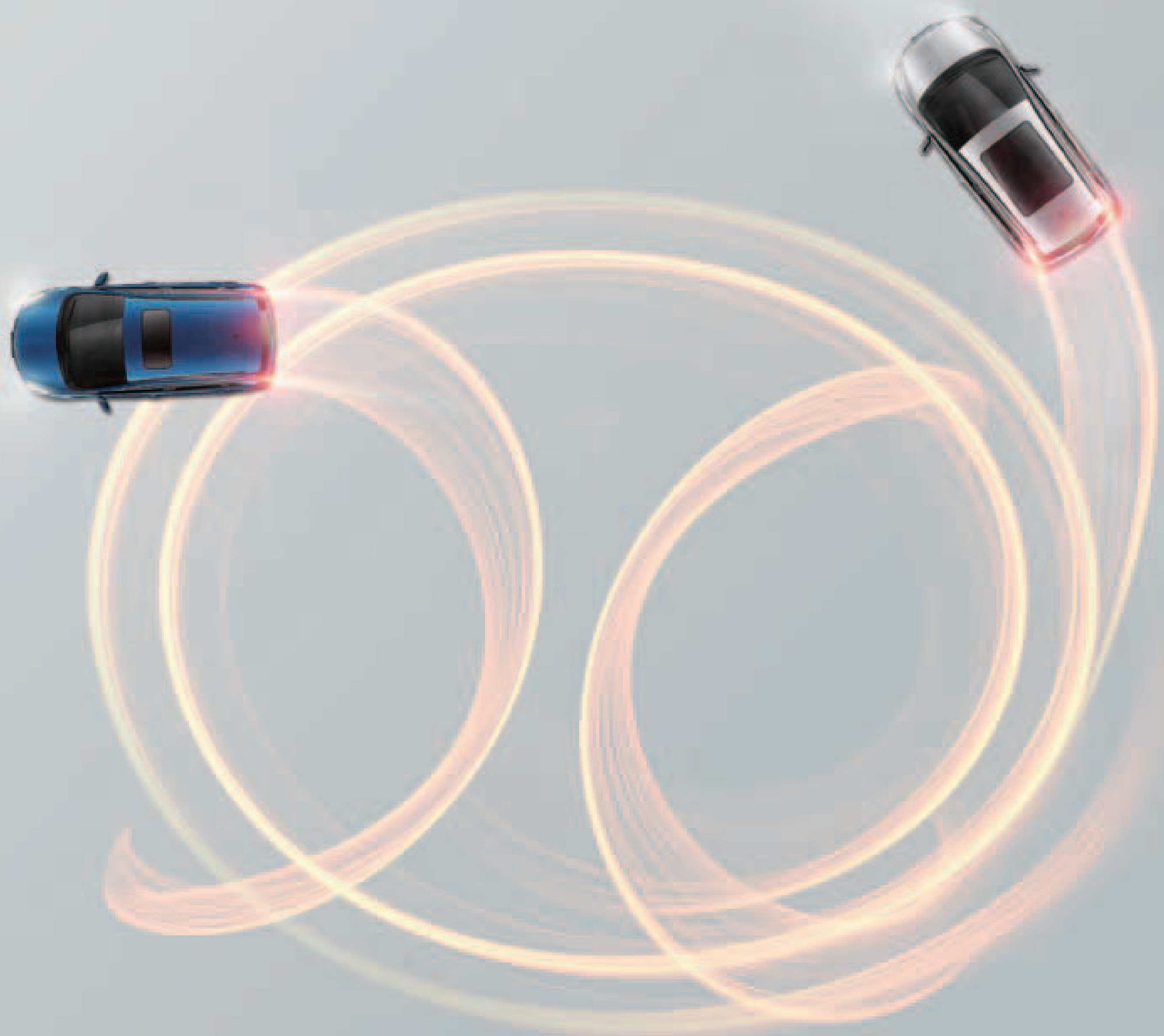
北京汽车股份有限公司
BAIC MOTOR CORPORATION LIMITED*

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



Annual Report 2015

*For identification purpose only

Senova Concept OffSpace

Contents

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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AUTHORIZED REPRESENTATIVES

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

COMPANY SECRETARY

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

HONG KONG LEGAL ADVISOR

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27th Floor, Jardine House,
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CHINA LEGAL ADVISOR

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8 Jianguomenbei Avenue, Chaoyang District,
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AUDITOR (EXTERNAL AUDIT FIRM)

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Certified Public Accountants
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PricewaterhouseCoopers Zhong Tian LLP
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Chaoyang District, Beijing, China

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East, Wanchai, Hong Kong

H SHARE STOCK CODE

1958

INVESTOR ENQUIRY

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E-mail: ir@baicmotor.com

CHAIRMAN'S STATEMENT

1.6501 MILLION UNITS

In 2015, the Beijing Brand, Beijing Benz and Beijing Hyundai have recorded sales of 1.6501 million units of vehicles in total, representing a year-on-year growth of 4.8%

RMB6.32 BILLION

In 2015, annual profit was RMB6.32 billion, a year-on-year increase of 8.2%

Dear Shareholders,

The year 2015 is the first year after our Company's successful Listing in Hong Kong. At the end of last year, our Company won two heavyweight titles, i.e. "Best Listed Company" and "Best Listed Company – Investor Relations", in the fifth "China Securities Golden Bauhinia Award", an award predominantly for securities industries in both mainland and Hong Kong. This is a full testimony to the capital market's recognition of the performance of our Company in its first year as a listed company. On behalf of the Board of Directors, I would like to express my heartfelt thanks to each and every Shareholder for your support and care to the Company and the Group.

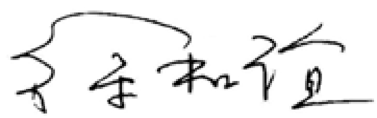
During 2015, despite the many challenges such as slowing macroeconomic growth and intensifying competition of the automobile industry, our Group has recorded good results. The Beijing Brand, Beijing Benz and Beijing Hyundai sold 1.6501 million units of vehicles in total, representing a year-on-year increase of 4.8%. The Group achieved a consolidated revenue of RMB84.11 billion at a year-on-year growth of 49.2%. The gross profit was RMB15.28 billion, while the annual profit was RMB6.32 billion, representing a year-on-year increase of 70.1% and 8.2% respectively. Among the three brands, Beijing Benz's explosive growth in sales was particularly outstanding. It achieved an annual sales volume of 250,200 units of vehicles at a growth rate of 72.0% and was the number one luxury vehicle brand in the domestic market. With revenue of RMB66,262.8 million and operating profit of RMB7,819.9 million, representing year-on-year increases of 50.8% and 135.4% respectively, Beijing Benz has become a pillar company of the Group. At the same time, Beijing Hyundai continued to enhance its brand value with further increase in the proportion of sales of its high value-added D+S products. The Beijing Brand has also strengthened its overall capability through enhancing research and development efficiency, adjusting product strategy and continuously advancing the strategy of improving cost-effectiveness and reducing inventories.

