as well as reports on matters discovered in the external auditors' statutory audit.

In the year 2014, the Group conducted a comprehensive examination on the effectiveness of the 2014 internal control system on five key factors, namely financial monitoring, risk assessment, compliance monitoring, information communication and regulation, including the mechanism of communication and feedback with the auditors on statutory audit. The Board of Directors conducts evaluation on the internal control system of the Group through the Audit Committee and internal control department, and believes that in 2014 and as of the Date of Issue of the Report, the Group has maintained a complete internal control system covering corporate governance, operation, investment, finance and administration and personnel, and such internal control system is fully effective.

AUDITOR'S REMUNERATION

The Company has recommended the appointment of PwC and PricewaterhouseCoopers Zhong Tian LLP as the auditor of the Company's 2015 consolidated financial statements prepared under IFRSs and China Accounting Standards, respectively. The Company also authorized the management to determine its service remuneration. Specific details are set out in the section headed "Report of Board of Directors" of the Report.

The total remuneration for the year 2014 paid or payable to the Company's auditors, PwC/PricewaterhouseCoopers Zhong Tian LLP, for audit and audit-related services totalling RMB11.8 million.

In addition, PwC was appointed as the Company's reporting accountant for its initial public offering of Shares, in relation to which total fees paid or payable to PwC during the year ended 31 December 2014 were RMB29.8 million.

An analysis of the auditors' remunerations is set out below:

Items	Amount (RMB million)
Audit services:	
Annual audit service	11.8
Reporting accountant's services in relation to listing	29.8
Non-audit services:	N/A
Total	**41.6**

COMMUNICATION WITH THE SHAREHOLDERS AND INVESTOR RELATIONS

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

INFORMATION DISCLOSURE

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

Within the Reporting Period, the Company released 15 announcements in accordance with the Listing Rules. All announcements of the Company are published on the websites of the Stock Exchange and the Company. For details, please visit www.hkexnews.hk and www.baicmotor.com.

COMMUNICATION WITH INVESTORS

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

The 2014 general meeting has provided an opportunity for Shareholders and Directors to communicate directly. The Company's Chairman and chairmen of the Special Committees have tried their best to attend the general meeting to answer queries, while the Company's external auditor will also attend the meeting to answer questions relating to audit, compilation and content of the auditor's report, accounting policies, as well as the independence of the auditor.

SHAREHOLDERS' RIGHTS

In order to protect the rights and interests of the Shareholders, the Company shall present resolutions in the form of stand-alone motion to the general meeting for consideration.

The resolutions presented to the general meeting for consideration shall be voted in accordance with the Listing Rules, and the voting result shall be published on the websites of the Company and the Stock Exchange in a timely manner after the meeting.

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

Please visit the Company's website for relevant procedures for election of Directors. Shareholders who want to make inquiries to the Board of Directors can do so through the above-mentioned communication channels.

ARTICLES OF ASSOCIATION

Upon the approval of the general meeting on April 24, 2014, the Company adopted the amended and restated Articles of association which came into force on the Listing Date and the Articles of Association was approved by the relevant authority.

Directors, Supervisors and Senior Management

DIRECTORS

The Board of the Company comprises 15 Directors, including one executive Director, nine non-executive Directors and five independent non-executive Directors. All Directors are elected by the general meeting for a term of three years until the expiration of the term of the second session of the Board of the Company on September 8, 2016 and their positions are renewable upon re-election. The followings are certain details of the Directors.

Mr. Xu Heyi (徐和誼), aged 57, holds a doctoral degree in management and is a senior engineer (professor level) enjoying special government allowances of the State Council. **At present, Mr. Xu is the chairman of the Board, as well as the secretary of the party committee and a non-executive Director of the Company**. Mr. Xu is also the chairman of the board of BAIC Investment, Beijing Benz, Beijing Hyundai and BAIC Hong Kong. Mr. Xu concurrently serves as the chairman of the board and the secretary of the party committee of BAIC Group and was a representative of the 18th National Congress of the Communist Party of China, the representative of the 12th National People's Congress and is the deputy chairman of the China Association of Automobile Manufacturers.

Mr. Xu has over 30 years of experience in industry and management. He has held various positions since he served in BAIC Group in July 2002, including as the chairman of the board and the secretary of the party committee of BAIC Holding and BAIC Group. He has been the chairman of the board and non-executive Director of the Company since its establishment on September 20, 2010.

Mr. Zhang Xiyong (張夕勇), aged 51, holds a doctoral degree in management and is a senior accountant and senior engineer. **At present, Mr. Zhang is a non-executive Director of the Company**. He is also a director, deputy secretary of the party committee and general manager of BAIC Group. In addition, he is the chairman of the board of directors of Beijing BAIC Rocar Automobile Services & Trade Co., Ltd., an executive director of Beijing Automobile International Development Co., Ltd. and vice chairman of the board of directors of BAIC Foton Automobile Co., Ltd. (stock code: 600166.SH) (abbreviated as "Foton").

Mr. Zhang has over 30 years of experience in industry and management. He held various positions from January 1994 to June 2013, including as the standing deputy factory manager of Zhucheng Motor Factory of Beijing Automobile and Motor Joint Manufacturing Company and the standing deputy general manager, deputy party secretary of the party committee and vice chairman of the board of Foton. Since September 6, 2013, Mr. Zhang has been a non-executive Director of the Company.

Mr. Li Zhili (李志立), aged 59, holds a bachelor's degree in economics and management and is a senior political officer. **At present, Mr. Li is a non-executive Director, deputy secretary of the party committee and secretary of the discipline committee of the Company.** He is also a director, deputy secretary of the party committee and secretary of the discipline committee of BAIC Group. Mr. Li has over 30 years of experience in the industry and management. He has served in various positions, including as the secretary of the party committee, the chairman of the labor union and the director of Beijing Jeep Corporation Ltd. (now known as Beijing Benz) from June 1992 to August 2005 and the deputy secretary of the party committee, the secretary of the discipline committee and the chairman of the labor union of Beijing Hyundai from August 2005 to March 2011. He has been a non-executive Director of the Company since its establishment on September 20, 2010.

Mr. Li Feng (李峰), aged 51, holds a master's degree in power engineering, master's degree in Business Administration and is a senior engineer. **At present, he is the executive Director, president and deputy secretary of the party committee of the Company**. He is also a director of Beijing Benz and Beijing Hyundai and a director and a member of the standing committee of the party committee of BAIC Group. In addition, Mr. Li is a vice president of the Academic Committee of Beijing Automotive Engineering Society and a member of the Marketing Expert Committee (Automotive) of China Association of Marketing.

Mr. Li has over 30 years of experience in industry and management. From October, 1996, he began to serve as the head of the automobile engineering research institute, general manager of the marketing company and deputy general manager of Foton, the director of the economic management committee and deputy general manager of Chery Automobile Co., Ltd. and he served as the standing deputy general manager, secretary of the party committee and director of Beijing Hyundai from December 2009 to June 2013. Since December 10, 2010, he has been a non-executive director of the Company.

Mr. Ma Chuanqi (馬傳騏), aged 59, holds a master's degree in business administration and is a senior accountant. **At present, he is a non-executive Director of the Company** as well as a director of BAIC Investment, the chairman of the board of directors of Beijing Hainachuan Investment Co., Ltd., a director of Beijing Benz and a director of BAIC Hong Kong. He is also a director and the chief financial officer of BAIC Group, mainly responsible for financial management of BAIC Group. In addition, he is the chairman of the board of directors and secretary of the party committee of BAIC Finance. Currently, Mr. Ma is also the vice chairman of Beijing Association of Chief Financial Officers, among other positions.

Mr. Ma has over 30 years of experience in finance and management. He served in various positions from May 2004 to December 2010, including as the head of the finance department of the Beijing Municipal Bureau of Industrial Development, chief financial officer of BAIC Investment, and the chief accountant of BAIC Holding.

Mr. Qiu Yinfu (邱銀富), aged 47, holds a master's degree in business administration and is a senior engineer of metallurgical equipment. **At present, Mr. Qiu is a non-executive Director of the Company**. He is also a director of BAIC Investment, the deputy secretary of the party committee, director, deputy general manager and chairman of the labor union of Shougang Limited, and the secretary of the party committee of Shougang Qian'an Iron & Steel Co. Mr. Qiu is also the deputy head of the management committee of the Metallurgical Equipment Sub-committee of the Chinese Society for Metals.

Mr. Qiu has over 20 years of experience in industry and management. He served in various positions from August 1989 to November 2012, including as the deputy general manager of Hebei Shougang Qian'an Iron & Steel Co., Ltd.

Mr. Hubertus Troska, aged 55, German, holds a bachelor's degree in English language and literature. **At present, Mr. Troska is a non-executive Director of the Company**. He is also the deputy chairman of the board of directors and director of Beijing Benz, responsible for participating in formulating corporate business and strategies of Beijing Benz through its board of directors. He is also a member of the board of management of Daimler AG, responsible for its businesses in Greater China, and serves as the chairman and chief executive officer of Daimler Greater China.

Mr. Troska has 27 years of experience in the automobile industry. He was a director and a member of the board of management of Mercedes-Benz (Turkey) Company from September 1997 to February 2000, responsible for the sales and aftersales of cars and businesses of vans, trucks and buses. He was the president of Mercedes-Benz AMG GmbH from October 2003 to April 2005. He was the global executive vice president of Daimler AG (the head of Mercedes-Benz truck, in charge of the truck business in Europe and Latin America) from April 2005 to December, 2012.

Mr. Bodo Uebber, aged 55, German, holds a master's degree in industrial economics. **At present, Mr. Uebber is a non-executive Director of the Company** and a member of the board of management of Daimler AG, responsible for finance and controlling as well as Daimler Financial Services and in charge of mergers & acquisitions.

Mr. Uebber has 30 years of experience in finance and management. He was a member of the board of management and chief financial officer of Daimler Financial Services AG (former name: DaimlerChrysler Services AG) in Berlin from 2001 to 2003, a deputy member of board of management of Daimler AG (former name: DaimlerChrysler AG) and chairman of the board of management of Daimler Financial Services AG (former name: DaimlerChrysler Services AG) from 2003 to 2004. Furthermore, he was a member of the supervisory board of TALANX AG (TLX: Xetra) from May 2006 to August 2011, and the chairman and a member of the board of directors of EADS N.V. from May 2007 to March 2013.

Ms. Wang Jing (王京), aged 43, holds master's degree in laws, MBA, a senior economist and corporate legal advisor. **At present, Ms. Wang is a non-executive Director of the Company** and director of Beijing New Energy Automobile Co., Ltd.

Ms. Wang has over 20 years of experience in the industry and management. She served as an assistant for the manager and deputy manager of the financing department of the Hong Kong headquarters of Beijing Enterprises Holdings Limited, the manager of the corporate department in Beijing Enterprises Holdings Investment Management Co., Ltd, deputy general manager of Beijing Jingtai Investment Management Center, manager of the enterprise management department and the assistant to general manager of Jingtai Industry (Group) Co., Ltd., the chairman of the board of directors and the general manager of Beijing Inland Port International Logistics Co., Ltd., general manager of the investment management department and general manager of investment management division No. 1 of BSAMAC and she has been the deputy general manager of BSAMAC since February 2014.

Mr. Yang Shi (楊實), aged 59, holds a master's degree in national economic management (part-time) and MBA. **At present, Mr. Yang is a non-executive Director of the Company**. He is also a director of BAIC Investment, director and general counsel of Beijing Energy Investment, director of Investment Beijing International Co., Ltd. and member of the audit committee under the board of directors of Beijing International Trust Co., Ltd. Since Beijing Jingmei Group Limited Liability Co. merged with Beijing Energy Investment (Group) Co., Ltd. and was reorganized as Beijing Energy Group Limited Liability Co., Mr. Yang no longer served as external director of Beijing Jingmei Group Limited Liability Co.

Mr. Yang has over 30 years of experience in the law industry and management and he served as the director and deputy general manager of Beijing International Power Development & Investment Co. from May 1999 to November 2004.

Directors, Supervisors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Fu Yuwu (付于武), aged 69, **at present is an independent non-executive Director of the Company** and also the director of Society of Automotive Engineers of China, director of China Auto Talents Society and vice chairman of China Association of Automobile Manufacturers.

Mr. Fu has over 40 years of working experience in the industry and management. He has served in various positions, including as the deputy director and secretary general, and director of Society of Automotive Engineers of China, director general of China Auto Talents Society and vice chairman of China Association of Automobile Manufacturers since August 1999.

Mr. Fu is now an independent non-executive Director of Guangzhou Automobile Group Co., Ltd. (stock code: 601238.SH; 02238.HK) and Geely Automobile Holdings Ltd. (stock code: 00175.HK).

Mr. Wong Lung Tak Patrick (黃龍德), aged 66, holds a doctoral degree in science of commerce, a fellow member of the Association of Chartered Certified Accountants and certified tax adviser of the Taxation Institute of Hong Kong. **At present, he is an independent non-executive Director of the Company** and also the chief practicing director of Patrick Wong C.P.A. Limited.

Mr. Wong has over 40 years of experience in financing and management. Mr. Wong has received various honors including the Queen's Badge of Honor, was appointed by the government of Hong Kong Special Administrative Region as Non-official Justice of the Peace and awarded the Bronze Bauhinia Star by the government of Hong Kong Special Administrative Region.

Currently, Mr. Wong serves as the independent non-executive director of C C Land Holdings Limited (stock code: 01224.HK), China Precious Metal Resources Holdings Co., Ltd. (stock code: 01194.HK), Galaxy Entertainment Group Limited (stock code: 00027.HK), Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited (stock code: 00874.HK), National Arts Entertainment and Culture Group Limited (stock code: 08228.HK), Real Nutriceutical Group Limited (stock code: 02010.HK), Sino Oil and Gas Holdings Limited (stock code: 00702.HK), Water Oasis Group Limited (stock code: 01161.HK), Winox Holdings Limited (stock code: 06838.HK), and Excel Development (Holdings) Limited (stock code: 01372.HK).

Mr. Bao Robert Xiaochen (包曉晨), aged 48, holds a bachelor's degree in engineering, MSc, MBA, certified quality manager, certified reliability engineer and certified quality engineer. **At present, he is an independent non-executive Director of the Company** and is the director and general manager of Meihe (China) Management Consultancy Co. Ltd.

Mr. Bao has over 20 years of experience in the industry and management. He held various positions from June 1992 to September 2013, including North America product quality engineer, product reliability expert, finished vehicle development product assurance expert of Chrysler Corporation, warranty cost expert for suppliers in North America of Daimler-Chrysler AG, associate/project manager in the China divisions of EDS of the US, director of automobile business in Greater China of EDS PLM/UGS Solutions of the US, China operation and sales general manager of Motorola Automotive Electronics Co., Asia-Pacific sales and marketing director/Asia-Pacific business platform director of electronics and safety of Delphi Automotive System (China) Holdings Co. Limited, and managing director of Accenture (China) Co., Ltd and Accenture (Detroit, U.S.) Co. Ltd.

Currently, Mr. Bao serves as an independent director of Foton (stock code: 600166.SH).

Mr. Zhao Fuquan (趙福全), aged 50, holds a doctoral degree in mechanical engineering. **At present, Mr. Zhao is an independent non-executive Director of the Company**. He is also a professor of the department of automotive engineering in Tsinghua University and a visiting professor of Jilin University.