CHAIRMAN'S STATEMENT

The year 2016 marks the beginning of the Thirteenth Five-Year Plan period for China's economy. The Group has also formulated a strategic plan for the next five years, the π Plan. The Group will align the implementation of this strategic plan with the pace of the "Made in China 2025" strategy and ensure its effective execution, while striving to achieve the goal of reform and transformation to a global automobile company by 2020. In practice, by the year 2020, Beijing Brand will see a substantial boost in its brand competitiveness supported by a competitive product mix, with the aim to becoming one of the top three domestic brands. Beijing Benz aims to compete for the No.1 position in China's luxury vehicle market. Beijing Hyundai will pursue the strategic goal of securing the fourth position in joint venture brands and endeavor to move up the ranking table.

Having stood the test of the first full year of Listing, we have reason to believe the Company and the Group is fully prepared for a more promising year in 2016. Firstly, we will continue to follow the path of innovation. Secondly, we will follow the management principle of "restructuring, repositioning, enhancing intrinsic value and increasing efficiency" to explore new driving forces for growth. Thirdly, we will continue to improve our corporate governance structure and raise our management level, strengthen the mechanism for compliance and risk response, develop sound environmental, social and governance standards, and advance state-own-enterprise reform in order to ensure the effective and efficient allocation of such resources as capital, talent and marketing channels.

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



Chairman
Xu Heyi

March 24, 2016

PRESIDENT'S STATEMENT

Dear Shareholders,

I am pleased to present the audited consolidated results of the Group for the year ended December 31, 2015.

Despite the substantial adjustments in the macroeconomic situation and the lackluster recovery in 2015, our Group was able to meet various production and operational targets through innovation and business expansion. This was achieved under the Board's leadership by following the management principle of "restructuring, repositioning, enhancing intrinsic value and increasing efficiency".

In 2015, macroeconomic growth continued to remain at a low level in recent years. The downward pressure of slowing economic growth has dealt a severe blow to the automobile industry. Nevertheless, our Group bucked the trend with proactive and pragmatic actions and recorded a total annual sales volume of 1.6501 million units of vehicles for our proprietary brand and joint venture brands, for a year-on-year increase of 4.8%. Among them, the proprietary Beijing Brand sold 337,100 units of vehicles, up by 8.9% year-on-year; Senova D series and X series launched five new models while M30 successfully made its debut through the Wevan MPV platform. Beijing Benz sold 250,200 units of vehicles for a 72.0% year-on-year increase, delivering strong growth in both sales volume and profits. Beijing Hyundai continued with its structural adjustment, and managed to sell 1.0628 million units of vehicles despite its perennial capacity constraint. In addition, our Group has achieved significant breakthrough in production and operation, in cost reduction and efficiency improvement, research and development of new products, quality control and management innovations.

In 2016, the automobile industry will see both opportunities and challenges. In the face of increasingly fierce market competition, the SUV market remains hot while the new development of "Internet of vehicles" is reshaping the traditional business model of the automobile industry. This means the future is still promising for automobile companies. Our Group will follow the directive of the Board of Directors and focus on enhancing the quality and efficiency of growth and raising profitability through a broad-based upgrade in management and operations. It is against such background that we put forward the management principle of "restructuring, repositioning, enhancing intrinsic value and increasing efficiency" for the year.

PRESIDENT'S STATEMENT

This year marks the beginning of the implementation of the 2016-2020 strategic plan, the "π Plan", of BAIC Motor. Beijing Brand will, riding on the success of its SUV launch in the first year, continue to focus on the SUV market. It will also increase efforts to advance the development and delivery of new energy vehicle models and promote the strategy of new energy + SUV "E+S", thus creating a synergistic "two-wheel drive" product landscape. Beijing Benz will seize the opportunity presented by the boom in the premium vehicle market and keep the momentum of high-speed growth through launching new production facilities and strengthening strategic cooperation with Daimler. Meanwhile, by commissioning its new production base according to schedule and obtaining permits for entering the new energy vehicles market, Beijing Hyundai will increase the proportion of mid- to high-end SUV ("D+S") products, thus consolidating its first camp position in the PRC passenger vehicle industry while seeking new breakthroughs.

With reform and innovation as the engines in 2016, we will focus on proprietary brand, new energy vehicles, international business and smart vehicles, and ride on the trend of "Internet+", while striving for business optimization and resource consolidation. We will aim at achieving synergy in the business strategy, operation and resources of our proprietary brand and joint venture brands, with priority given to quality, efficiency and brand management. We will promote the free flow and sharing of resources, experiences and models to create synergy and build competitiveness. We will enhance overall budget management and further promote full value-chain cost control. We will continue to extend product range, increase research and development efficiency, and improve the competitive advantages of our products. We will also enhance the operating performance of Beijing Brand and unleash the superior capabilities of the joint venture companies, thus making our Group the leader in the Chinese automobile market.

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

President
Li Feng

March 24, 2016

SUMMARY OF FINANCIAL INFORMATION

Summary of financial information of the Group for the years 2011 to 2015 is as follows:

(Unit: RMB million)

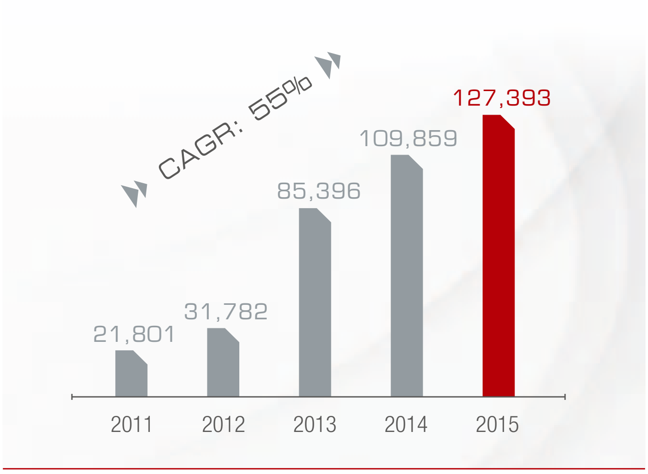
	For the year ended December 31				
	2015	2014	2013	2012	2011
Comprehensive income					
Revenue	84,112	56,370	12,782	3,520	1,916
Cost of sales	68,835	47,387	12,367	3,688	1,888
Gross profit/(gross loss)	15,277	8,983	415	(168)	28
Other gains, net	1,244	1,540	620	1,856	106
Selling and distribution expenses	8,002	5,646	2,203	1,031	399
General and administrative expenses	4,039	3,455	1,316	506	355
Financial costs-net	416	533	474	158	82
Share of profit of joint venture	4,102	5,712	5,987	3,835	3,572
Share of profit/(losses) of associates	155	97	36	(43)	(86)
Profit before income tax	8,321	6,698	3,065	3,785	2,784
Income tax expense	1,999	857	114	226	21
Profit for the year	6,322	5,841	2,951	3,478	2,567
Attributable to					
Equity holders of the Company	3,319	4,511	2,714	3,417	2,598
Non-controlling interests	3,003	1,330	237	61	(31)