Mr. Zhao has nearly 20 years of experience in the industry. Mr. Zhao served as the senior engineering specialist and research director of Daimler Chrysler in the United States from April 1997 to March 2004, director of BMW Brilliance Automotive Ltd. from April 2004 to September 2006, president of Geely Automobile Research Institute from February 2007 to April 2013, vice president of Zhejiang Geely Holding Group and executive director of Geely Automobile Holdings Limited (stock code: 00175.HK) from November 2006 to May 2013.

Currently, Mr. Zhao is an independent director of China Automotive Engineering Research Institute Co., Ltd. (stock code: 601965.SH).

Mr. Liu Kaixiang (劉凱湘), aged 50, holds a doctoral degree in law. **At present, he is an independent non-executive Director of the Company**. He is also a professor and doctoral supervisor of Peking University Law School, vice president of China Commercial Law Research Society and an arbitrator of China International Economic and Trade Arbitration Commission and Singapore International Arbitration Centre.

Mr. Liu has over 20 years of experience in legal affairs. He served as the deputy director in the faculty of law and professor of Beijing Technology and Business University from July 1987 to May 1999 and has been a professor and doctoral supervisor of Peking University Law School since May 1999.

Currently, Mr. Liu serves as the independent director of Taiji Computer Corporation Ltd. (stock code: 002368.SZ), Beijing Orient Landscape Co., Ltd (stock code: 002310.SZ) and Beijing Ultrapower Software Co., Ltd. (stock code: 300002.SZ) and Beijing Hanjian Heshan Pipe Co., Ltd.

SUPERVISORS

The Board of Supervisors of the Company comprises five Supervisors. Employee representative Supervisors are elected democratically by the employee representative congress, while non-employee representative Supervisors are elected by the Shareholder's general meeting. The term of office of each Supervisor is three years, renewable upon re-election. The followings are certain information of the Supervisors of the Company.

Mr. Zhang Yuguo (張裕國), aged 58, graduated from Peking University in law. **At present, Mr. Zhang is the chairman of the Board of Supervisors of the Company**. Mr. Zhang is also a full-time supervisor of BAIC Group as appointed by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

Mr. Zhang has 25 years of experience in management. He was the deputy director of the supervisory division of SASAC of Beijing Municipality from November 2003 to May 2005 and was the deputy director of the work department of the board of supervisors of the SASAC of Beijing Municipality from May 2005 to September 2007. He was the department-level supervisor of the fourth and third offices of the Beijing Municipal State-owned Enterprises Supervisory Board from September 2007 to September 2009, department-level supervisor of the third office of the Beijing Municipal State-owned Enterprises Supervisory Board from September 2009 to October 2012 and has been the full-time department-level supervisor of the fourth office of the Beijing Municipal State-owned Enterprises Supervisory Board from October 2012 to November 2014. He was a full-time deputy-bureau-level supervisor and director of the fourth office of the Beijing Municipal State-owned Enterprises Supervisory Board since December 2014.

Mr. Yin Weijie (尹維劼), aged 47, holds a master's degree in economics, CICP, CIA and senior accountant. **At present, Mr. Yin is a Supervisor of the Company** and also a member of the standing committee of discipline inspection commission and head of the auditing department of BAIC Group.

Mr. Yin has 27 years of experience in auditing, supervising, finance and management. From June 2001 to October 2003, Mr. Yin was the principal staff member of the financial management and supervision department (auditing department) of State Tobacco Monopoly Administration. He has been employed by BAIC Group since October 2003 and has been serving as a supervisor of Foton (stock code: 600166.SH), a company listed on Shanghai Stock Exchange, since May 2007.

Currently, Mr. Yin is also the managing director of China Institute of Internal Audit, a supervisor of Beijing Association of Automobile Manufacturers, head of the auditor committee of the Beijing Evaluation Committee of Senior Professionals and a part-time instructor of master students of accounting of Capital University of Economics and Business.

Mr. Zhu Zhenghua (朱正華), aged 40, holds a master's degree in business administration. **At present, Mr. Zhu is a Supervisor of the Company and** also serves as the deputy general manager of Beijing Industry Investment Management Co., Ltd.

Mr. Zhu has 17 years of experience in technology and management. From November 2004 to May 2006, he was the general manager of Beijing Konte Ehio Electronics Co., Ltd. Since June 2008, he has been serving as the project manager of the administrative department, manager of the investment department and deputy general manager of Beijing Industry Investment Management Co., Ltd. From May 2011 to November 2013, he served as the director of BAIC Investment. Since July 2009, he has been the director of Beijing Hainachuan Investment Co., Ltd.

Ms. Li Chengjun (李承軍), aged 46, holds a bachelor's degree in law and is a senior political officer. At present, **Ms. Li is an employee representative Supervisor and chairman of the labor union of the Company**, and also the vice chairman of the labor union and chairman of the female workers committee of BAIC Group.

Ms. Li has 28 years of working experience. She was the department head of the labor union of the party committee, the head of the public relation division and chairman of the female workers committee of Beijing Hyundai from August 2002 to January 2009. She served in various positions including the vice chairman of the labor union and head of the female workers committee in BAIC Holding from February 2009 to August 2010. Ms. Li is now also vice president of the Beijing Auto Parts Industrial Trade Union.

Directors, Supervisors and Senior Management

Mr. Zhang Guofu (張國富), aged 37, holds a master's degree in engineering majoring in project management and an engineer. **At present, Mr. Zhang is an employee representative Supervisor of the Company** and the secretary to the party committee and chairman of the labor union of the automotive research institute of the Company.

He has 13 years of experience in management. Mr. Zhang served in various positions, including the secretary of the Youth League Committee of BAIC Holding from April 2007 to February 2011. He was the deputy secretary to the party committee and chairman of the labor union of Beijing BAIC Rocar Automobile Services & Trade Co., Ltd. from August 2009 to August 2010，and the deputy secretary of the party committee and person-in-charge of the labor union of Beijing Hainachuan Automotive Parts Co., Ltd. from January 2011 to August 2013.

SENIOR MANAGEMENT

The followings are details of the senior management of the Company:

Mr. Li Feng: please see the part headed "Directors" for details.

Mr. Li Jikai (李繼凱), aged 50, holds a bachelor's, degree in engineering and is a professor-level senior engineer. **At present, Mr. Li is a vice president of the Company** and executive director of Guangzhou Company and Zhuzhou BAIC Automotive Systems Ltd, responsible for the corporate planning, enterprise management, production and manufacturing, engineering facilities, information technology and the operation of Beijing Branch, Zhuzhou Branch, Powertrain Company and Guangzhou Company. He also serves as the vice president of the Society of Automotive Engineers of Beijing.

Mr. Li has 28 years of experience in the machinery and automobile industry. From July 1986 to December 1997, he served as a technician, workshop deputy supervisor, workshop supervisor and deputy head of the second plant of Beinei Group Corporation. From December 1997 to February 2003, Mr. Li was the deputy chief engineer and chief engineer of Beinei Group Corporation. From February 2003 to January 2014, Mr. Li served as the head of the engines plant, deputy secretary of the party committee and deputy general manager, deputy officer of the procurement department and head of the production department of Beijing Hyundai.

Mr. Zhang Hui (張輝), aged 50, holds a bachelor's degree in economics (part-time) and a master's degree in business and economics, and is a policy adviser. **At present, Mr. Zhang is a vice president of the Company**, with responsibility over administrative affairs, Public relations and Communications, Human resources, safety and environmental protection, legal affairs, compliance management and assisting the president on audit work. He is also a director representing the employees, a standing member of the party committee and chairman of the labor union of BAIC Group.

Mr. Zhang has 33 years of experience in the automobile industry. He has held various positions from March 1995 of August 2013, including the secretary of league committee of BAIC Holding, manager of the economic operation department, office director and assistant to general manager, vice secretary of the party committee of the passenger vehicle department and chairman of the labor union of BAIC Holding, a standing member of the party committee of the group, chairman of the labor union and director representing the employees of BAIC Group and chairman of the labor union and supervisor representing the employees of the Company.

Mr. Chen Hongliang (陳宏良), aged 49, holds a master's degree in engineering and is a researcher-level senior engineer. **At present, Mr. Chen is a vice president and a member of the party committee of the Company**. He is also the senior executive vice-president and the secretary of the party committee of Beijing Benz, responsible for the human resource management, factory management, company affairs and legal work of Beijing Benz.

Mr. Chen has 26 years of experience in the automobile industry. He has held various positions from January 1996 to September 2008, including the deputy director of the chassis plant (mainly responsible for the technical quality system), head of the purchasing department, director of the assembly plant and deputy general manager of NAVECO Ltd. He was the vice secretary of the party committee of NAVECO Ltd. from September 2008 to February 2009, and the deputy general manager of passenger vehicle department of BAIC Holdings, and vice president of the head office of operation and production, chief project director, general manager and secretary of the party committee of Zhuzhou branch and head of the management committee of our Beijing Branch from February 2009 to January, 2014.

Mr. Zhou Yanming (周焰明), aged 57, holds a master's degree in engineering, master of business administration and a senior engineer. **At present, Mr. Zhou is a vice president of the Company**, responsible for the planning and development, capital management and investment management, and he is also the general manager of BAIC Investment and a part-time professor of Hunan University.

Mr. Zhou has 33 years of experience in the automobile industry. He has served in various positions from January 1982 to May 1998, including as senior economist and factory director of Changsha Auto-electric Factory. He was an assistant to the general manager of China Automotive Industry Corporation from May 1998 to January 2003 and the deputy general manager and standing deputy general manager of BAIC Investment from January 2003 to October 2008. Since October 2008, Mr. Zhou has been the general manager of BAIC Investment.

Mr. Jiang Xiaodong (姜小棟), aged 45, holds a master's degree in business administration and a senior accountant. **At present, Mr. Jiang is a vice president of the Company and a member of the party committee** (with responsibility over finance management and accounting). He is also the chief financial officer of BAIC Investment and Beijing Hainachuan Investment Co., Ltd., supervisor of Zhuzhou Beiqi Automotive Systems Technology Co., Ltd. and director of Beijing Hyundai Auto Finance Co., Ltd. Mr. Jiang is also a guest professor at Central University of Finance and Economics.

Mr. Jiang has 23 years of experience in financing. From July 1999 to May 2008, he has served various positions, including as the manager of the finance department of China Drawn work Hainan Import and Export Company and the head of the financial department of BAIC Investment. He was the deputy head of the financial and economic department of Beijing Hyundai from May 2008 to December 2010. From March 2011 to December 2013, he has held various positions in the Company, including the head of the cash operation department, head of the financial management department, head of the financial and economic department and chief financial and operating officer.

Mr. Wang Zhang (王璋), aged 52, holds a master's degree in Engineering, and a senior engineer (professor level). Mr. Wang was appointed as **a vice president of the Company** on March 22, 2015.

Mr. Wang has 27 years of experience in the automobile industry. Since 1988, he has served as director, deputy director and chief of the Institute of Auto Accessories of BAIC Motor, deputy chief engineer, chief engineer, deputy general manager of Beijing Automobile and Motorcycle United company, deputy general manager of China Automobile Group of China National Bluestar (Group) Corporation, party secretary, vice president and chief engineer of Beijing Automobile Works Co., Ltd., director of industrial layout office of BAIC Group, party secretary and general manager of Guangzhou Company, and deputy general manager and head of production department of Beijing Hyundai.

Mr. Yun Tae Hwa (尹泰和), aged 51, South Korean, holds a bachelor's degree in engineering. **At present, Mr. Yun is a vice president of the Company** and the head of the production and technology center, with responsibility over production and technology management.

Mr. Yun has 28 years of experience in the automobile industry. He served as the head of the production and technology department at the KIA MOTECH Corporation from October 1986 to October 1997, as vice president and dean of the engineering department of Great Wall Motor Company Limited from October 2007 to February 2009, and as a director of DPECO CO., LTD. in Korea from February 2010 to May 2012.

Mr. Zhang Huaxie (張華燮), aged 59, South Korean, holds a bachelor's degree in engineering; was appointed as **a vice president of the Company** on March 22, 2015.

Mr. Zhang has 31 years of experience in the automobile industry. Since 1984, has served as a member of the component supplier guidance department of Beijing Hyundai, parts inspection agent of Bromont Canada, legal representative and plant manager (deputy manager) of China Wuhan Wantong Joint Venture Company, director of quality management of Beijing Hyundai, director of quality (executive) of Hyundai Motor, and quality director (specialist) of Hyundai Rotem.

Mr. Chen Bao (陳寶), aged 53, holds a bachelor's degree in philosophy and LLB (German). **At present, Mr. Chen is a vice president of the Company**, and mainly responsible for procurement for the Company.

Mr. Chen has 17 years of experience in the automobile industry. He worked as the project manager of localization, manager of the power train department, and senior manager of the non-metallic parts department for Beijing's representative office for Volkswagen and Volkswagen (China) Investment Co., Ltd. from April 1998 to March 2009. Mr. Chen, also worked and was trained at the procurement department of the head office of Volkswagen Group in Germany from October 2004 to September 2005, and served as the manager of the non-metallic division of the merchandising department of Faw-Volkswagen Automotive Co., Ltd. from January 2008 to October 2008, and the executive vice president of Beijing Benz from March 2009 to February 2013, mainly responsible for the procurement business.

Mr. Liang Guofeng (梁國鋒), aged 43, holds a master's degree in engineering and master of business administration, and is a certified engineer. **At present, Mr. Liang is a vice president of the Company**, responsible for sales and marketing. He is also the executive director of BAIC Sales as well as the secretary of the party committee and the executive director of Zhuzhou (BAIC) Motor Sales Limited Company.

Mr. Liang has 18 years of experience in automobile industry. From April 1997 to March 2006, he served on various positions, such as the senior manager of market research and medium-and- long-term planning of Volkswagen Shanghai Co., Ltd. From April 2006 to January 2011, he was the standing deputy general manager of Chery Automobile Co., Ltd. in Anhui.

Directors, Supervisors and Senior Management

Mr. Liu Zhifeng (劉智豐), aged 42, holds a master's degree in economics and master of business administration and is an intermediate economist. **At present, Mr. Liu is a vice president of the Company**. He is also the standing deputy general manager of Beijing Hyundai with responsibility over its operation management.

Mr. Liu has 21 years of experience in the automobile industry. He served as the head of the sales planning division, sales manager of the sales service department and deputy general manager of the sales and marketing department of Beijing Jeep Corporation (now known as Beijing Benz) from July 1993 to March 2006. He was the general manager of the sales and marketing department of Beijing Benz-Daimler Chrysler Automotive Co., Ltd. (now known as Beijing Benz) from April 2006 to December 2007, and the head of the sales and management department and the deputy head of the sales department of Beijing Hyundai from January 2008 to June 2013. He has been the standing deputy general manager of Beijing Hyundai since July 2013.

Mr. Wu Robin Xuebin (鄔學斌), aged 49, American, holds a master's degree in mechanical engineering. **At present, Mr. Wu is the vice president of the Company** (with responsibility over product design and research and development), the head of the automotive research institute of the Company and deputy chief engineer of BAIC Group. He has held various positions including the executive vice president of Beijing Automobile Engineering Association and chief expert of the expert committee of Beijing New Energy Automobile Industry Alliance.

Mr. Wu has 20 years of experience in the automobile industry. He served as the senior engineer of Ford Motor Company in the United States of America from June 2000 to April 2003, the head of automobile model development department of automobile engineering research institute of Chery Automobile (Shanghai) Co., Ltd. from April 2003 to November 2003, and the chief designer and deputy general manager of Foton (stock code: 600166.SH) from December 2003 to March 2013.