	As of December 31				
	2015	2014	2013	2012	2011
Total assets, total liabilities and non-controlling interest					
Total assets	127,393	109,859	85,396	31,782	21,801
Total liabilities	80,324	67,890	54,342	15,770	10,501
Non-controlling interest	12,059	8,614	7,362	215	441

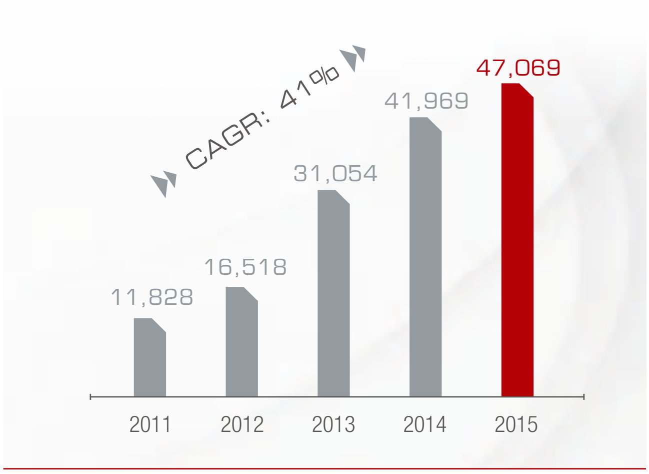
Note: As the acquisition of 100% equity interest of Guangzhou Company in 2014 constitutes a business combination under common control, the 2013 data was restated in the consolidated financial information of the Company in 2014. The data of 2013 and 2014 were extracted from the Company's 2014 Annual Report. The data of 2011 and 2012 are extracted from the Company's Prospectus.

SUMMARY OF FINANCIAL INFORMATION

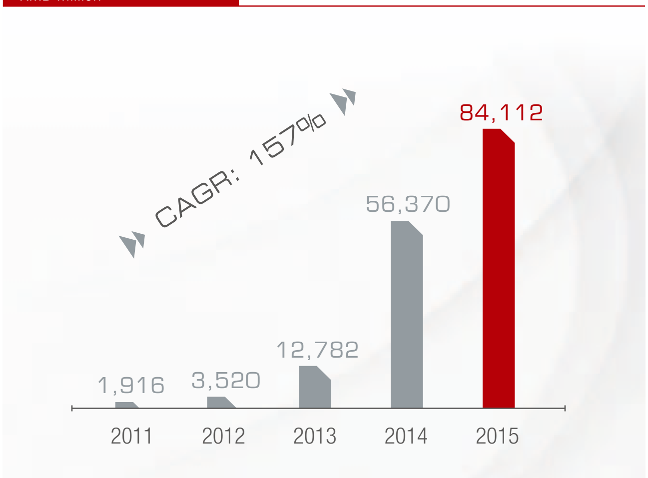
Total Asset
RMB million



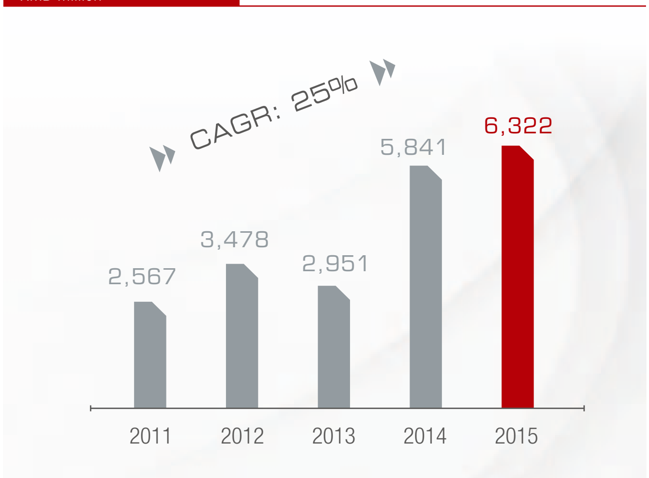
Total Equity
RMB million



Revenue
RMB million



Annual Profit
RMB million



COMPANY PROFILE

OVERVIEW

The Company, founded in September 2010, is the platform for vehicle source aggregation and business development of BAIC Group. It is strongly supported by the Beijing Municipal Government.

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 proprietary Beijing Brand ("Beijing Brand"), which has a leading technology platform and has experienced stable sales growth, (ii) the premium passenger vehicle brand of Mercedes-Benz, which has a long history, and (iii) Beijing Hyundai's mid- to high-end brand with industry-leading sales volume. We offer a variety of complementary 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 also offer a variety of passenger car models covering a full range of sedans, SUV, MPV, CUV and new energy vehicles. to satisfy demands of customers for different types of vehicles.

The Company completed its H Shares initial public offering and was listed on the Main Board of the Stock Exchange on December 19, 2014. (H-share stock abbreviation: Beijing Motor; H Shares stock code: 1958).

BEIJING BRAND

Currently, the Beijing Brand passenger vehicle business covers the Senova series, BJ series, Wevan series and new energy products manufactured based on the traditional vehicle models. The manufacturing Bases for Beijing Brand are Beijing base (Beijing branch), Zhuzhou base (Zhuzhou branch) and Guangzhou base (Guangzhou Company, a subsidiary of the Company).

In 2015, we totally sold 337,102 units of Beijing Brand passenger vehicles, representing a year-on-year increase of 8.9%.

Senova

We commenced the sales of Senova passenger vehicles in May 2013. Senova is a mid- to high-end passenger vehicle product series under Beijing Brand and targets customers who value both vehicle performance and cost efficiency. "Dedicated to Performance" is the brand philosophy of Senova.