Mr. Gu Lei (顧鐳), aged 55, American, PhD in mechanical engineering and modern mechanics. He was appointed **as a vice president of the Company** on March 22, 2015.

Mr. Gu has 22 years of experience in the automotive industry. Since 1993, he has served as senior engineer, automotive safety products development of KBS2 Inc. in Chicago, senior engineer and technical expert of Advanced Engineering Center of Ford Motor Company, assistant to general manager of Chery Automobile Co., Ltd. and dean of Chery Automotive Engineering Research Institute, president of Beijing Automotive Technology Center, and chief engineer and commodity center director of the Company.

Mr. Yan Xiaolei (閆小雷), aged 39, holds a doctoral degree in management, majoring in accounting, a Certified Public Accountant and senior economist. **At present, Mr. Yan is the secretary to the Board of the Company and the company secretary of the Company**, responsible for the daily business management, information disclosure and investor relationship management. Mr. Yan also serves as a tutor for the Master of Professional Accounting at the Research Institute for Fiscal Science, Ministry of Finance, PRC.

Mr. Yan has 15 years of experience in finance and corporate management. He served as the general manager of the capital operation department of Beijing Sound Environment Group Co., Ltd., as chief financial officer and secretary to the board of directors of Beijing Sound Environmental Engineering Stock Co., Ltd., and as executive director and deputy general manager of Sound Global Ltd. (stock code: 00967.HK). He has also served as the secretary to the Board of Directors since September 2010.

Human Resources

PERSONNEL STRUCTURE

As of December 31, 2014, the Group has 22,015 full-time employees and the number of employees of different functions is set out in the table below:

	Beijing Brand	Beijing Benz	Subtotal
Production workers	6,864	8,321	**15,185**
Technical staff	3,083	1,032	**4,115**
Human resources & Administration	241	104	**345**
Finance and audit	172	66	**238**
Sales and marketing personnel	723	26	**749**
Service personnel	4	54	**58**
Others	814	511	**1,325**
Total	**11,901**	**10,114**	**22,015**

EMPLOYEE MOTIVATION

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

EMPLOYEE TRAINING

The Group attaches great importance to building corporate culture, works hard to improve the quality of employees and actively conducts a full range of training for employees at different levels. During the Reporting Period, we have, in accordance with the company strategy and key undertakings of the year and with the support of the Company's training system, started with developing systems, training courses, trainer qualification and training management. On that basis, we have initiated and arranged corporate training programs and vigorously conducted training for different departments and subordinate companies. As of December 31, 2014, the Group has provided trainings for totally 213,200 employees, with the overall training hours reaching 1.9999 million hours and total training expenditure amounting to approximately RMB34 million.

EMPLOYEES' REMUNERATION

Integrating human resources strategy with job classification and with reference to the remuneration level of relevant enterprises in Beijing and in the industry, the Group has established a performance and competence based remuneration system, to ensure competitiveness in recruiting, retaining and motivating talents, as well as pursuit of the Company's human resources strategy.

PENSION SCHEME

In 2014, the Company has three retired individuals who have the right to enjoy the social pension insurance plan granted by the local social security bureau.

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

Independent Auditor's Report

羅兵咸永道

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

We have audited the consolidated financial statements of BAIC Motor Corporation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 62 to 153, which comprise the consolidated and company balance sheets as at December 31, 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 22, 2015

Consolidated Balance Sheet

As at December 31, 2014

		As at December 31,	
	Note	2014 RMB'000	2013 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	7	34,218,190	24,755,041
Land use rights	8	5,347,184	5,472,043
Intangible assets	9	8,251,308	5,539,639
Investments in joint ventures	11	12,675,306	11,841,449
Investments in associates	12	1,391,135	807,990
Available-for-sale financial assets	13	4,000	4,000
Deferred income tax assets	14	2,676,059	2,707,657
Other long-term assets		976,823	504,823
		65,540,005	51,632,642
Current assets			
Inventories	15	11,068,159	7,479,282
Accounts receivable	16	6,422,290	6,003,835
Advances to suppliers	17	1,029,695	232,618
Other receivables and prepayments	18	2,831,500	2,706,079
Restricted cash	19	1,043,710	546,901
Term deposits with initial term of over three months		–	4,500
Cash and cash equivalents	20	21,923,296	16,789,889
		44,318,650	33,763,104
Total assets		109,858,655	85,395,746

Consolidated Balance Sheet (Continued)

As at December 31, 2014

	Note	As at December 31, 2014 RMB'000	2013 RMB'000 (Restated)
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	21	7,508,018	6,381,818
Other reserves	22	16,677,213	11,636,899
Retained earnings		9,169,736	5,673,114
		33,354,967	23,691,831
Non-controlling interests		8,613,649	7,361,645
Total equity		41,968,616	31,053,476
LIABILITIES			
Non-current liabilities			
Borrowings	23	13,935,190	15,122,470
Deferred income tax liabilities	14	887,471	946,392
Provisions	24	894,901	694,331
Deferred income from government grants	25	672,609	659,315
		16,390,171	17,422,508
Current liabilities			
Accounts payable	26	14,977,797	11,111,747
Advances from customers		2,591,312	1,439,568
Other payables and accruals	27	17,115,051	15,680,559
Current income tax liabilities		38,787	520,067
Borrowings	23	15,983,058	7,833,408
Provisions	24	793,863	334,413
		51,499,868	36,919,762
Total liabilities		67,890,039	54,342,270
Total equity and liabilities		109,858,655	85,395,746
Net current liabilities		(7,181,218)	(3,156,658)
Total assets less current liabilities		58,358,787	48,475,984

The notes on pages 71 to 153 are an integral part of these consolidated financial statements.

The financial statements on pages 62 to 153 were approved by the Board of Directors on March 22, 2015 and were signed on its behalf.

Xu Heyi, Director

Li Feng, Director

Balance Sheet of the Company

As at December 31, 2014

		As at December 31,	
	Note	2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	7,018,707	6,751,953
Land use rights	8	966,503	987,255
Intangible assets	9	5,010,089	2,688,716
Investments in subsidiaries	10	18,193,302	15,823,751
Investments in joint ventures	11	65,389	50,000
Investments in associates	12	136,250	89,000
Available-for-sale financial assets	13	4,000	4,000
Other long-term assets		322,431	252,165
		31,716,671	26,646,840
Current assets			
Inventories	15	828,661	448,865
Accounts receivable	16	3,963,958	2,633,639
Advances to suppliers	17	913,782	168,399
Other receivables and prepayments	18	8,112,909	6,040,794
Restricted cash	19	471,780	546,901
Term deposits with initial term of over three months		–	4,500
Cash and cash equivalents	20	10,478,476	5,344,014
		24,769,566	15,187,112
Total assets		56,486,237	41,833,952

Balance Sheet of the Company (Continued)

As at December 31, 2014

	Note	As at December 31, 2014 RMB'000	2013 RMB'000
EQUITY			
Capital and reserves attributable to equity holders			
Share capital	21	7,508,018	6,381,818
Other reserves	22	20,839,808	13,838,419
Retained earnings	22	2,523,791	191,540
Total equity		30,871,617	20,411,777
LIABILITIES			
Non-current liabilities			
Borrowings	23	8,355,193	10,340,758
Deferred income tax liabilities	14	34,289	37,112
Deferred income from government grants	25	71,476	88,000
		8,460,958	10,465,870
Current liabilities			
Accounts payable	26	3,557,870	3,769,995
Advances from customers		18,064	571
Other payables and accruals	27	2,909,639	3,141,940
Borrowings	23	10,668,089	4,043,799
		17,153,662	10,956,305
Total liabilities		25,614,620	21,422,175
Total equity and liabilities		56,486,237	41,833,952
Net current assets		7,615,904	4,230,807
Total assets less current liabilities		39,332,575	30,877,647

The notes on pages 71 to 153 are an integral part of these financial statements.

The financial statements on pages 62 to 153 were approved by the Board of Directors on March 22, 2015 and were signed on its behalf.

Xu Heyi, Director

Li Feng, Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2014

	Note	For the year ended December 31, 2014 RMB'000	2013 RMB'000 (Restated)
Revenue	6	56,370,306	12,781,868
Cost of sales	29	(47,386,825)	(12,366,687)
Gross profit		8,983,481	415,181
Selling and distribution expenses	29	(5,646,798)	(2,203,297)
General and administrative expenses	29	(3,455,016)	(1,316,241)
Other gains, net	28	1,540,131	620,479
Operating profit/(loss)		1,421,798	(2,483,878)
Finance income	31	300,364	115,577
Finance costs	31	(833,460)	(589,342)
Finance costs, net		(533,096)	(473,765)
Share of profits of joint ventures		5,712,001	5,986,518
Share of profits of associates		97,136	35,749
Profit before income tax		6,697,839	3,064,624
Income tax expense	32	(856,527)	(113,567)
Profit for the year		5,841,312	2,951,057
Total comprehensive income for the year		5,841,312	2,951,057
Attributable to:			
Equity holders of the Company		4,510,807	2,714,024
Non-controlling interests		1,330,505	237,033
		5,841,312	2,951,057
Earnings per share for profit attributable to equity holders of the Company during the year (RMB)			
Basic and diluted	33	0.70	0.48
Dividends	35	2,278,601	2,273,439

The notes on pages 71 to 153 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2014

	Attributable to equity holders of the Company						
	Share capital RMB'000 (Note 21)	Capital reserve RMB'000 (Note 22(a))	Statutory surplus reserve RMB'000 (Note 22(b))	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2013, as previously reported	5,462,000	4,341,937	876,963	5,116,711	15,797,611	214,655	16,012,266
Effect of business combination under common control (Note 1)	–	605,954	–	(100,186)	505,768	–	505,768
Balance at January 1, 2013, as restated	5,462,000	4,947,891	876,963	5,016,525	16,303,379	214,655	16,518,034
Total comprehensive income for the year	–	–	–	2,714,024	2,714,024	237,033	2,951,057
Transactions with owners							
Issuance of new shares	919,818	5,212,163	–	–	6,131,981	–	6,131,981
Contribution from holding company	–	350,477	–	–	350,477	–	350,477
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	–	–	–	–	–	7,830,868	7,830,868
Others	–	(93)	–	–	(93)	(96)	(189)
	919,818	5,562,547	249,498	(2,057,435)	4,674,428	6,909,957	11,584,385
Balance at December 31, 2013, as restated	6,381,818	10,510,438	1,126,461	5,673,114	23,691,831	7,361,645	31,053,476

Consolidated Statement of Changes in Equity (Continued)

For the year ended December 31, 2014

	Attributable to equity holders of the Company						
	Share capital RMB'000 (Note 21)	Capital reserve RMB'000 (Note 22(a))	Statutory surplus reserve RMB'000 (Note 22(b))	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2014, as restated	6,381,818	10,510,438	1,126,461	5,673,114	23,691,831	7,361,645	31,053,476
Total comprehensive income for the year	–	–	–	4,510,807	4,510,807	1,330,505	5,841,312
Transactions with owners							
Issuance of new shares (Note 21)	1,126,200	6,784,155	–	–	7,910,355	–	7,910,355
Share issuance costs (Note 21)	–	(118,967)	–	–	(118,967)	–	(118,967)
Consideration paid for business combination under common control (Note 1)	–	(2,369,759)	–	–	(2,369,759)	–	(2,369,759)
Contribution from holding company	–	380,000	–	–	380,000	–	380,000
Appropriation to statutory surplus reserve	–	–	336,201	(336,201)	–	–	–
Dividends declared/paid by the Company	–	–	–	(677,984)	(677,984)	–	(677,984)
Dividends to non-controlling interests holder of a subsidiary	–	–	–	–	–	(77,933)	(77,933)
Others	–	28,684	–	–	28,684	(568)	28,116
	1,126,200	4,704,113	336,201	(1,014,185)	5,152,329	(78,501)	5,073,828
Balance at December 31, 2014	7,508,018	15,214,551	1,462,662	9,169,736	33,354,967	8,613,649	41,968,616

The notes on pages 71 to 153 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2014

	Note	For the year ended December 31, 2014 RMB'000	2013 RMB'000 (Restated)
Cash flows from operating activities			
Cash generated from/(used in) operations	36(a)	4,546,367	(1,797,533)
Interest paid		(1,219,919)	(516,725)
Interest received		300,364	115,577
Income tax paid		(1,365,130)	(258,029)
Net cash generated from/(used in) operating activities		2,261,682	(2,456,710)
Cash flows from investing activities			
Acquisition of subsidiaries	1	(2,369,759)	10,176,141
Purchase of property, plant and equipment		(9,054,876)	(5,661,934)
Purchase of land use rights		(260)	(87,342)
Purchase of intangible assets		(2,730,074)	(1,486,459)
Investments in joint ventures		(551,534)	(7,108,987)
Investments in associates		(577,254)	(139,000)
Receipt of government grants for capital expenditures		42,946	266,061
Proceeds from disposals of property, plant and equipment and intangible assets	36(b)	443,327	41,296
Proceeds from disposal of interests in joint ventures		146,939	95,206
Proceeds from disposal of interests in associates		216,922	12,252
Net cash inflow from disposals of interests in subsidiaries	36(c)	–	697,925
Dividends received from joint ventures		4,893,533	3,392,480
Dividends received from associates		91,245	33,349
(Increase)/decrease of restricted cash		(496,809)	2,666,149
Decrease of term deposits with initial term of over three months		4,500	35,500
Net cash (used in)/generated from investing activities		(9,941,154)	2,932,637

Consolidated Statement of Cash Flows (Continued)

For the year ended December 31, 2014

	Note	For the year ended December 31, 2014 RMB'000	2013 RMB'000 (Restated)
Cash flows from financing activities			
Issuance of new shares	21	7,910,355	6,131,981
Proceeds from borrowings		23,172,347	11,305,291
Repayments of borrowings		(15,776,839)	(4,111,757)
Contribution from holding company		380,000	350,477
Repayments to holding company		–	(136,927)
Dividends paid by the Company		(2,273,439)	(212,482)
Dividends to non-controlling interests holders of subsidiaries		(519,231)	(72,802)
Payment of listing expenses		(71,013)	–
Net cash generated from financing activities		12,822,180	13,253,781
Net increase in cash and cash equivalents		5,142,708	13,729,708
Cash and cash equivalents at January 1		16,789,889	3,062,798
Exchange losses on cash and cash equivalents		(9,301)	(2,617)
Cash and cash equivalents at December 31		21,923,296	16,789,889

The notes on pages 71 to 153 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

1 GENERAL INFORMATION

BAIC Motor Corporation Limited (the "Company" or "Beijing Motor"), together with its subsidiaries (collectively referred to as the "Group"), are principally engaged in the manufacturing and sales of passenger vehicles, engines and auto parts in the People's Republic of China (the "PRC").

The address of the Company's registered office is the fifth building, Block 25 Shuntong Road, Shunyi District, Beijing, the PRC.

The Company was incorporated in the PRC on September 20, 2010 as a joint stock company with limited liability under Company Law of the PRC. The immediate parent company of the Company is Beijing Automotive Group Co., Ltd. ("BAIC Group"), which is beneficially owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (the "SASAC Beijing"). The Company's shares have been listed on the Main Board of the Hong Kong Stock Exchange since December 19, 2014 (the "Listing").

On July 24, 2014, the Company acquired from BAIC Group its entire 100% equity interests in BAIC Guangzhou Automotive Co., Ltd ("Guangzhou Company") at a cash consideration of approximately RMB2,369.8 million. The acquisition of Guangzhou Company is a business combination under common control.

These financial statements are presented in thousands of Renminbi Yuan ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on March 22, 2015.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the revaluation of financial instruments at fair value through profit or loss, as appropriate.

These consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

As at December 31, 2014, the current liabilities of the Group exceeded its current asset by approximately RMB7,181 million. Given the debt obligations and working capital requirements, management has thoroughly considered the Group's available sources of the funds as follows:

- the Group's continuous net cash generated from operating and financing activities; and
- undrawn short-term and long-term banking facilities of approximately RMB4,640 million and RMB24,379 million respectively as at December 31, 2014.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgments 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 statements are disclosed in Note 5.

2 BASIS OF PREPARATION (CONTINUED)

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

Corresponding to Note 1, given that the Company and Guangzhou Company are under common control of BAIC Group immediately before and after the business combination, the Company applies the principles of merger accounting in preparing these consolidated financial statements of the Company.

By applying the principles of merger accounting, these consolidated financial statements of the Company also includes the financial positions, results and cash flows of Guangzhou Company as if it had been combined with the Group throughout the year ended December 31, 2014. Comparative figures as at December 31, 2013 and for the year then ended have been restated as a result of such.

The following are reconciliations of the effects arising from the abovementioned common control combination on the consolidated balance sheet as at December 31, 2013, consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2013.

(i) The consolidated balance sheet as at December 31, 2013:

	Balances as previously reported RMB'000	Merger of Guangzhou Company RMB'000	Adjustments RMB'000	Balances as restated RMB'000
Share capital	6,381,818	980,000	(980,000)	6,381,818
Other reserves	10,680,468	596	955,835	11,636,899
Retained earnings/(accumulated losses)	5,835,656	(164,808)	2,266	5,673,114
Non-controlling interests	7,361,645	–	–	7,361,645
Net assets	30,259,587	815,788	(21,899)	31,053,476

notes:

The above adjustment of RMB21,899,000 to net assets represents the difference between the carrying value and the fair value of the land use right which was injected by BAIC Group to Guangzhou Company upon its incorporation.

2 BASIS OF PREPARATION (CONTINUED)

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

(ii) The consolidated statement of comprehensive income for the year ended December 31, 2013:

	Amounts as previously reported RMB'000	Merger of Guangzhou Company RMB'000	Adjustments RMB'000	Amounts as restated RMB'000
Revenues	12,781,868	–	–	12,781,868
Profit/(loss) for the year	3,013,413	(63,111)	755	2,951,057

(iii) The consolidated statement of cash flows for the year ended December 31, 2013:

	Amounts as previously reported RMB'000	Merger of Guangzhou Company RMB'000	Adjustments RMB'000	Amounts as restated RMB'000
Net cash used in operating activities	(2,402,502)	(54,208)	–	(2,456,710)
Net cash generated from/(used in) investing activities	3,637,547	(704,910)	–	2,932,637
Net cash generated from financing activities	12,335,231	918,550	–	13,253,781

(b) New/revised standards, amendments to standards and interpretations

(i) Adoption of new standards and amendments to standards

The Group has adopted the following amendments and interpretation which are mandatory for the financial year beginning on or after January 1, 2014:

IFRS 10, IFRS 12 and IAS 27 (Amendment)	Consolidation for investment entities
IAS 32 (Amendment)	Financial instruments: Presentation on asset and liability offsetting
IAS 36 (Amendment)	Impairment of assets
IAS 39 (Amendment)	Novation of derivatives
IFRIC 21	Levies

The adoption of above amendments and interpretation does not have any significant financial effect on these consolidated financial statements.

2 BASIS OF PREPARATION (CONTINUED)

(b) New/revised standards, amendments to standards and interpretations (Continued)

(ii) Standards and amendments which are not yet effective

The following are new standards and amendments to standards that have been issued but are not yet effective for the financial year beginning after January 1, 2014 and have not been early adopted.

Annual Improvement Project	Annual improvements 2010-2012 Cycle and 2011-2013 Cycle [1]
IAS 19 (Amendment)	Employee benefits [1]
IAS 1 (Amendment)	The disclosure initiative [2]
IAS 16 and IAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation [2]
IAS 16 and IAS 41 (Amendments)	Agriculture: bearer plants [2]
IAS 27 (Amendment)	Separate financial statements regarding the equity method [2]
IAS 28 and IFRS 10 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture [2]
IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception [2]
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operation [2]
IFRS 14	Regulatory deferral accounts [2]
Annual Improvement Project	Annual Improvements 2012-2014 Cycle [2]
IFRS 15	Revenue from Contracts with Customers [3]
IFRS 9	Financial Instruments [4]

(1) Effective for the accounting period beginning on July 1, 2014
(2) Effective for the accounting period beginning on January 1, 2016
(3) Effective for the accounting period beginning on January 1, 2017
(4) Effective for the accounting period beginning on January 1, 2018

The Group will apply the above new standards and amendments to standards when they become effective. The Group is in the process of making an assessment of the impact of the above new standards and amendments to standards.

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company’s first financial year commencing on or after March 3, 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Subsidiaries (Continued)

(b) Separate financial statements

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

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

(c) Disposal of subsidiaries

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

3.2 Joint arrangements

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Associates

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

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

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

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 profits 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.

3.4 Segment reporting

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

3.5 Foreign currency translation

(a) Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 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 other comprehensive income as qualifying cash flow hedges.

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

3.6 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	5-10 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 3.9).

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 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.

3.8 Intangible assets

(a) Intellectual rights

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

(b) Computer software

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

(c) Research and development costs

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Intangible assets (Continued)

(c) Research and development costs (Continued)

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.

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

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

3.9 Impairment of non-financial assets

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial assets

(a) Classification

The Group classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 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, if any such evidence exists 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 recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value 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 recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

For equity investments, 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 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 recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 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.

3.12 Inventories

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

3.13 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.

3.14 Cash and cash equivalents

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Share capital

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

3.16 Accounts payable

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

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

3.17 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.

3.18 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.

3.19 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Current and deferred income tax (Continued)

(b) Deferred income tax

(i) Inside basis differences

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

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

(ii) Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate’s undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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

3.20 Employee benefits

(a) Pension obligations

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Employee benefits (Continued)

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

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

3.21 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.

3.22 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.

(c) Dividend income

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Interest income

Interest income is recognised 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.

3.24 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.

3.25 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.

3.26 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 statements 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.

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 statements of the Group.

3.27 Dividend distribution

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

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

The Group has international purchase transactions and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the 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.

As at each year 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 would have increased mainly as a result of foreign exchange differences on translation of US$/HK$/Euro denominated assets and liabilities:

	Equity RMB'000	Post-tax profit RMB'000
As at and for the year ended December 31, 2014		
US$	(570,561)	(570,561)
HK$	(141,108)	(141,108)
Euro	678,545	678,545
As at and for the year ended December 31, 2013		
US$	127,913	127,913
HK$	15,982	15,982
Euro	574,405	574,405

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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(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, 2014, the total notional principal amount of outstanding interest rate swap contracts was approximately RMB1,422,269,000 (December 31, 2013: RMB1,414,336,000). These derivative instruments were stated at fair value and amounted to RMB6,042,000 as at December 31, 2014 (December 31, 2013: RMB11,493,000).

As at December 31, 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 the year ended December 31, 2014 would have been approximately RMB59,140,000 (2013: RMB51,704,000 as restated) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

As at December 31, 2014, 89% (December 31, 2013: 65% as restated) 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 statements.

(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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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, 2014, the Group has net current liabilities of approximately RMB7,181 million (December 31, 2013: RMB3,157 million as restated). Management regularly monitors the Group's current and expected liquidity requirements to ensure that it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed banking facilities to meet its capital commitments and working capital requirements. The amount of undrawn credit facilities at the balance sheet dates are disclosed in Note 23 to these financial statements.

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 RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000
Group				
At December 31, 2014				
Borrowings	17,125,168	4,818,938	9,313,278	1,094,748
Accounts payable	14,977,797	–	–	–
Other payables and accruals	15,740,989	–	–	–
At December 31, 2013 (restated)				
Borrowings	8,653,911	6,996,231	9,410,252	198,436
Accounts payable	11,111,747	–	–	–
Other payables and accruals	14,696,719	–	–	–

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000
Company				
At December 31, 2014				
Borrowings	11,472,269	3,899,653	4,133,602	1,094,748
Accounts payable	3,557,870	–	–	–
Other payables and accruals	2,727,845	–	–	–
Financial guarantee contracts (Note 38(c))	1,538,781	–	24,060	–
At December 31, 2013				
Borrowings	4,657,202	5,201,402	6,179,284	–
Accounts payable	3,769,995	–	–	–
Other payables and accruals	2,915,216	–	–	–
Financial guarantee contracts (Note 38(c))	72,049	1,429,446	25,810	–

4.2 Capital management

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

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, 2014 RMB'000	2013 RMB'000 (Restated)
Total borrowings (Note 23)	29,918,248	22,955,878
Less: cash and cash equivalents (Note 20)	(21,923,296)	(16,789,889)
Net debt	7,994,952	6,165,989
Total equity	41,968,616	31,053,476
Total capital	49,963,568	37,219,465
Gearing ratio	16%	17%

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 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).

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Liabilities				
Financial liabilities at fair value through profit or loss				
– Interest rate swap contracts				
At December 31, 2014	–	6,042	–	6,042
At December 31, 2013	–	11,493	–	11,493

5 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 3.8(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.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(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.

(c) Provisions

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

The Group recognizes expected warranty costs for products sold principally at the time of sale of the product 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.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(e) Income taxes (Continued)

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.

6 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.

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 Automotive Co., Ltd. ("Beijing Benz"): manufacturing and sales of passenger vehicles of Beijing Benz, and providing other related services

6 SEGMENT INFORMATION (CONTINUED)

Management defines segment results based on gross profit. Information about reportable segments and reconciliations of reportable segment results are as follows:

	Passenger vehicles – Beijing Motor RMB'000	Passenger vehicles – Beijing Benz RMB'000	Total RMB'000
For the year ended December 31, 2014			
Total revenue	12,487,017	43,936,615	56,423,632
Inter-segment revenue	(53,326)	–	(53,326)
Revenue from external customers	12,433,691	43,936,615	56,370,306
Segment gross (loss)/profit	(68,920)	9,052,401	8,983,481
Other profit & loss disclosure:			
Depreciation and amortization	(920,593)	(1,443,237)	(2,363,830)
Provisions for impairments on receivables, inventories and property, plant and equipment	(216,131)	(147,735)	(363,866)
Finance (costs)/income, net	(560,442)	27,346	(533,096)
Income tax credit/(expense)	18,848	(875,375)	(856,527)
For the year ended December 31, 2013 (restated)			
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	(610,151)	(208,143)	(818,294)
Provisions for impairments on receivables, inventories and property, plant and equipment	(224,548)	(9,017)	(233,565)
Finance (costs)/income, net	(478,141)	4,376	(473,765)
Income tax expense	(26,828)	(86,739)	(113,567)

6 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 for each of the years ended December 31, 2014 and 2013 are as follows:

	For the year ended December 31,	
	2014 RMB'000	2013 RMB'000 (Restated)
Segment gross profit	8,983,481	415,181
Selling and distribution expenses, general and administrative expenses and finance costs, net	(9,634,910)	(3,993,303)
Other gains, net	1,540,131	620,479
Share of profits of joint ventures and associates, net	5,809,137	6,022,267
Profit before income tax	6,697,839	3,064,624
Income tax expense	(856,527)	(113,567)
Profit for the year	5,841,312	2,951,057

There is no customer amounting to 10 percent or more of the Group's revenue for each of the years ended December 31, 2014 and 2013.

The Group is domiciled in PRC. The percentage of its revenue from external customers residing in the PRC is approximately 100% for the year ended December 31, 2014 (2013: 100%). The Group's long-lived assets are primarily located in Mainland China and Hong Kong.

6 SEGMENT INFORMATION (CONTINUED)

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

	Passenger vehicles – Beijing Motor RMB'000	Passenger vehicles – Beijing Benz RMB'000	Total RMB'000
At December 31, 2014			
Total assets	59,909,305	49,949,350	109,858,655
Including:			
Investment in joint ventures	12,675,306	–	12,675,306
Investment in associates	1,391,135	–	1,391,135
Total liabilities	(35,739,157)	(32,150,882)	(67,890,039)
At December 31, 2013 (restated)			
Total assets	44,611,810	40,783,936	85,395,746
Including:			
Investment in joint ventures	11,841,449	–	11,841,449
Investment in associates	807,990	–	807,990
Total liabilities	(28,884,700)	(25,457,570)	(54,342,270)

The total of non-current assets other than financial instruments and deferred tax assets of Beijing Motor and Beijing Benz of December 31, 2014 is RMB20,713,797,000 and RMB27,102,885,000 respectively (December 31, 2013: RMB16,744,628,000 as restated and RMB19,022,095,000 respectively).

7 PROPERTY, PLANT AND EQUIPMENT

	Group						
	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, 2014	6,613,388	6,623,525	252,046	1,169,962	696,277	9,399,843	24,755,041
Additions	3,085	11,430	32,610	38,954	3,147	11,366,904	11,456,130
Transfers upon completion	1,892,641	3,087,817	123,515	471,084	1,289,582	(6,864,639)	–
Disposals	(10)	(31,671)	(2,601)	(3,035)	(6,467)	–	(43,784)
Depreciation	(323,572)	(847,836)	(66,823)	(256,830)	(360,796)	–	(1,855,857)
Impairment	–	(23,539)	(6,413)	(28,835)	(34,553)	–	(93,340)
Net book amount at December 31, 2014	8,185,532	8,819,726	332,334	1,391,300	1,587,190	13,902,108	34,218,190
At December 31, 2014							
Cost	8,633,491	10,191,363	420,823	1,731,401	2,072,527	13,902,108	36,951,713
Accumulated depreciation and impairment	(447,959)	(1,371,637)	(88,489)	(340,101)	(485,337)	–	(2,733,523)
Net book amount	8,185,532	8,819,726	332,334	1,391,300	1,587,190	13,902,108	34,218,190

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group						
	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 (restated)	707,821	643,525	74,252	59,089	90,898	5,882,454	7,458,039
Acquisition of a subsidiary	3,093,127	2,515,105	182,228	992,880	340,653	5,106,508	12,230,501
Additions	85,858	33,287	21,798	39,665	78,845	5,773,986	6,033,439
Transfers upon completion	2,956,400	3,797,174	17,027	134,527	269,341	(7,174,469)	–
Disposals	(703)	(12,041)	(14,713)	(10,112)	(1,921)	(169,943)	(209,433)
Disposal of a subsidiary	(128,856)	(20,320)	(10,962)	(4,235)	–	(18,693)	(183,066)
Depreciation	(100,259)	(331,110)	(17,584)	(41,852)	(81,539)	–	(572,344)
Impairment	–	(2,095)	–	–	–	–	(2,095)
Net book amount at December 31, 2013 (restated)	6,613,388	6,623,525	252,046	1,169,962	696,277	9,399,843	24,755,041
At December 31, 2013 (restated)							
Cost	6,739,801	7,128,879	267,989	1,225,251	785,054	9,399,843	25,546,817
Accumulated depreciation and impairment	(126,413)	(505,354)	(15,943)	(55,289)	(88,777)	–	(791,776)
Net book amount	6,613,388	6,623,525	252,046	1,169,962	696,277	9,399,843	24,755,041

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Company Furniture and office equipment RMB'000	Mouldings RMB'000	Construction in progress RMB'000	Total RMB'000
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	340	11,362	16,367	17,852	–	682,077	727,998
Transfers upon completion	225	180,812	2,259	23,248	167,684	(374,228)	–
Disposals	(10)	(25,758)	(2,055)	(945)	(3,275)	–	(32,043)
Depreciation	(92,989)	(267,083)	(5,863)	(21,682)	(41,584)	–	(429,201)
Net book amount at December 31, 2014	2,677,617	2,394,238	62,994	87,651	485,020	1,311,187	7,018,707
At December 31, 2014							
Cost	2,871,389	2,921,094	75,430	138,812	567,000	1,311,187	7,884,912
Accumulated depreciation	(193,772)	(526,856)	(12,436)	(51,161)	(81,980)	–	(866,205)
Net book amount	2,677,617	2,394,238	62,994	87,651	485,020	1,311,187	7,018,707
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	–	(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	2,770,051	2,494,905	52,286	69,178	362,195	1,003,338	6,751,953
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	2,770,051	2,494,905	52,286	69,178	362,195	1,003,338	6,751,953

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

notes:

(a) There is no property, plant and equipment pledged as collateral under borrowing agreements at December 31, 2014 and 2013.