In 2015, following the introduction of the three Senova sedans of D20, D50 and D70, Senova continued to launch SUV CC and the high-end D80. In the launch year for SUV, we debuted two Senova SUV models, X65 and X25, to further enrich the Senova product line; and in 2016, we will continue with the momentum with two models of SUV products, X55 and X35, to address the market demand and compete aggressively in the SUV market.

BJ

BJ products made its market debut in December 2013 after being rebranded as a pioneer brand of BAIC which is inherited from the half century long military vehicle with a strong DNA of pure die-hard off-road vehicle. "Pure Cross-Country, Absolutely Boundless" is the brand philosophy of BJ.

The off-road model under BJ series now selling on the market is (BJ) 40. In 2016, BJ series will continue to strengthen its position of "Celebrity Off-Road", and will launch BJ40 four-door version and BJ80 models to cover the mid- to high-end off-road market.

Wevan

We commenced the sales of Wevan passenger vehicles in 2011. The Wevan series focuses on CUV and MPV products, and targets small and micro businesses and individuals in China. Major products include the CUV models of Wevan 306 and Wevan 307, and the MPV models of Wevan M20 and the facelifted M30. Wevan plans to launch its first SUV model of S50 and brand new MPV model of M50 in 2016.

New Energy Vehicle

In the new energy vehicle arena, the Company will roll out plans to transform traditional vehicles to new energy vehicles in full swing and actively prepare for the production of new energy vehicle models in the various manufacturing bases in order to realize the "two-wheel drive" of SUV + new energy products. In 2015, our star models of EV series will, on the basis of E150EV and EV160, advance further with the introduction of V200 model, as well as EU260 and ES210 models which were transformed from the hot selling traditional sedans. In the year 2016, Beijing Brand will continue practicing the strategy of "E+S" to win in the new energy arena by launching the first SUV model of pure electrical vehicle in China, EX200, and a novel new energy flagship sedan model, EH400. Together, these five new models of new energy vehicles with high product range coverage will take the lead in the new energy pure electric vehicle market.

COMPANY PROFILE

BEIJING BENZ

Beijing Benz is our subsidiary. The Company holds 51.0% equity interest of Beijing Benz, while Daimler AG and its wholly-owned subsidiary, Daimler Greater China Ltd., together hold 49.0% equity interest of Beijing Benz. Beijing Benz is the third-largest producer of Chinese joint venture premium passenger vehicles market by sales in 2015.

In 2015, Beijing Benz sold 250,188 units of passenger vehicles, representing a year-on-year increase of 72.0%.

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, GLC-Class SUV, and GLK- and GLA-Class SUVs. In April 2015, Beijing Benz launched the GLA-Class SUV and the Mercedes-Benz standard-wheelbase C-Class sedan. In October 2015, the GLC-Class SUV was launched. A brand new generation product of Mercedes-Benz E-Class sedan is scheduled to be put on the market in 2016.

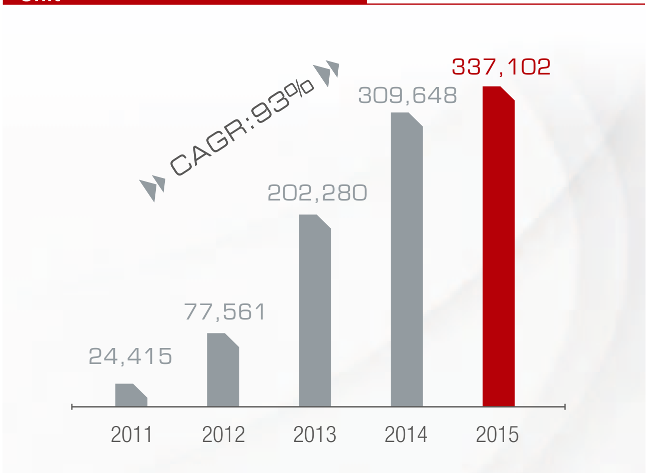
BEIJING HYUNDAI

Beijing Hyundai is the joint venture between our Company and Hyundai Motor. 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 2015.

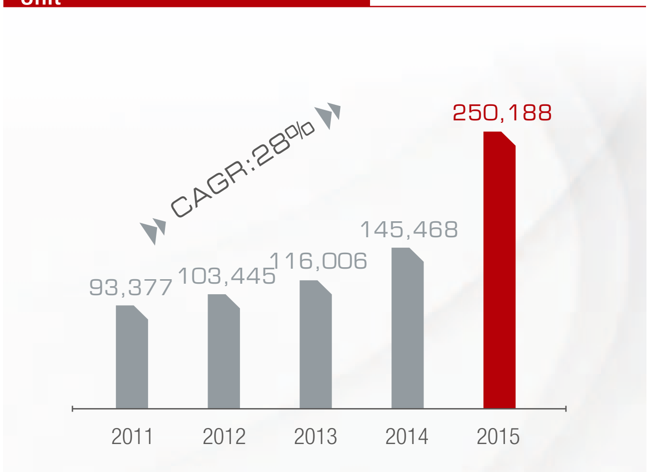
In 2015, Beijing Hyundai sold 1,062,826 units of passenger vehicles, representing a year-on-year decrease of 5.1%.

Beijing Hyundai commenced the manufacturing and sales of passenger vehicles in 2002 and currently the major products include mid class sedans, namely, the 9th Generation Sonata, Mistra, Sonata Monica, SUV New Tucson, brand new Santa Fe, IX35 and IX25, among others. In March 2015, Beijing Hyundai launched the 9th Generation Sonata, a mid- to high-end sedan, and in September 2015, the brand new Tucson SUV. Beijing Hyundai also launched the mid-Class sedan Lingdong in March 2016 and plans to launch a brand new compact model.

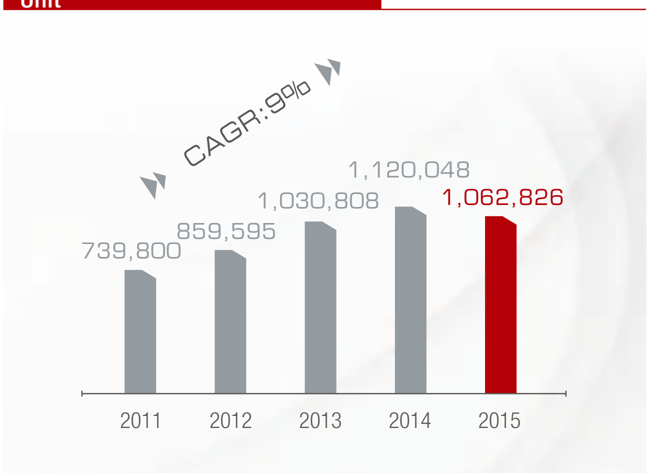
Sales Volume of Beijing Brand
Unit



Sales Volume of Beijing Benz
Unit



Sales Volume of Beijing Hyundai
Unit



COMPANY PROFILE

ENGINES AND AUTOMOBILE PARTS AND COMPONENTS

For Beijing Brand, we manufacture the engines and other key automobile parts and components for use in our passenger vehicles as well as for sale to other automobile manufacturers. By digesting and assimilating Saab technology and through the combination of co-operative and independent development, we have completed the product development of engines and gear boxes one after another. Mass production of these products has commenced and they are widely used on passenger vehicle series such as Senova, Wevan and BJ, among others. At the same time, we produce core parts and components including camshafts and connecting rods and for private use of BAIC Motor. Currently, camshafts, connecting rods and other products are being supplied to Mercedes-Benz, Hyundai, Fiat and a dozen other automobile manufacturers.

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. With the export of the engine cylinder blocks, cylinder heads, crankshafts and other parts, Beijing Benz is able to enhance its connection with and position in Daimler's global production hubs.

MANUFACTURING FACILITIES OF THE GROUP

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.

DISTRIBUTION NETWORK

The Group has established extensive distribution network in China, and Beijing Brand, Beijing Benz and Beijing Hyundai each independently launch their own sales and marketing activities.

RESEARCH AND DEVELOPMENT STATUS

The Group believes that research and development ability is crucial to future development. The research and development of the Group is done independently and through forming alliances with cooperative partners. 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.

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.

On February 6, 2015, the Company entered into a joint venture agreement with MBtech Group GmbH & Co. KGaA ("MBtech") for the establishment of a joint venture, BAIC MB-tech Development Center Co., Ltd. It is expected that the project will optimize the research and development capabilities of the Company, effectively support the development of the Company's proprietary brand, facilitate the further improvement of its overall strength and capability as an automobile manufacturing enterprise and enhance its core competitiveness in line with the national policy to encourage improvement of self-innovation.

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. It is equipped with world-class research and development facilities for localized adaptive design, localization of production of parts and components, introduction of new energy vehicles, testing of automobiles and components and pilot production while gradually becoming a complete trial assembly plant. It is also the largest research and development centre in joint venture outside Germany for Daimler AG.

COMPANY PROFILE

COMPANY STRUCTURE

Our ownership structure has the characteristic of diversity and internationalization.

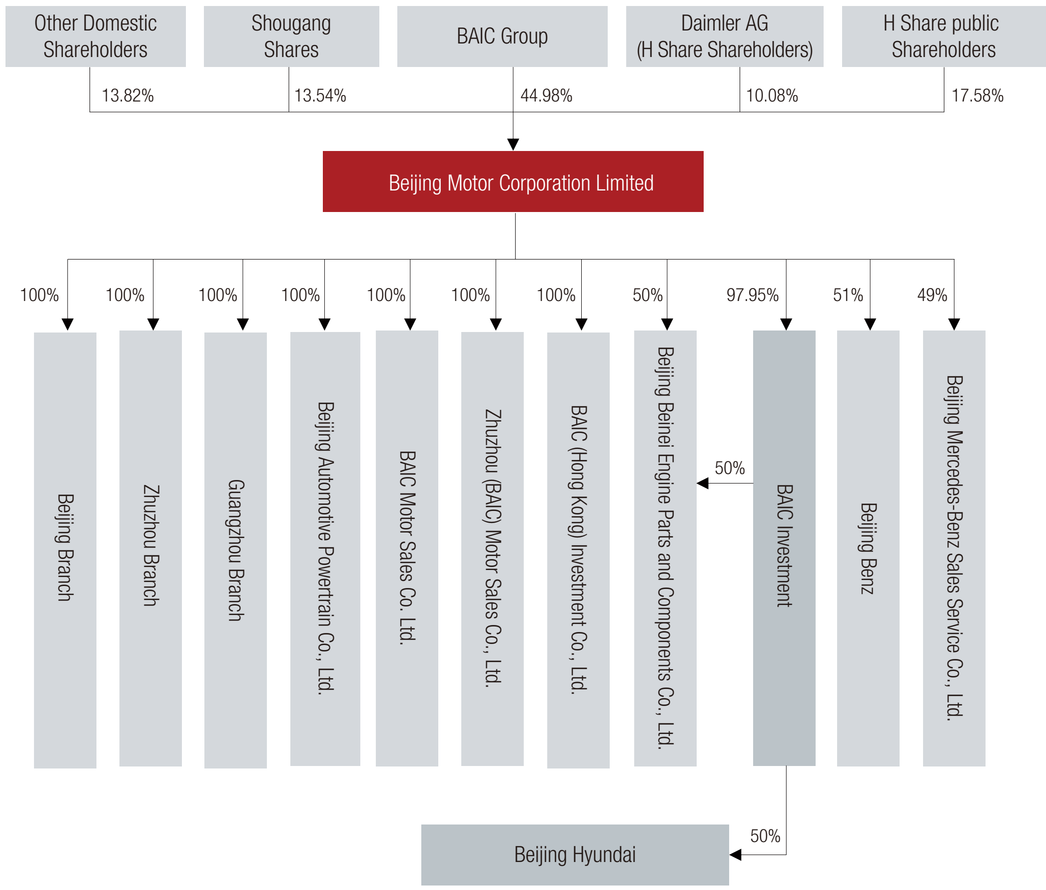
BAIC Group is the only Controlling Shareholder of the Company with 44.98% equity interest of the Company as of the Date of Issue of the Report. BAIC Group is one of the five major automobile manufacturing groups with over 50 years of operating history. It has developed into a diversified business and 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.

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 the Company and Daimler AG, the world class manufacturer, our Company and BAIC Group signed a series of agreements with Daimler AG since 2012, including Daimler AG acquiring interests of the Company, the Company increasing shareholding in Beijing Benz, the Company acquiring equity interest of Fujian Benz Automotive Co., Ltd. held by Fujian Motor Industry Group Co., the joint venture of Daimler AG, 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.

COMPANY PROFILE

The following chart is our major corporate structure as of the Date of Issue of the Report:



BEIJING BRAND • MAJOR MODEL

1. BAIC Senova X25
2. BJ40L
3. BAIC Senova X55
4. BJ80
5. BAIC EV200
6. BAIC Wevan S50
7. BAIC EU260
8. BAIC Wevan M30

BEIJING BENZ • MAJOR MODEL

BEIJING HYUNDAI • MAJOR MODEL

- 9 New GLC SUV
- 10 GLA SUV
- 11 Standard-wheelbase C-Class Sedan (sport)
- 12 E-Class Sedan
- 13 IX25
- 14 Elantra Lingdong
- 15 Sonata 9th Generation
- 16 All New Tucson

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW AND BUSINESS SEGMENT OVERVIEW

Industry Overview

Global economy has weakened considerably on the whole in 2015. The differences are more pronounced among various countries and regions. IMF (International Monetary Fund) has forecasted an increase in economic growth of 3.1% for the whole year, which is down by 0.3% from that of 2014. During the second half of 2015, as a result of the various policies for "stabilizing growth", China's macroeconomy gradually became steady in the fourth quarter with an increase in the Gross Domestic Growth ("**GDP**") of 6.9%, which decreased by 0.4 percentage points as compared with that of 2014.