(b) The Group has capitalized borrowing costs amounting to RMB329,120,000 on qualifying assets of property, plant and equipment for the year ended December 31, 2014 (2013: RMB182,428,000 as restated). Borrowing costs were capitalized at the weighted average of its borrowing rate of 6.13% during the year (2013: 6.29% as restated).

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

	For the year ended December 31,	
	2014 RMB'000	2013 RMB'000 (Restated)
Cost of sales	1,603,469	409,138
Selling and distribution expenses	10,088	1,824
General and administrative expenses	228,149	144,874
	1,841,706	555,836
Transfer to intangible assets – development costs	14,151	16,508
	1,855,857	572,344

(d) As at December 31, 2014, the Group has not obtained the formal ownership certificates for certain buildings with carrying values of approximately RMB1,242,692,000. In the opinion of the directors, the absence of formal title to these buildings does not impair their values to the Group as the probability of the Group being evicted on the ground of absence of formal title is remote.

8 LAND USE RIGHTS

	Group For the year ended December 31,	
	2014 RMB'000	2013 RMB'000 (Restated)
Cost		
At January 1	5,569,487	1,485,722
Additions	260	87,342
Acquisition of a subsidiary	–	4,012,023
Disposal of a subsidiary	–	(15,600)
At December 31	5,569,747	5,569,487
Accumulated amortization		
At January 1	(97,444)	(52,668)
Amortization	(125,119)	(45,078)
Disposal of a subsidiary	–	302
At December 31	(222,563)	(97,444)
Net book amount		
At December 31	5,347,184	5,472,043

8 LAND USE RIGHTS (CONTINUED)

	Company For the year ended December 31, 2014 RMB'000	 2013 RMB'000
Cost		
At January 1 and December 31	1,036,274	1,036,274
Accumulated amortization		
At January 1,	(49,019)	(28,267)
Amortization	(20,752)	(20,752)
At December 31,	(69,771)	(49,019)
Net book amount		
At December 31,	966,503	987,255

notes:

(a) The Group's and Company's land use rights are held under leases for periods of 31.5 to 50 years and 50 years respectively.

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

	For the year ended December 31, 2014 RMB'000	 2013 RMB'000 (Restated)
Cost of sales	–	312
General and administrative expenses	125,119	44,766
	125,119	45,078

(c) As at December 31, 2014, the Group has not obtained the formal land use rights for certain land use rights with carrying values of approximately RMB2,059,000. 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.

9 INTANGIBLE ASSETS

	Group			
	Development costs (note(a)) RMB'000	Computer software RMB'000	Goodwill (note (b)) RMB'000	Total RMB'000
Net book amount at January 1, 2014	4,667,243	64,891	807,505	5,539,639
Additions	2,846,681	274,104	–	3,120,785
Disposals	–	(5,163)	–	(5,163)
Amortization	(341,364)	(62,589)	–	(403,953)
Net book amount at December 31, 2014	7,172,560	271,243	807,505	8,251,308
At December 31, 2014				
Cost	7,776,607	343,638	807,505	8,927,750
Accumulated amortization	(604,047)	(72,395)	–	(676,442)
Net book amount	7,172,560	271,243	807,505	8,251,308
Net book amount at January 1, 2013 (restated)	3,785,566	30,547	–	3,816,113
Acquisition of a subsidiary	–	16,203	807,505	823,708
Additions	1,467,128	35,841	–	1,502,969
Disposals	(238,484)	(5,840)	–	(244,324)
Disposal of a subsidiary	(139,337)	(2,110)	–	(141,447)
Amortization	(207,630)	(9,750)	–	(217,380)
Net book amount at December 31, 2013 (restated)	4,667,243	64,891	807,505	5,539,639
At December 31, 2013 (restated)				
Cost	4,929,926	78,532	807,505	5,815,963
Accumulated amortization	(262,683)	(13,641)	–	(276,324)
Net book amount	4,667,243	64,891	807,505	5,539,639

9 INTANGIBLE ASSETS (CONTINUED)

	Company		
	Development costs RMB'000	Computer software RMB'000	Total RMB'000
Net book amount at January 1, 2014	2,652,820	35,896	2,688,716
Additions	2,524,834	37,893	2,562,727
Disposal	–	(5,163)	(5,163)
Amortization	(224,454)	(11,737)	(236,191)
Net book amount at December 31,2014	4,953,200	56,889	5,010,089
At December 31,2014			
Cost	5,383,046	76,509	5,459,555
Accumulated amortization	(429,846)	(19,620)	(449,466)
Net book amount	4,953,200	56,889	5,010,089
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	(255,394)	(5,840)	(261,234)
Amortization	(144,071)	(7,222)	(151,293)
Net book amount at December 31, 2013	2,652,820	35,896	2,688,716
At December 31,2013			
Cost	2,858,213	47,613	2,905,826
Accumulated amortization	(205,393)	(11,717)	(217,110)
Net book amount	2,652,820	35,896	2,688,716

9 INTANGIBLE ASSETS (CONTINUED)

notes:

(a) Capitalised development costs not yet available for use are tested annually based on the recoverable amount of the CGU to which the intangible asset is related. The recoverable amount of the CGU was determined based upon value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates of 3%.

Other key assumptions used for value-in-use calculations in 2014 include a 13.4% (2013:13.5%) discount rate applied to the cash flow projections.

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 goodwill acquired in the acquisition of Beijing Benz in 2013 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 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 of 3%.

Other key assumptions used for value-in-use calculations in 2014 include a 14.2% (2013:12.1%) discount rate applied to the cash flow projections.

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.

(c) The Group has capitalized borrowing costs amounting to RMB177,314,000 on qualifying intangible assets for the year ended December 31, 2014 (2013: RMB122,337,000). Borrowing costs were capitalized at the weighted average of its borrowing rate of 4.99 % during the year (2013: 5.07% as restated).

(d) Amortization on intangible assets of the Group is analysed as follows:

	For the year ended December 31,	
	2014 RMB'000	2013 RMB'000 (Restated)
Cost of sales	355,364	204,051
General and administrative expenses	41,641	13,329
	397,005	217,380
Transfer from computer software to development cost	6,948	–
	403,953	217,380

10 INVESTMENTS IN SUBSIDIARIES

	As at December 31, 2014 RMB'000	As at December 31, 2013 RMB'000
Unlisted investments, at cost	18,193,302	15,823,751

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 are 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, 2014 RMB'000	As at December 31, 2013 RMB'000
Non-current assets	29,761,885	21,926,839
Current assets	20,187,465	18,857,097
Total assets	49,949,350	40,783,936
Non-current liabilities	4,446,846	2,658,772
Current liabilities	27,704,036	22,798,798
Total liabilities	32,150,882	25,457,570
Net assets	17,798,468	15,326,366
Non-controlling interests	8,325,572	7,114,242

10 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

notes: (Continued)

(a) Material non-controlling interests (Continued)

(ii) Summarized statement of comprehensive income*

	For the year ended December 31, 2014 RMB'000	For the period from November 18, to December 31, 2013 RMB'000
Revenue	43,936,615	5,934,369
Net profit and total comprehensive income	2,473,258	248,462
Profit attributable to non-controlling interests	1,211,896	121,746
Dividends declared to non-controlling interests	–	838,276

(iii) Summarized statement of cash flows*

	For the year ended December 31, 2014 RMB'000	For the period from November 18, to December 31, 2013 RMB'000
Net cash flows generated from operating activities	6,586,939	1,516,409
Net cash flows used in investing activities	(6,963,702)	(2,410,059)
Net cash flows generated from financing activities	1,179,347	816,302
Net increase/(decrease) in cash and cash equivalents	802,584	(77,348)

* The Group obtained control in Beijing Benz on November 18, 2013 and since then Beijing Benz became a subsidiary of the Company.

11 INVESTMENTS IN JOINT VENTURES

	Group	
	2014 RMB'000	2013 RMB'000
At January 1	11,841,449	9,768,588
New investments (note (a))	15,389	6,775,247
Additional investments (note (b))	–	1,289,024
Share of profits for the year:		
– Profit before income tax	7,616,003	7,995,615
– Income tax expense	(1,904,002)	(2,009,097)
	5,712,001	5,986,518
Dividends received	(4,893,533)	(3,392,480)
Transfer to a subsidiary (note (c))	–	(8,585,448)
At December 31	12,675,306	11,841,449

	Company	
	2014 RMB'000	2013 RMB'000
At January 1	50,000	–
New investments (note (a))	15,389	6,775,247
Additional investments (note (b))	–	1,289,024
Transfer to a subsidiary (note (c))	–	(8,014,271)
At December 31	65,389	50,000

11 INVESTMENTS IN JOINT VENTURES (CONTINUED)

notes:

(a) The new investments in 2013 mainly includes the investments in Beijing Benz in which the Company acquired from BAIC Group's entire 50% equity interests on January 4, 2013. Upon completion of this acquisition, Beijing Benz became a joint venture of the Company.

In addition, the Company invested in a new joint venture, Beijing Mercedes-Benz Sales Service Co., Ltd. ("Benz Sales Service"), on January 28, 2013 with a total registered capital of RMB100,000,000 and each of 50% was contributed by the Company and Daimler AG. On November 15, 2013, the Company's equity interests in Benz Sales Service reduced to 49% upon additional capital of approximately RMB2,041,000 injected by Daimler AG. Under the new shareholdings, Benz Sales Service remains to be jointly controlled by the Company and Daimler AG.

On May 29, 2014, the Company invested in a new joint venture, Beijing Hyundai Information Technology Co., Ltd., with a total registered capital of USD5,000,000, of which USD2,500,000 was contributed by the Company, USD2,000,000 was contributed by Hyundai Autoever Co. Ltd., and USD500,000 was contributed by Hyundai Motor Group (China) Ltd.

(b) On May 27, 2013, Beijing Benz increased its registered capital by RMB2,578,049,000 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 RMB216,000,000 and thereby obtained control of Beijing Benz which became a subsidiary of the Company since then.

(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 a material joint venture

	Beijing Hyundai Motor Co., Ltd. ("Beijing Hyundai")	
	2014 RMB'000	2013 RMB'000
Current assets		
Cash and cash equivalents	4,906,707	3,292,880
Other current assets	40,646,026	35,276,319
	45,552,733	38,569,199
Non-current assets	16,058,944	15,177,615
Current liabilities		
Financial liabilities	29,545,938	22,824,485
Other current liabilities	2,966,459	5,186,384
	32,512,397	28,010,869
Non-current liabilities		
Financial liabilities	1,400,000	–
Other non-current liabilities	2,557,805	2,184,522
	3,957,805	2,184,522
Net assets	25,141,475	23,551,423

11 INVESTMENTS IN JOINT VENTURES (CONTINUED)

notes: (Continued)

(d) Summarized financial information for joint ventures (Continued)

(i) Summarized balance sheets of a material joint venture (Continued)

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

	Beijing Hyundai	
	2014 RMB'000	2013 RMB'000
Opening net assets	23,551,423	19,537,176
Profit and total comprehensive income for the year	11,377,119	10,799,207
Dividends paid	(9,787,067)	(6,784,960)
Closing net assets	25,141,475	23,551,423
Group's share in %	50%	50%
Carrying amount	12,570,738	11,775,712

(ii) Summarized statements of comprehensive income of a material joint venture

	Beijing Hyundai	
	2014 RMB'000	2013 RMB'000
Revenue	109,694,826	103,167,309
Depreciation and amortization	(1,733,948)	(1,604,052)
Interest income	170,105	86,617
Interest expenses	(316,751)	(235,891)
Other expenses	(92,607,695)	(86,988,384)
Income tax expenses	(3,829,418)	(3,626,392)
Net profit and total comprehensive income	11,377,119	10,799,207

11 INVESTMENTS IN JOINT VENTURES (CONTINUED)

notes: (Continued)

(d) Summarized financial information for joint ventures (Continued)

(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,	
	2014 RMB'000	2013 RMB'000
Aggregate carrying amount of the net assets of individually immaterial joint ventures	212,747	134,158
Aggregate amounts of the Group's share thereon	104,568	65,737
Aggregate net profit and total comprehensive income	47,811	31,474
Aggregate amounts of the Group's share net profit and total comprehensive income	23,441	15,737

12 INVESTMENTS IN ASSOCIATES

	For the year ended December 31,	
	2014 RMB'000	2013 RMB'000
Group		
At January 1	807,990	688,476
Additional investments	577,254	139,000
Share of profits for the year		
– Profit before income tax	129,520	74,397
– Income tax expense	(32,384)	(38,648)
	97,136	35,749
Dividends received	(91,245)	(33,349)
Disposals	–	(24,603)
Other equity movements	–	2,717
At December 31	1,391,135	807,990
Company		
At January 1	89,000	80,000
Additional investments	47,250	9,000
At December 31	136,250	89,000

12 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.	
	2014 RMB'000	2013 RMB'000
Current assets		
Cash and cash equivalents	35,906	44,130
Other current assets	1,227,373	1,270,741
	1,263,279	1,314,871
Non-current assets	5,796,713	6,013,184
Current liabilities		
Financial liabilities	1,255,426	1,351,413
Other current liabilities	459,992	461,116
	1,715,418	1,812,529
Non-current liabilities		
Other non-current liabilities	5,289,148	5,162,159
Net assets	55,426	353,367

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

	Beijing Shougang Cold-Rolled Sheet Co., Ltd.	
	2014 RMB'000	2013 RMB'000
Opening net assets	353,367	730,586
Loss and total comprehensive loss	(297,941)	(377,219)
Closing net assets	55,426	353,367
Group's share in %	20%	20%
Carrying amount	11,085	70,673

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

notes: (Continued)

(a) Summarized financial information for associates (Continued)

(i) Summarized balance sheets of material associates (Continued)

	BAIC Group Finance Co., Ltd. ("BAG Finance")	
	2014 RMB'000	2013 RMB'000
Current assets		
Cash and cash equivalents	6,574,140	8,817,568
Other current assets	17,057	60,452
	6,591,197	8,878,020
Non-current assets	5,718,373	3,271,278
Current liabilities		
Financial liabilities	10,527,650	11,443,077
Other current liabilities	28,414	25,472
	10,556,064	11,468,549
Non-current liabilities		
Other non-current liabilities	20,725	–
Net assets	1,732,781	680,749

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

	BAG Finance	
	2014 RMB'000	2013 RMB'000
Opening net assets	680,749	551,322
Profit and total comprehensive income	139,791	141,054
Capital injection	1,000,000	–
Dividends paid	(87,759)	(11,627)
Closing net assets	1,732,781	680,749
Group's share in %	20%	20%
Carrying amount	346,556	136,150

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

notes: (Continued)

(a) Summarized financial information for associates (Continued)

(ii) Summarized statements of comprehensive income

	Beijing Shougang Cold-Rolled Sheet Co., Ltd.	
	2014 RMB'000	2013 RMB'000
Revenue	8,169,879	8,785,537
Cost of sales	(7,923,208)	(8,667,057)
Other expenses	(544,612)	(495,699)
Loss and total comprehensive loss	(297,941)	(377,219)

	BAG Finance	
	2014 RMB'000	2013 RMB'000
Revenue	462,013	360,907
Cost of sales	(177,144)	(118,747)
Other expenses	(94,828)	(53,887)
Income tax expense	(50,250)	(47,219)
Net profit and total comprehensive income	139,791	141,054

(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,	
	2014 RMB'000	2013 RMB'000
Aggregate carrying amount of the net assets of individually immaterial associates	3,558,527	2,083,750
Aggregate amounts of the Group's share thereon	1,033,494	601,167
Aggregate net profit and total comprehensive income	432,794	231,329
Aggregate amounts of the Group's share net profit and total comprehensive income	128,766	82,982

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at December 31,	
	2014 RMB'000	2013 RMB'000
Group		
Unlisted investments, at cost	4,000	4,000
Company		
Unlisted investments, at cost	4,000	4,000

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.

14 DEFERRED INCOME TAXES

(a) Group

	As at December 31,	
	2014 RMB'000	2013 RMB'000 (Restated)
Deferred income tax assets:		
– to be recovered after more than 12 months	2,521,527	2,092,026
– to be recovered within 12 months	154,532	615,631
	2,676,059	2,707,657
Deferred income tax liabilities:		
– to be settled after more than 12 months	(871,649)	(865,036)
– to be settled within 12 months	(15,822)	(81,356)
	(887,471)	(946,392)

14 DEFERRED INCOME TAXES (CONTINUED)

(a) Group (Continued)

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

Deferred income tax assets	Provisions for impairment losses RMB'000	Accruals RMB'000	Others RMB'000	Total RMB'000
At January 1, 2014	298,229	2,369,888	39,540	2,707,657
(Charged)/credited to statement of comprehensive income	(174,468)	111,181	31,689	(31,598)
At December 31, 2014	123,761	2,481,069	71,229	2,676,059
At January 1,2013 (restated)	161	–	7,550	7,711
Acquisition of a subsidiary	289,519	2,394,144	30,892	2,714,555
Credited/(charged) to statement of comprehensive income	8,549	(24,256)	1,098	(14,609)
At December 31, 2013 (restated)	298,229	2,369,888	39,540	2,707,657

Deferred income tax liabilities	Unrealized loss in inventories RMB'000	Capitalized interest RMB'000	Valuation surplus upon acquisition of a subsidiary RMB'000	Total RMB'000
At January 1, 2014	–	(72,165)	(874,227)	(946,392)
Credited to statement of comprehensive income	–	16,537	42,384	58,921
At December 31, 2014	–	(55,628)	(831,843)	(887,471)
At January 1,2013	(9,355)	(61,845)	–	(71,200)
Acquisition of a subsidiary	–	–	(900,962)	(900,962)
Credited/(charged) to statement of comprehensive income	9,355	(10,320)	26,735	25,770
At December 31,2013	–	(72,165)	(874,227)	(946,392)

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 RMB2,094,642,000 (December 31, 2013: RMB1,455,377,000 as restated) in respect of losses and deductible temporary differences amounting to RMB8,369,427,000 (December 31, 2013: RMB5,821,508,000 as restated) that can be carried forward against future taxable income as at December 31, 2014. These unrecognized tax loss carry forwards are expiring within 5 years.

14 DEFERRED INCOME TAXES (CONTINUED)

(b) Company

	As at December 31, 2014 RMB'000	As at December 31, 2013 RMB'000
Deferred income tax liabilities:		
– to be settled after more than 12 months	(31,466)	(37,112)
– to be settled within 12 months	(2,823)	–
	(34,289)	(37,112)

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

	Capitalized interest RMB'000
At January 1, 2013	(35,610)
Charged to income statement	(1,502)
At December 31, 2013	(37,112)
Credited to income statement	2,823
At December 31, 2014	(34,289)

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 RMB963,775,000 (December 31, 2013: RMB863,709,000) in respect of losses and deductible temporary differences amounting to RMB3,855,100,000 (December 31, 2013: RMB3,454,836,000) that can be carried forward against future taxable income as at December 31, 2014. These unrecognized tax loss carry forwards are expiring within 5 years.

15 INVENTORIES

	Group As at December 31, 2014 RMB'000	Group As at December 31, 2013 RMB'000 (Restated)
Raw materials	5,056,243	3,175,954
Work in progress	314,260	305,453
Finished goods	5,984,106	4,213,036
	11,354,609	7,694,443
Less: provision for impairment (note (a))	(286,450)	(215,161)
	11,068,159	7,479,282

	Company As at December 31, 2014 RMB'000	Company As at December 31, 2013 RMB'000
Raw materials	615,540	305,817
Work in progress	24,563	23,854
Finished goods	212,458	128,630
	852,561	458,301
Less: provision for impairment (note (a))	(23,900)	(9,436)
	828,661	448,865

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 the year ended December 31, 2014 amounted to RMB47,387 million (2013: RMB12,367 million).

(c) Finished goods as at December 31, 2014 of RMB1,970 million (December 31, 2013: RMB1,063 million) were pledged as collateral to secure the bank borrowings to the dealers.

16 ACCOUNTS RECEIVABLE

	Group As at December 31, 2014 RMB'000	Group As at December 31, 2013 RMB'000
Trade receivables, gross (note (a))	2,454,837	3,407,728
Less: provision for impairment	(3,496)	(10,078)
	2,451,341	3,397,650
Notes receivable (note (b))	3,970,949	2,606,185
	6,422,290	6,003,835

	Company As at December 31, 2014 RMB'000	Company As at December 31, 2013 RMB'000
Trade receivables, gross (note (a))	2,927,867	1,341,815
Less: provision for impairment	(1,039)	(3,547)
	2,926,828	1,338,268
Notes receivable (note (b))	1,037,130	1,295,371
	3,963,958	2,633,639

16 ACCOUNTS RECEIVABLE (CONTINUED)

notes:

(a) The majority of the Group's sales are on credit or on advance payments. 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,	
	2014 RMB'000	2013 RMB'000
Current to 1 year	2,421,937	3,402,939
1 to 2 years	30,223	2,182
2 to 3 years	70	270
Over 3 years	2,607	2,337
	2,454,837	3,407,728

	Company As at December 31,	
	2014 RMB'000	2013 RMB'000
Current to 1 year	2,914,972	1,340,090
1 to 2 years	12,895	1,725
	2,927,867	1,341,815

As at December 31, 2014 and 2013, 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,	
	2014 RMB'000	2013 RMB'000
Current to 1 year	103,151	155,886
1 to 2 years	29,182	2,182
2 to 3 years	59	270
Over 3 years	202	–
	132,594	158,338

16 ACCOUNTS RECEIVABLE (CONTINUED)

notes: (Continued)

(a) (Continued)

	Company As at December 31, 2014 RMB'000	2013 RMB'000
Current to 1 year	100,717	–
1 to 2 years	11,859	1,725
	112,576	1,725

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

	Group RMB'000	Company RMB'000
As at January 1,2014	10,078	3,547
Reversal of provision for impairment	(6,582)	(2,508)
As at December 31, 2014	3,496	1,039
As at January 1,2013	1,341	335
Provision for impairment	8,737	3,212
As at December 31,2013	10,078	3,547

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

(c) All accounts receivable are denominated in RMB and their carrying amounts approximate fair values.

(d) There is no trade receivable pledged as collateral.

16 ACCOUNTS RECEIVABLE (CONTINUED)

notes: (Continued)

(e) The amounts of notes receivable pledged as collateral for notes payable issued by banks and borrowings as at respective balance sheet dates are as follows:

	Group As at December 31,	
	2014 RMB'000	2013 RMB'000
Pledged notes receivable	1,275,055	165,588

	Company As at December 31,	
	2014 RMB'000	2013 RMB'000
Pledged notes receivable	99,190	165,588

17 ADVANCES TO SUPPLIERS

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

18 OTHER RECEIVABLES AND PREPAYMENTS

	Group As at December 31, 2014 RMB'000	Group As at December 31, 2013 RMB'000 (Restated)
Value-added tax, consumption tax recoverable and prepaid income tax	1,535,941	922,244
Government grants (note (b))	552,263	129,645
Disposal of interest in joint ventures and associates	–	363,861
Disposal of property, plant and equipment and intangible assets	139,431	411,247
Service fees	206,621	520
Others	397,837	879,480
	2,832,093	2,706,997
Less: provision for impairment	(593)	(918)
	2,831,500	2,706,079

	Company As at December 31, 2014 RMB'000	Company As at December 31, 2013 RMB'000
Dividends receivable	–	1,493,355
Amounts due from		
– subsidiaries (note (a))	6,610,252	3,179,926
– other related parties (note (a))	140,087	909,378
Value-added tax, consumption tax recoverable	627,281	301,514
Deposits	4,190	300
Government grants (note (b))	552,263	129,645
Others	179,294	26,867
	8,113,367	6,040,985
Less: provision for impairment	(458)	(191)
	8,112,909	6,040,794

notes:

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

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

19 RESTRICTED CASH

	Group As at December 31, 2014 RMB'000	Group As at December 31, 2013 RMB'000
Pledged deposits (note)	1,043,710	546,901

	Company As at December 31, 2014 RMB'000	Company As at December 31, 2013 RMB'000
Pledged deposits (note)	471,780	546,901

note:

Pledged deposits are maintained with banks for issuance of bank notes. They earn interests at annual rates ranging 2.80% to 3.06% as at December 31, 2014 (December 31, 2013: 2.85% to 3.08%).

20 CASH AND CASH EQUIVALENTS

	Group As at December 31, 2014 RMB'000	Group As at December 31, 2013 RMB'000 (Restated)
Cash at bank and on hand	9,935,891	4,955,864
Short-term deposits (note (a))	11,987,405	11,834,025
	21,923,296	16,789,889

20 CASH AND CASH EQUIVALENTS (CONTINUED)

	Company As at December 31, 2014 RMB'000	Company As at December 31, 2013 RMB'000
Cash at bank and on hand	6,360,606	1,033,983
Short-term deposits (note (a))	4,117,870	4,310,031
	10,478,476	5,344,014

notes:

(a) As at December 31, 2014, balances of RMB2,537,879,000 (December 31, 2013: RMB6,031,616,000 as restated) of the Group, and RMB32,878,000 (December 31, 2013: RMB2,760,534,000) 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) As at December 31, 2014, approximately 60% (December 31, 2013: 99% as restated) of the Group's cash and cash equivalents, and 18% (December 31, 2013: 100%) 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.

21 SHARE CAPITAL

	Ordinary shares of RMB1 each ('000)	RMB'000
At January 1, 2013	5,462,000	5,462,000
Additions	919,818	919,818
At December 31, 2013	6,381,818	6,381,818
At January 1, 2014	6,381,818	6,381,818
Additions (note)	1,126,200	1,126,200
At December 31, 2014	7,508,018	7,508,018

note:

On December 19, 2014, the Company completed its global public offering of shares ("Global Offering") by issuing 1,126,200,000 new shares with nominal value of RMB1.00 each at a price of HK$8.90 per share. The Company's shares were then listed on the Main Board of the Stock Exchange of Hong Kong.

The total gross proceeds from the Global Offering was approximately HK$9,872,513,000 (equivalent to approximately RMB7,910,355,000), of which share capital was approximately RMB1,126,200,000 and share premium was approximately RMB6,784,155,000. The share issuance costs relating to the Global Offering amounted to RMB118,967,000.

22 RESERVES

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

	Capital reserve RMB'000 (note (a))	Statutory surplus reserve RMB'000 (note (b))	Retained earnings RMB'000	Total RMB'000
At January 1, 2014	13,395,538	442,881	191,540	14,029,959
Profit for the year	–	–	3,346,436	3,346,436
Issuance of new shares (Note 21)	6,784,155	–	–	6,784,155
Share issuance costs (Note 21)	(118,967)	–	–	(118,967)
Appropriation to statutory surplus reserve	–	336,201	(336,201)	–
Dividends declared/paid	–	–	(677,984)	(677,984)
At December 31, 2014	20,060,726	779,082	2,523,791	23,363,599
At January 1, 2013	8,183,375	193,383	331,306	8,708,064
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	13,395,538	442,881	191,540	14,029,959

notes:

(a) Capital reserve

Capital reserve includes share premium and reserves arising from capital contributions from equity holders. Share premium represents the difference between the fair value of shares issued and their respective par value. Incremental costs directly attributable to the issue of new shares are shown as a deduction. The consolidation difference that arises under merger accounting is also included in capital reserve of the Group and computed by comparing the carrying amount of the consideration paid and the carrying amount of the net assets in the subsidiaries.

(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.