According to the statistics of China Association of Automobile Manufacturers, the sales volume of passenger vehicles in 2015 reached a new record high of 21.1 million units, representing a year-on-year increase of 7.3% and a decrease by 2.6 percentage points in growth rate as compared to the corresponding period in 2014. The PRC's passenger vehicle market in 2015 was a year of ups and downs, with the first half of the year affected by the slowing down of the overall growth in the economy which, coupled with the impact of stock market volatility and other external economic factors, has resulted in the downward trend of the industry. The passenger vehicle market made gradual recovery in the third quarter due to favorable policies, and presented a strong rebound.

Business Segment Overview

In 2015, the annual sales of the Group bucked the trend, with Beijing Brand, Beijing Benz and Beijing Hyundai recording a total annual sales volume of 1,650,100 units of traditional vehicles and new energy vehicles, representing a year-on-year increase of 4.8%, of which Beijing Brand and Beijing Benz together achieved an annual sales volume of 587,300 units, representing a year-on-year increase of 29.0%. This is 21.7 percentage points higher than the growth rate of 7.3% of China's passenger vehicle industry.

Capitalizing on the strong growth opportunities in the MPV, SUV and new energy vehicles markets, Beijing Brand has launched a variety of new models, with an annual sales volume of 337,100 units of traditional vehicles and new energy vehicles, representing a year-on-year increase of 8.9%. Beijing Benz's stellar sales performance boosted annual sales volume to 250,200 units, representing a year-on-year increase of 72.0%. Beijing Hyundai, due to the negative growth rate in the automobile market and compounded by multiple factors such as increasing competition and structural adjustment throughout the year, recorded an annual sales volume of 1,062,800 units, representing a year-on-year decrease of 5.1%.

The annual sales volume of the off-road vehicles sold by the Beijing Automobile Works Co., Ltd., a subsidiary of BAIC Group, was 1,615 units.

Furthermore, improved cost efficiency, new product development, quality control and innovative management practices in production operation enabled the Group to achieve certain breakthroughs, laying a solid foundation for further adjustments on business management and realization of the goals in the 2020 "π Plan".

Beijing Brand

2015 saw continued slow growth in the passenger vehicle market due to various factors including the impact from economic downturn, and the stock market volatility. In the face of tough market conditions, Beijing Brand provided additional sales promotions to consumers in order to strengthen and expand its market share. Moreover, majority of products under the Beijing Brand were able to enjoy the policy of 50% reduction on purchase tax that was put in place by the Chinese government for passenger vehicles with displacement of 1.6L and below, thus making a positive impact on the sales growth. In view of the foregoing, Beijing Brand recorded an annual sales volume of 337,100 units, representing a year-on-year increase of 8.9%, of which, the SUV and MPV segments continued to maintain rapid growth.

In the SUV market, Beijing Brand launched two brand new SUV products, with relatively good sales performance. Senova inaugural SUV X65, launched in the first quarter of 2015, recorded a sales volume of 22,400 units in less than nine-month time. Senova small-sized SUV, Senova X25, was launched at the end of 2015. Its sales volume amounted to 5,800 units in the same month of its launch.

In the MPV market, annual sales volume of Wevan series of MPV under the Beijing Brand was 147,000 units, representing a year-on-year increase of 89.7%, of which Wevan M30, an annual facelift of the star model Wevan M20, was launched in August 2015. It performed well and achieved an accumulative sales volume of 26,600 units by the end of 2015.

Due to the slow growth of the sedan market, sales volume of Beijing Brand sedan products fell slightly in 2015. However, the sales performance of A-Class sedan Senova D50 performed better, with an annual sales volume of 58,200 units, representing a year-on-year increase of around 40.0%.

In addition, with the continued advancement of urbanization, tier 5 and 6 markets[1] saw considerable growth in passenger vehicle market. The Company actively implemented channel penetration strategy through the rapid development of secondary network and satellite stores, and continued expansion of network coverage deep down to low tier markets, and realized rapid growth in tier 5 and 6 markets.

1 Tier 5 and 6 markets are defined by the Company's market segmentation as those markets that meet the criteria of "2014 GDP contribution rate of less than 0.3%, per capita GDP of less than RMB30,000, car ownership of less than 400,000 units". They are normally the cities in the middle and west of mainland China.

MANAGEMENT DISCUSSION AND ANALYSIS

In respect of the new energy vehicles, the Group has actively responded to the PRC government's call for "energy saving, emission reduction" and to pioneer the pursuit of low carbon, environmentally friendly industry. In 2015, Beijing Brand new energy vehicles achieved notable sales performance with a sales volume of 20,100 units, representing a year-on-year increase of 268.6%.

Beijing Benz

In 2015, the sales volume of Beijing Benz was 250,200 units, representing a year-on-year increase of 72.0% which far exceeded the growth rates for the PRC's passenger vehicle market, the China premium vehicle market segment and the major competitors in the corresponding period, bringing significant positive impact to the Group as attested by satisfactory sales performance to its full range of products.

2015 was the first full year launch for the Beijing Benz's brand new generation C-Class sedan, and both the long-wheelbase and standard-wheelbase versions were well recognised in the market with high demand by the consumers. It achieved an annual sales volume of 85,100 units, representing a year-on-year increase of 139.9%.

Beijing Benz launched GLA-Class SUV in the first half of 2015 with great success, and its annual sales volume was 42,700 units. Apart from the highly competitive advantage of its product quality and the Mercedes-Benz brand appeal, the Chinese government's 50% purchase tax reduction policy for passenger vehicles with displacement of 1.6L and below has played a role in its enhanced sales.

GLK-Class SUV under Beijing Benz remained vibrant in its last year of life cycle. Its annual sales volume was 56,800 units, which remained flat as compared with that of 2014. Beijing Benz launched the brand new generation GLC-Class SUV at the end of 2015 and production and sales are, at present, on the upclimb. The Group remains optimistic about its continued sales performance.