23 BORROWINGS

	Group As at December 31, 2014 RMB'000	2013 RMB'000 (Restated)
Non-current		
Bank borrowings		
– secured (note (c))	984,900	1,705,000
– unsecured (note (b))	7,357,289	7,933,824
	8,342,189	9,638,824
Corporate bonds, unsecured (note (a))	5,593,001	5,483,646
Total non-current borrowings	13,935,190	15,122,470
Current		
Bank borrowings		
– secured (note (c))	600,000	–
– unsecured (note (b))	9,854,500	6,953,549
Add: current portion of non-current bank borrowings:		
– secured (note (c))	120,100	–
– unsecured (note (b))	2,912,453	879,859
	13,487,053	7,833,408
Corporate bonds, unsecured (note (a))	2,496,005	–
Total current borrowings	15,983,058	7,833,408
Total borrowings	29,918,248	22,955,878

23 BORROWINGS (CONTINUED)

	Company As at December 31, 2014 RMB'000	2013 RMB'000
Non-current		
Bank borrowings		
– secured (Note 38(c))	2,215,000	3,200,000
– unsecured (note (b))	2,644,169	3,152,749
	4,859,169	6,352,749
Corporate bonds, unsecured (note (a))	3,496,024	3,988,009
Total non-current borrowings	8,355,193	10,340,758
Current		
Bank borrowings		
– secured (Note 38(c))	600,000	–
– unsecured (note (b))	6,206,020	3,365,100
	6,806,020	3,365,100
Add: current portion of non-current bank borrowings:		
– secured (Note 38(c))	334,000	299,000
– unsecured (note (b))	1,032,064	379,699
	8,172,084	4,043,799
Corporate bonds, unsecured (note (a))	2,496,005	–
Total current borrowings	10,668,089	4,043,799
Total borrowings	19,023,282	14,384,557

23 BORROWINGS (CONTINUED)

Maturity of borrowings

	Group As at December 31, 2014 RMB'000	Group As at December 31, 2013 RMB'000 (Restated)
Within 1 year	15,983,058	7,833,408
Between 1 and 2 years	4,210,666	6,382,076
Between 2 and 5 years	8,726,024	8,545,404
Over 5 years	998,500	194,990
	29,918,248	22,955,878
Wholly repayable:		
– within 5 years	28,919,748	22,326,878
– over 5 years	998,500	629,000
	29,918,248	22,955,878

	Company As at December 31, 2014 RMB'000	Company As at December 31, 2013 RMB'000
Within 1 year	10,668,089	4,043,799
Between 1 and 2 years	3,563,566	4,751,421
Between 2 and 5 years	3,793,127	5,589,337
Over 5 years	998,500	–
	19,023,282	14,384,557
Wholly repayable:		
– within 5 years	18,024,782	14,384,557
– over 5 years	998,500	–
	19,023,282	14,384,557

23 BORROWINGS (CONTINUED)

Contractual repricing dates upon interest rate changes

	Group As at December 31, 2014 RMB'000	Group As at December 31, 2013 RMB'000 (Restated)
Within 6 months	17,681,235	15,621,263
6 to 12 months	996,507	790,000
	18,677,742	16,411,263

	Company As at December 31, 2014 RMB'000	Company As at December 31, 2013 RMB'000
Within 6 months	10,329,253	8,889,548
6 to 12 months	802,000	507,000
	11,131,253	9,396,548

Weighted average annual interest rates

	Group As at December 31, 2014	Group As at December 31, 2013 (Restated)
Bank borrowings	5.04%	5.69%
Corporate bonds	5.38%	5.42%

	Company As at December 31, 2014	Company As at December 31, 2013
Bank borrowings	5.74%	5.27%
Corporate bonds	5.45%	5.48%

23 BORROWINGS (CONTINUED)

Currency denomination

	Group As at December 31, 2014 RMB'000	Group As at December 31, 2013 RMB'000 (Restated)
RMB	24,917,499	18,003,093
US$	1,354,640	1,315,486
HK$	186,296	159,819
Euro	3,459,813	3,477,480
	29,918,248	22,955,878

	Company As at December 31, 2014 RMB'000	Company As at December 31, 2013 RMB'000
RMB	19,023,282	14,384,557

Undrawn facilities at floating rates

	Group As at December 31, 2014 RMB'000	Group As at December 31, 2013 RMB'000 (Restated)
Within 1 year	4,640,111	7,124,848
Over 1 year	24,379,185	26,058,353
	29,019,296	33,183,201

23 BORROWINGS (CONTINUED)

Undrawn facilities at floating rates (Continued)

	Company As at December 31, 2014 RMB'000	Company As at December 31, 2013 RMB'000
Within 1 year	150,000	2,538,004
Over 1 year	11,916,190	17,782,353
	12,066,190	20,320,357

notes:

(a) Corporate bonds are analysed as follows:

Issuer	Issue date	Interest rate per annum	Par value RMB'000	Carrying value RMB'000	Fair value RMB'000	Maturity
At December 31, 2014						
BAIC Investment Co., Ltd. ("BAIC Investment")	January 29, 2010	5.18%	1,500,000	1,496,977	1,564,411	7 years
Company	February 9, 2012	5.70%	1,000,000	999,573	1,051,712	3 years
Company	August 14, 2012	5.00%	1,500,000	1,496,432	1,462,150	3 years
Company	April 10, 2013	4.96%	1,500,000	1,498,524	1,558,536	3 years
Company	September 22, 2014	5.74%	300,000	299,550	314,706	7 years
Company	September 22, 2014	5.54%	300,000	299,550	314,706	7 years
Company	September 10, 2014	5.74%	400,000	399,400	424,982	7 years
Company	August 12, 2014	5.40%	1,000,000	999,000	1,037,361	3 years
Beijing Benz	December 11, 2014	5.20%	600,000	600,000	595,914	3 years
				8,089,006		
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	1,498,599	1,460,080	3 years
				5,483,646		

The above fair values are based on cash flows discounted using the market borrowing rates of 4.68% to 5.45% at December 31, 2014 (December 31, 2013: 4.44% to 5.17%). They are within level 2 of the fair value hierarchy.

23 BORROWINGS (CONTINUED)

notes: (Continued)

(b) Balances of the Group at December 31, 2014 include the borrowings of RMB1,797 million (December 31, 2013: RMB1,716 million) from BAG Finance, an associate of the Group.

(c) The Group's long-term and short-term borrowings are secured as follows:

	Group As at December 31,	
	2014 RMB'000	2013 RMB'000 (Restated)
Securities over the Group's assets, at carrying value		
– Notes receivable (Note 16(e))	600,000	–
Guarantees provided by		
– Ultimate holding company (Note 38(c))	1,105,000	1,705,000
	1,705,000	1,705,000

24 PROVISIONS

Warranties

	As at December 31,	
	2014 RMB'000	2013 RMB'000
Current	793,863	334,413
Non-current	894,901	694,331
Total	1,688,764	1,028,744

24 PROVISIONS (CONTINUED)

Warranties (Continued)

Movements of warranties for each of the years ended December 31, 2014 and 2013 are as follows:

	For the year ended December 31,	
	2014 RMB'000	2013 RMB'000
At January 1	1,028,744	52,509
Acquisition of a subsidiary	–	892,520
Additions	869,597	154,414
Amortization of discount on non-current provisions	75,614	10,762
Payments	(285,191)	(81,461)
At December 31	1,688,764	1,028,744

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 year ended December 31, 2014 and 2013 are as follows:

	Group RMB'000	Company RMB'000
At January 1, 2014	659,315	88,000
Additions	42,946	8,486
Amortization	(29,652)	(25,010)
At December 31, 2014	672,609	71,476
	(Restated)	
At January 1, 2013	441,886	8,000
Acquisition of a subsidiary	43,800	–
Additions	317,624	80,000
Disposal of a subsidiary	(130,051)	–
Amortization	(13,944)	–
At December 31, 2013	659,315	88,000

26 ACCOUNTS PAYABLE

	Group As at December 31, 2014 RMB'000	Group As at December 31, 2013 RMB'000
Trade payables	13,748,685	10,404,199
Notes payable	1,229,112	707,548
	14,977,797	11,111,747

	Company As at December 31, 2014 RMB'000	Company As at December 31, 2013 RMB'000
Trade payables	3,023,673	3,062,448
Notes payable	534,197	707,547
	3,557,870	3,769,995

Aging analysis of trade payables is as follows:

	Group As at December 31, 2014 RMB'000	Group As at December 31, 2013 RMB'000
Current to 1 year	13,737,253	10,386,070
1 year to 2 years	9,576	17,026
2 years to 3 years	827	199
over 3 years	1,029	904
	13,748,685	10,404,199

26 ACCOUNTS PAYABLE (CONTINUED)

	Company As at December 31, 2014 RMB'000	Company As at December 31, 2013 RMB'000
Current to 1 year	3,019,217	3,061,330
1 year to 2 years	3,806	1,118
2 years to 3 years	650	–
	3,023,673	3,062,448

27 OTHER PAYABLES AND ACCRUALS

	Group As at December 31, 2014 RMB'000	Group As at December 31, 2013 RMB'000 (Restated)
Sales discounts and rebates	3,666,133	4,874,650
Advertising and promotion	1,486,014	1,182,608
Wages, salaries and other employee benefits	1,139,821	840,929
Payables for property, plant and equipment and intangible assets	5,909,446	1,927,661
Payables for services and materials	1,305,662	1,729,377
Payables for investments	419,138	955,283
Interests payable	284,327	239,873
Dividends payable	436,245	2,472,998
Other taxes (note (b))	234,241	142,911
Deposits	137,123	88,708
Transportation and warehouse expenses	347,201	179,549
Pre-delivery inspection expenses	126,646	88,013
Technology usage fee	815,594	847,699
Transfer of domestic shares	790,968	–
Others	16,492	110,300
	17,115,051	15,680,559

27 OTHER PAYABLES AND ACCRUALS (CONTINUED)

	Company As at December 31, 2014 RMB'000	2013 RMB'000
Advertising and promotion	–	990
Wages, salaries and other employee benefits	74,467	137,031
Payables for property, plant and equipment and intangible assets	1,122,118	835,492
Payables for materials	34,267	53,961
Interests payable	187,842	148,382
Dividends payable	–	687,732
Amounts due to		
– subsidiaries (note (a))	139,231	48,677
– other related parties (note (a))	217,394	1,093,166
Other taxes (note (b))	107,327	89,693
Deposits	50,136	16,982
Transfer of domestic shares	790,968	–
Others	185,889	29,834
	2,909,639	3,141,940

notes:

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

(b) These include payables of value-added tax, business tax, consumption tax and other taxes.

28 OTHER GAINS, NET

	For the year ended December 31, 2014 RMB'000	2013 RMB'000 (Restated)
Gain from sales of scrap materials	88,989	39,532
Net foreign exchange gain	732,677	25,597
Government grants (note)	613,996	213,886
Gain/(loss) on disposal of		
– property, plant and equipment and intangible assets	122,564	(1,510)
– investments in subsidiaries	–	126,201
Gain on remeasuring existing 50% interests in Beijing Benz upon business combination	–	156,552
Others	(18,095)	60,221
	1,540,131	620,479

notes:

The government grants received in 2014 and 2013 mainly include subsidies from national and local government for the sales of new energy vehicles.

29 EXPENSES BY NATURE

	For the year ended December 31, 2014 RMB'000	For the year ended December 31, 2013 RMB'000 (Restated)
Raw materials used	43,961,530	12,004,130
Changes in inventories of finished goods and work-in-progress	(1,895,990)	(1,389,343)
Advertising and promotion	2,171,169	1,287,926
Employee benefit costs (Note 30)	3,490,543	1,178,728
Transportation and warehouse expenses	735,571	367,010
Depreciation on property, plant and equipment (Note 7(c))	1,841,706	555,836
Amortization on		
– land use rights (Note 8)	125,119	45,078
– intangible assets (Note 9(d))	397,005	217,380
Provision for/(reversal of) impairment		
– inventories	277,433	223,594
– receivables	(6,907)	7,876
– property, plant and equipment (Note 7)	93,340	2,095
Warranty expenses	765,554	101,256
Research costs	16,359	23,479
Utilities	161,465	154,129
Operating lease expenses	121,906	120,003
Office and travel expenses	280,296	86,182
Tax and levies	734,825	157,911
Conference fees	17,353	16,985
Consulting fees	9,363	19,013
Entertainment	5,639	13,766
Auditor's remuneration	25,451	3,040
Service fees and charges	1,571,726	219,347
Listing expenses	35,463	–
Others	1,552,720	470,804
Total cost of sales, selling and distribution expenses, and general and administrative expenses	56,488,639	15,886,225

30 EMPLOYEE BENEFIT COSTS

	For the year ended December 31, 2014 RMB'000	For the year ended December 31, 2013 RMB'000 (Restated)
Wages and salaries	2,721,853	893,824
Pension scheme and other social security costs	324,907	154,001
Housing benefits	151,128	49,393
Welfare, medical and other expenses	292,655	81,510
	3,490,543	1,178,728

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, 2014 is set out below:

	Salaries, allowances and other benefits RMB'000	Employer's contribution to pension scheme RMB'000	Discretionary bonus RMB'000	Total RMB'000
Executive director				
Li Feng (李峰) (Chief Executive)	907	17	316	1,240
Non-executive director				
Xu Heyi (徐和誼)	–	–	–	–
Han Yonggui (韓永貴) (1)	152	11	267	430
Zhang Xiyong (張夕勇)	–	–	–	–
Li Zhili (李志立)	814	32	475	1,321
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)	–	–	–	–
Independent non-executive director				
Fu Yuwu (付于武) (5)	10	–	–	10
Wong Lung Tak Patrick (黃龍德) (5)	10	–	–	10
Bao Robert Xiaochen (包曉晨) (5)	10	–	–	10
Zhao Fuquan (趙福全) (5)	10	–	–	10
Liu Kaixiang (劉凱湘) (5)	10	–	–	10
Supervisor				
Zhang Yuguo (張裕國)	–	–	–	–
Yin Weijie (尹維劼)	–	–	–	–
Zhu Zhenghua (朱正華)	–	–	–	–
Li Chengjun (李承軍)	702	32	293	1,027
Zhang Guofu (張國富)	994	23	102	1,119
	3,619	115	1,453	5,187

notes:

(1) Resigned in February 2014.
(2) Resigned in December 2014.
(3) Resigned in April 2014.
(4) Appointed in April 2014.
(5) Appointed in December 2014

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 RMB'000	Employer's contribution to pension scheme RMB'000	Discretionary bonus RMB'000	Total 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 (尹維劼) (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)	–	–	–	–
	2,397	143	1,459	3,999

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

30 EMPLOYEE BENEFIT COSTS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include no (2013: one) director and no (2013: one) supervisor for the year ended December 31, 2014. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals are as follows:

	For the year ended December 31,	
	2014 RMB'000	2013 RMB'000
Salaries, allowances and other benefits	15,749	3,852
Employer's contribution to pension scheme	2,124	73
Discretionary bonuses	–	1,241
	17,873	5,166

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

	For the year ended December 31,	
	2014 Number of individuals	2013 Number of individuals
Emolument bands (in HK dollar)		
HK$0 – HK$1,000,000	–	–
HK$1,000,001 – HK$1,500,000	–	–
HK$1,500,001 – HK$2,000,000	–	2
HK$2,000,001 – HK$2,500,000	–	–
HK$2,500,001 – HK$3,000,000	–	–
HK$3,000,001 – HK$3,500,000	–	1
HK$3,500,001 – HK$4,000,000	–	–
HK$4,000,001 – HK$4,500,000	3	–
HK$4,500,001 – HK$5,000,000	2	–

During the year, 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 (2013: Nil).

31 FINANCE COSTS, NET

	For the year ended December 31, 2014 RMB'000	2013 RMB'000 (Restated)
Finance income		
Interest on bank deposits	300,364	115,577
Finance costs		
Interest expense on bank borrowings		
– Wholly repayable within 5 years	930,908	604,134
– Not wholly repayable within 5 years	–	4,080
Interest expense on corporate bonds		
– Wholly repayable within 5 years	317,717	275,131
– Not wholly repayable within 5 years	15,655	–
Amortization of discount on non-current provisions (Note 24)	75,614	10,762
	1,339,894	894,107
Less: amount capitalized in qualifying assets (Notes 7 and 9)	(506,434)	(304,765)
	833,460	589,342
Finance costs, net	(533,096)	(473,765)

32 INCOME TAX EXPENSE

	For the year ended December 31, 2014 RMB'000	2013 RMB'000 (Restated)
Current income tax	883,850	124,728
Deferred income tax (Note 14)	(27,323)	(11,161)
	856,527	113,567

32 INCOME TAX EXPENSE (CONTINUED)

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 Parts and Components Co., Ltd.	2009 to 2014
– BAIC Motor Powertrain Co., Ltd.	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 December 31, 2014 and 2013 on the assessable income of respective Group entities in accordance with relevant PRC enterprise income tax rules and regulations.