Beijing Hyundai

In the first three quarters of 2015, the growth rates of both European and American brands slowed down or declined, whilst Japanese brands have picked up. Domestic brands relied on price advantage to compete for market share in the joint venture brand market. In this circumstance, joint venture brands of automobile manufacturers had to cut prices one after another in order to maintain market share and boost sales. In response to the market conditions, Beijing Hyundai launched aggressive promotion programs in order to improve sales. With the combined effect of the additional sales promotions and the Chinese government's 50% purchase tax reduction policy for passenger vehicles with displacement of 1.6L and below, Beijing Hyundai's year-on-year sales volume for the fourth quarter recovered. Nonetheless, the annual sales volume fell by 5.1% as compared with 2014 as sales performance of the mature brands was below expectation.

Gradual Optimization of Production Chain

With the stable development of various businesses, and upon careful study of industry composition and development strategy, the Company participated in various cooperative projects during 2015. This has further enhanced the participation and control by the Group on production chain. It is expected that these cooperative projects will have positive effect on the core competitiveness and profitability of the Group. The cooperative projects included:

On February 6, 2015, the Company entered into an agreement with MBtech Group GmbH & Co. KGaA to establish a joint venture company. Cooperation will be conducted on research and development and sales of whole vehicles and parts and components for passenger vehicles, as well as research and application of automotive technology. The Company holds 51.0% equity interests in the joint venture company.

On March 22, 2015, the Company entered into a capital increase agreement with Daimler Greater China Co. Ltd. and Mercedes-Benz Leasing Co. Ltd (the "**MBLC**"). The Company has subsequently subscribed the increased capital of MBLC. Upon completion of capital increase, the Company holds 35.0% equity interests in MBLC. Through this cooperation, the Group could further expand into car leasing and financing under the production chain of automobile, which would provide new growth sources of revenue and profit margin for the Group. In addition, it is also the first step of the Company's comprehensive cooperation with Daimler Greater China Co. Ltd. in terms of after-market of automobiles, providing a solid foundation for future cooperation between both parties in the field of car financing.

On April 30, 2015 and June 25, 2015, the Company entered into a joint venture agreement with Baosteel Metal Co., Ltd. and Beijing Hua Sheng Rong Magnesium Technology Co., Ltd respectively with respect to the establishment of a joint venture company; and entered into a "Strategic Cooperation Framework Agreement" in order to conduct in-depth cooperation on various aspects such as magnesium alloy business and light materials research.

On July 23, 2015, the Company entered into a "Strategic Cooperation Framework Agreement" with Huaneng New Energy Co. Ltd. and Sichuan Xiong Fei Group Co. Ltd. to conduct in-depth cooperation on the construction of photovoltaic power generation project.

MANAGEMENT DISCUSSION AND ANALYSIS

For details on the above cooperation, please refer to the relevant announcements issued by the Company on February 9, March 22, May 4, June 26 and July 23, 2015 respectively.

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 the Group. In 2015, the total revenue of the Group increased to RMB84,111.5 million from RMB56,370.3 million in 2014, mainly attributable to the increase in revenue from both Beijing Motor[2] and Beijing Benz.

Revenue generated from Beijing Motor increased by 43.6% to RMB17,848.7 million in 2015 from RMB12,433.7 million in 2014, mainly attributable to (i) the launch of Senova X65 with higher selling price and an increase in sales proportion of Senova D50; and (ii) the partial offset of revenue by the additional price promotion offered by Beijing Brand in order to strengthen and expand market share. The additional price promotion covered all the products of BJ, Senova and Wevan series. The Company usually makes responsive adjustments to the criteria of the additional price promotion for different products according to market conditions.

Revenue generated from Beijing Benz increased by 50.8% to RMB66,262.8 million in 2015 from RMB43,936.6 million in 2014, mainly attributable to the year-on-year increase of 72.0% in sales volume of Beijing Benz, while part of the revenue was offset by the decrease in average revenue due to higher sales volume of GLA-Class SUV at relatively lower selling price.

Apart from revenue generated from sale of vehicles (including traditional vehicles and new energy vehicles), the Group also received subsidies from the government on sale of new energy vehicles.

Cost of sale

The Group's cost of sales increased to RMB68,834.7 million in 2015 from RMB47,386.8 million in 2014, mainly attributable to the increase in the volume of vehicles sold and related increase in costs of Beijing Motor and Beijing Benz.

Cost of sales incurred by Beijing Motor increased by 54.1% to RMB19,268.5 million in 2015 from RMB12,502.6 million in 2014, mainly attributable to (i) the launch of Senova X65 with higher cost and increase in sales proportion of Senova D50; and (ii) the partial offset of cost by cost saving measures implemented by the Company.

Cost of sales incurred by Beijing Benz increased by 42.1% to RMB49,566.2 million in 2015 from RMB34,884.2 million in 2014, mainly attributable to (i) the year-on year increase of 72.0% in sales of Beijing Benz; and (ii) the partial offset of cost by cost reduction measures implemented by Beijing Benz, such as an increase in the proportion of domestic procurement of components and parts.

Gross profit

Based on the aforesaid reasons, the Group recorded gross profit of RMB15,276.8 million in 2015, representing a year-on-year increase of 70.1% from RMB8,983.5 million in the corresponding period in 2014 which was mainly attributable to (i) the year-on-year increase in gross profit of Beijing Benz; and (ii) the partial offset of gross profit by the increase in gross loss of Beijing Brand.

Gross loss of Beijing Motor increased to RMB1,419.8 million in 2015 from RMB68.9 million in the corresponding period in 2014. Gross margin decreased to -8.0% in 2015 from -0.6% in 2014, mainly attributable to greater discount provided in 2015 in order to maintain market share.

Gross profit of Beijing Benz increased by 84.4% to RMB16,696.6 million in 2015 from RMB9,052.4 million in 2014. Gross margin increased to 25.2% in the corresponding period in 2015 from 20.6% in 2014, mainly attributable to (i) the year-on-year increase of 72.0% in sales volume of Beijing Benz; and (ii) the partial offset of cost by cost reduction measures, such as an increase in the proportion of domestic procurement of components and parts by Beijing Benz.

2 When referring to the business segment, "Beijing Motor" refers to the consolidated results of the Company and its subsidiaries (excluding Beijing Benz)

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses

Selling and distribution expenses of the Group increased to RMB8,002.4 million in 2015 from RMB5,646.8 million in 2014, mainly attributable to the increase in selling and distribution expenses of Beijing Motor and Beijing Benz.