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

	For the year ended December 31,	
	2014 RMB'000	2013 RMB'000 (Restated)
Profit before income tax	6,697,839	3,064,624
Tax calculated at the statutory tax rate of 25%	1,674,460	766,156
Preferential tax rates on income of certain Group entities	(2,164)	(11,640)
Impact on share of results of joint ventures and associates	(1,452,284)	(1,505,567)
Income not subject to tax	(53,057)	(87,715)
Expenses not deductible for tax purposes	50,307	25,006
Utilization of previously unrecognized tax losses	(3,428)	–
Tax losses/deductible temporary differences for which no deferred tax was recognized	642,693	927,327
Tax charge	856,527	113,567

33 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	For the year ended December 31, 2014	2013 (Restated)
Profit attributable to equity holders of the Company (RMB'000)	4,510,807	2,714,024
Weighted average number of ordinary shares in issue (thousands)	6,418,844	5,612,391

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

34 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of RMB3,346,436,000.

35 DIVIDENDS

	For the year ended December 31, 2014 RMB'000	2013 RMB'000
Interim dividends, paid of RMB Nil (2013: RMB0.25) per share	–	1,595,455
Final dividend, proposed of RMB0.30 (2013: RMB0.11) per share	2,278,601	677,984
	2,278,601	2,273,439

The 2014 final dividend is proposed by the directors at a meeting held on the date of approval of these financial statements, which is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending December 31, 2015.

36 CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations:

	For the year ended December 31, 2014 RMB'000	For the year ended December 31, 2013 RMB'000 (Restated)
Profit before income tax	6,697,839	3,064,624
Adjustments for:		
Share of profits of joint ventures	(5,712,001)	(5,986,518)
Share of profits of associates	(97,136)	(35,749)
(Gain)/loss on disposal of		
– property, plant and equipment and intangible assets	(122,564)	1,510
– investments in subsidiaries	–	(126,201)
Gain on remeasuring existing 50% interests in Beijing Benz upon business combination	–	(156,552)
Depreciation on property, plant and equipment	1,841,706	555,836
Amortization on		
– land use rights	125,119	45,078
– intangible assets	397,005	217,380
Provision for/(reversal of) impairment		
– inventories	277,433	223,594
– receivables	(6,907)	7,876
– property, plant and equipment	93,340	2,095
Net foreign exchange gain	(732,677)	(25,597)
Finance costs, net	533,096	473,765
Amortization of deferred income from government grant	(29,652)	(13,944)
	3,264,601	(1,752,803)
Changes in working capital:		
– increase in accounts receivable	(532,817)	(1,746,128)
– increase in advances to suppliers, other receivables and prepayments	(1,250,599)	(765,378)
– increase in inventories	(3,866,310)	(2,082,353)
– increase in accounts payable	3,866,050	3,075,270
– increase in advance from customers, other payables and accruals	2,405,422	1,400,905
– increase in provisions	660,020	72,954
Net cash generated from/(used in) operations	4,546,367	(1,797,533)

36 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,	
	2014 RMB'000	2013 RMB'000 (Restated)
Net book amount	48,947	453,757
Gain/(loss) on disposals (Note 28)	122,564	(1,510)
Decrease/(increase)in receivables	271,816	(410,951)
Cash proceeds	443,327	41,296

(c) Disposals of investments in subsidiaries:

	For the year ended December 31,	
	2014 RMB'000	2013 RMB'000
Non-current assets	–	365,415
Current assets	–	359,088
Total assets	–	724,503
Non-current liabilities	–	(130,051)
Current liabilities	–	(452,269)
Total liabilities	–	(582,320)
Non-controlling interests	–	–
	–	142,183
Total consideration	–	268,384
Gain on disposals	–	126,201
Net cash inflow is determined as follows:		
Cash proceeds received	–	736,178
Less: cash and cash equivalents disposed	–	(38,253)
	–	697,925

37 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, 2014 and 2013 respectively.

	Group As at December 31, 2014 RMB'000	Group As at December 31, 2013 RMB'000 (Restated)
Contracted but not provided for	15,052,827	3,688,474
Authorized but not contracted for	6,050,730	19,895,326

	Company As at December 31, 2014 RMB'000	Company As at December 31, 2013 RMB'000
Contracted but not provided for	5,795,484	1,241,429
Authorized but not contracted for	2,252,371	2,914,070

(b) Operating lease commitments

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

	Group As at December 31, 2014 RMB'000	Group As at December 31, 2013 RMB'000
Up to 1 year	43,221	748
1 to 5 years	3,180	–
	46,401	748

37 COMMITMENTS (CONTINUED)

(b) Operating lease commitments (Continued)

	Company As at December 31,	
	2014 RMB'000	2013 RMB'000
Up to 1 year	23,715	748
1 to 5 years	3,180	–
	26,895	748

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 statements, the following transactions were carried out in the ordinary course of the Group's business and were determined based on mutually agreed terms for each of the years ended December 31, 2014 and 2013.

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties

	For the year ended December 31,	
	2014 RMB'000	2013 RMB'000 (Restated)
Sale of goods and materials to		
– immediate holding company	4,078	2,612
– subsidiaries of BAIC Group	1,501,460	569,792
– joint ventures	286,911	278,630
– an associate	19,449	459
– other related companies	1,360,460	100,683
Services provided to		
– subsidiaries of BAIC Group	242	–
– associates	36,717	23,165
– other related companies	84,228	7,937
Purchases of goods and materials from		
– immediate holding company	6,862	6,793
– subsidiaries of BAIC Group	4,348,513	2,231,645
– joint ventures	12,307	–
– other related companies(note)	23,464,787	3,977,519

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

	For the year ended December 31,	
	2014 RMB'000	2013 RMB'000 (Restated)
Services received from		
– immediate holding company	194,368	36,816
– subsidiaries of BAIC Group	772,384	433,785
– joint ventures	448,600	56,471
–other related companies	2,426,304	789,048
Rental expenses paid/payable to		
– subsidiaries of BAIC Group	127,392	145,129
Proceeds from disposal of investments to		
– immediate holding company	–	268,384
Proceeds from disposal of intangible assets and property, plant and equipment to		
– subsidiaries of BAIC Group	–	290,453
– immediate holding company	–	122,368
Interest income received from		
– an associate	88,451	26,062
Interest expenses paid/payable to		
– an associate	62,541	67,167
Key management compensations		
– salaries, allowances and other benefits	11,157	9,760
– employer's contribution to pension scheme	264	431
– discretionary bonuses	6,066	4,628

Note:

For the year ended December 31, 2014, the Group purchase goods and materials from Daimler AG of approximately RMB15,515,174,000 (2013: RMB1,559,801,000).

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties

	As at December 31,	
	2014 RMB'000	2013 RMB'000 (Restated)
Assets		
Accounts receivable		
– immediate holding company	1,345	1,429
– subsidiaries of BAIC Group	452,701	271,253
– joint ventures	33,084	31,652
– other related companies	362,656	111,531
Advances to suppliers		
– subsidiaries of BAIC Group	518,976	146,518
– other related companies	142,088	–
Other receivables and prepayments		
– immediate holding company	48,160	137,474
– subsidiaries of BAIC Group	77,332	1,282,317
– joint ventures	1,886	600
– associates	20,730	–
– other related companies	170,988	75,699
Cash and cash equivalents		
– an associate	2,537,879	6,031,616
Liabilities		
Accounts payable		
– immediate holding company	815	2,367
– subsidiaries of BAIC Group	1,612,036	989,475
– other related companies	6,460,755	4,625,885
Advances from customers		
– immediate holding company	327	190
– subsidiaries of BAIC Group	14,093	19,888
– associates	340	537
Other payables and accruals		
– immediate holding company	561,055	1,254,184
– subsidiaries of BAIC Group	297,040	223,638
– joint ventures	135,441	38,788
– other related companies	1,557,103	1,268,536
Dividends payable to		
– immediate holding company	–	747,535
– other related companies	436,245	1,029,730
Borrowings from		
– an associate	1,796,500	1,765,900

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees

	Group As at December 31,	
	2014 RMB'000	2013 RMB'000 (Restated)
Guarantees on bank loans provided by:		
– immediate holding company	1,105,000	1,705,000

	Company As at December 31	
	2014 RMB'000	2013 RMB'000
Guarantees provided to:		
– subsidiaries	1,760,731	1,527,305
Guarantees provided by:		
– immediate holding company	–	1,000,000
– subsidiaries	3,149,000	2,499,000

39 SUBSEQUENT EVENTS

On January 9, 2015, the Company issued additional 87,320,000 new shares with nominal value of RMB1.00 each for the exercises of over-allotment of the Global Offering at a price of HK$8.90 per share.

On February 12, 2015 the Company issued RMB500 million of medium-term notes which are unsecured, bear interest at 4.68% and repayable in 5 years.

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Company name	Place and date of establishment/ incorporation	Issued and paid-up capital (million)	Attributable equity interests	Principal activities
Subsidiaries				
Directly held:				
BAIC Investment Co., Ltd.	The PRC June 28, 2002	RMB3,500	97.95%	Investment holding
Beijing Beinei Engine Parts and Components Co., Ltd.	The PRC September 2, 2003	RMB362	100%	Manufacture of auto parts
BAIC Motor Powertrain Co., Ltd.	The PRC February 9, 2010	RMB1,149	100%	Manufacture of auto engine
Beijing Motor Sales Co., Ltd.	The PRC May 3, 2012	RMB100	100%	Sale of passenger vehicles
Beijing Benz Automotive Co., Ltd.	The PRC August 8, 2005	USD1,221	51%	Manufacture and sales of passenger vehicles
Joint Ventures				
Beijing Hyundai Motor Co., Ltd.	The PRC October 16, 2002	USD1,219	50%	Manufacture and sales of passenger vehicles
Beijing Mercedes-Benz Sales Service Co., Ltd.	The PRC December 7,2012	RMB102	49%	Marketing and sales of vehicles
Beijing Hyundai Information Technology Co., Ltd.	The PRC May 29, 2014	USD5	50%	Provision of IT support
Associates				
Beijing Shougang Cold-Rolled Sheet Co., Ltd.	The PRC August 5,2008	RMB2,600	20%	Production and sale of cold rolled sheet
BAIC Group Finance Co., Ltd.	The PRC November 9, 2011	RMB1,500	20%	Auto financing and currency settlement
Beijing Hyundai Auto Finance Company Limited	The PRC June 26, 2012	RMB2,000	33%	Automobile financing services

Definitions

"The Company" or "we" or "our"	BAIC Motor Corporation Limited
"BAIC Group"	Beijing Automotive Group Co., Ltd.
"The Group" or "Our Group"	the Company and its subsidiaries
"Beijing Brand"	Proprietary brand of BAIC Motor, which is operated through three product series, including Senova Series, BJ Series and Wevan Series
"Beijing Benz"	Beijing Benz Automotive Co., Ltd. (previously known as Beijing Jeep Motor Co., Ltd. and Beijing Benz-Daimler Chrysler Automotive Co., Ltd.), a company incorporated in the PRC on July 1, 1983, a subsidiary of the Company with 51.0% equity interest owned by our Company, 38.665% owned by Daimler AG and 10.335% owned by Daimler Greater China.
"Beijing Hyundai"	Beijing Hyundai Motor Co., Ltd., a company incorporated in the PRC on October 16, 2002, a joint venture in which BAIC Investment owns 50.0% equity interest with the remaining 50.0% owned by Hyundai Motor Company
"Beijing Motor"	when referring to a business segment, "Beijing Motor" means the consolidated results of our Company and its subsidiaries (excluding Beijing Benz)
"2014"	the year from January 1, 2014 to December 31, 2014
"Stock Exchange" or "Hong Kong Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Listing"	Listing of the H Shares on the Hong Kong Stock Exchange
"Daimler AG"	Daimler AG, a company established in Germany in 1886 which is a Shareholder and a Connected Person of the Company
"Hyundai Motor"	Hyundai Motor Company, a company incorporated in the Republic of Korea and whose shares are listed on the Korea Stock Exchange, which owns a 50.0% equity interest in Beijing Hyundai
"BAIC Investment"	BAIC Investment Co., Ltd., a company incorporated in the PRC on June 28, 2002, a subsidiary of our Company with 97.95% equity interest owned by our Company and the remaining 2.05% owned by BAIC Group
"Shougang Shares"	Beijing Shougang Company Limited, a company incorporated in the PRC on October 15, 1999 and one of the Shareholders and a connected person of the Company
"Listing Date"	December 19, 2014
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Articles of Association" or "Articles"	the Articles of Association of the Company

"Main Board"	the stock market operated by the Stock Exchange (excluding options market), that is independent of the growth enterprise market of the Stock Exchange and is under parallel operation with the growth enterprise market
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Date of Issue of the Report"	March 22, 2015, i.e. the date on which the annual report is submitted to the Board of Directors for approval
"Prospectus"	the prospectus of the Company dated December 9, 2014
"Corporate Governance Code"	the Code on Corporate Governance as set forth in Appendix 14 to the Listing Rules
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 to the Listing Rules
"PwC"	PricewaterhouseCoopers
"IFRSs"	International Financial Reporting Standards issued by the International Accounting Standards Board
"CASBE"	Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC
"Reporting Period"	from the Listing Date of the Company to the Date of Issue of the Report
"Strategy Committee"	strategy committee of the Board of Directors
"Audit Committee"	audit committee of the Board of Directors
"Remuneration Committee"	remuneration committee of the Board of Directors
"Nomination Committee"	nomination committee of the Board of Directors
"Special Committees"	Strategy Committee, Audit Committee, Remuneration Committee and Nomination Committee of the Board of Directors
"RMB"or "Renminbi"	the lawful currency of the PRC
"Yuan"	CNY, Chinese Yuan Renminbi
"HK$" or "Hong Kong dollars" or "HK dollars"	the lawful currency of Hong Kong
"Shareholder(s)"	holder(s) of the Share(s)

Definitions

"Share(s)"	Domestic Shares and H Shares
"Domestic Share(s)"	ordinary shares in the Company's share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"H Shares"	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, to be subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
"Company Law"	the Company Law of the PRC, as amended and adopted by the Standing Committee of the Twelve National People's Congress on December 28, 2013 and effective March 1, 2014, as amended, supplemented and otherwise modified from time to time
"BAIC Holding"	Beijing Automotive Industry Holding Co., Ltd., the predecessor of BAIC Group, a state-owned enterprise incorporated in the PRC on June 30, 1994, which changed its name to BAIC Group on September 28, 2010
"Benz Sales Service"	Beijing Mercedes-Benz Sales Service Co., Ltd., a company incorporated in the PRC on December 7, 2012, a joint venture in which the Company owns 49.0% equity interest with the remaining 51.0% owned by Daimler Greater China
"Foton"	Beiqi Foton Motor Co., Ltd., an A share listed company (stock code: 600166.SH) incorporated in the PRC on August 28, 1996. According to the 2013 annual report of Foton, approximately 33.58% equity interest of Foton was owned by BAIC Group; Foton is a Connected Person of the Company
"subsidiary(ies)"	has the meaning ascribed thereto in section 2 of the Companies Ordinance
"Director(s)"	director(s) of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"Supervisor(s)"	supervisor(s) of the Company
"Board of Supervisors"	the board of Supervisors of the Company
"connected person(s)"	has the meaning ascribed thereto in the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto in the Listing Rules
"Controlling Shareholder"	has the meaning ascribed thereto in the Listing Rules
"associates"	has the meaning ascribed thereto in the Listing Rules
"SFO"	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong

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