Selling and distribution expenses of Beijing Motor increased by 11.8% to RMB1,816.4 million in 2015 from RMB1,625.1 million in 2014, mainly attributable to (i) the year-on-year increase of 8.9% in sales volume of Beijing Brand, leading to an increase in expenses such as warranty, transportation and others along with changes in sales; and (ii) the partial offset of the Company's stricter promotional and market development budget control measures. The proportion of selling and distribution expenses of Beijing Motor to revenue decreased to 10.2% in 2015 from 13.1% in 2014.

Selling and distribution expenses of Beijing Benz increased by 53.8% to RMB6,186.0 million in 2015 from RMB4,021.7 million in 2014, mainly attributable to the year-on-year increase of 72.0% in sales of Beijing Benz, leading to an increase in expenses such as warranty, transportation and others along with changes in sales. The proportion of selling and distribution expenses of Beijing Benz to revenue remained stable with a slight increase to 9.3% in 2015 from 9.2% in 2014.

General and administrative expenses

General and administrative expenses of the Group increased to RMB4,039.1 million in 2015 from RMB3,455.0 million in 2014, mainly attributable to the increase in general and administrative expenses of Beijing Motor and Beijing Benz.

General and administrative expenses of Beijing Motor increased by 12.4% to RMB1,065.7 million in 2015 from RMB947.8 million in 2014, mainly attributable to the increase in the number of employees and employee expenses due to business expansion of Beijing Motor. As a result of the Company's stricter budget control measures on general and administrative expenses of Beijing Motor, the proportion of general and administrative expenses to revenue decreased to 6.0% in 2015 from 7.6% in 2014.

General and administrative expenses of Beijing Benz increased by 18.6% to RMB2,973.4 million in 2015 from RMB2,507.2 million in 2014, mainly attributable to the increase in expenses in relation to employees bonus, urban construction tax, additional education expenses and other expenses due to increase in production and sales volume. The proportion of general and administrative expenses of Beijing Benz to revenue decreased to 4.5% in 2015 from 5.7% in 2014.

Operating profit

Based on the aforesaid reasons, the Group recorded operating profit of RMB4,478.9 million in 2015, representing a year-on-year increase of 215.0% from RMB1,421.8 million in the corresponding period in 2014, mainly attributable to increase in operating profit of Beijing Benz.

Operating loss of Beijing Motor increased by 75.9% to RMB3,341.0 million in 2015 from RMB1,899.5 million in 2014. Operating profit margin decreased to -18.7% in 2015 from -15.3% in 2014, mainly attributable to the additional price promotion offered by Beijing Brand in order to maintain its market share.

Operating profit of Beijing Benz increased by 135.4% to RMB7,819.9 million in 2015 from RMB3,321.3 million in 2014. Operating profit margin increased to 11.8% in the corresponding period in 2015 from 7.6% in 2014, mainly attributable to (i) the year-on-year increase by 72.0% in sales volume of Beijing Benz; and (ii) the partial offset of cost by cost reduction measures implemented by Beijing Benz, such as an increase in the proportion of domestic procurement of components and parts.

Share of profits of joint ventures and associates

The Group recorded a share of profit from joint ventures and associates of RMB4,257.3 million in 2015, representing a year-on-year decrease of 26.7%, mainly attributable to the decrease in net profit of Beijing Hyundai as a result of the additional price promotion offered to consumers and the change in product and sales mix.

Financial expenses

In 2015, the Group incurred total net financial expenses of RMB415.6 million, of which Beijing Motor incurred net financial expenses of RMB537.6 million, representing a year-on-year decrease of 4.1%, mainly attributable to the decrease in cost of borrowings and increase in interest income. Beijing Benz incurred net financial income of RMB122.1 million in 2015. The net financial income was RMB27.3 million in 2014. The increase in net financial income was mainly attributable to (i) the decrease in financial expenses as a result of the decreases in both short term and long term borrowings; and (ii) the increase in deposit interest as a result of sufficient cash flow.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign exchange gains

In 2015, the Group realized foreign exchange gains of RMB90.2 million; the gain was mainly derived from the process of converting the proceeds obtained from the initial public offering of the Company to RMB. In 2014, the Group realized foreign exchange gains of RMB732.7 million mainly due to the appreciation in the exchange rate of RMB against Euro.

Foreign exchange gains and losses were incurred due to offshore procurement of some of the parts and components in foreign currencies for Beijing Benz. Beijing Benz uses foreign exchange forward contracts to lock in forward foreign exchange rate so as to hedge against foreign exchange risk.

Income tax

Income tax expenses of the Group increased to RMB1,998.6 million in 2015 from RMB856.5 million in 2014, mainly attributable to the increase in taxable income. Effective tax rate of the Group increased to 24.0% in 2015 from 12.8% in 2014.

The applicable corporate tax rates for the Company and its subsidiaries were 15.0%, 16.5% and 25.0% for both 2015 and 2014. For details, please refer to Note 31 to audited consolidated financial statements.

Net profit

Based on the aforesaid reasons, the Group recorded net profit of RMB6,322.0 million in 2015 with an increase of 8.2% from 2014, of which Beijing Motor recorded net profit of RMB369.3 million, with a net profit margin of 2.1%. Beijing Benz recorded net profit of RMB5,952.7 million, with a net profit margin of 9.0%. The net profit of the Group included RMB3,003.4 million which is attributable to non-controlling interest in 2015.

In 2014, Beijing Motor recorded net profit of RMB3,368.1 million, with a net profit margin of 27.1%. Beijing Benz recorded net profit of RMB2,473.3 million, with a net profit margin of 5.6%.

Profit attributable to equity Shareholders of the Company

The Group recorded profit attributable to equity Shareholders of the Company of RMB3,318.6 million in 2015, representing a year-on-year decrease of 26.4%. Earnings per share amounted to RMB0.44, representing a year-on-year decrease of 37.1%.

The decrease in profit attributable to equity Shareholders was attributable to the decrease in net profit of Beijing Motor in 2015.

Financial resources and capital structure

As at December 31, 2015, the Group had cash and cash equivalents of RMB23,946.5 million, notes receivable of RMB6,370.6 million, notes payable of RMB2,104.6 million, outstanding borrowings of RMB30,266.0 million, and unused bank credit lines of RMB33,390.3 million. At the same time, the Group had commitments for capital expenditure of RMB7,331.4 million. The above outstanding borrowing included RMB1,560.9 million equivalents of Euro loans and RMB97.4 million equivalents of US dollar loans as at December, 31, 2015.

As at 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 borrowings of RMB29,918.2 million, and unused bank credit lines of RMB29,019.3 million.

The Group usually satisfied its daily working capital requirements through self-owned cash and short-term borrowings. In November 2015, the Company completed the issuance of the first tranche of ultra short-term debentures of RMB2,500.0 million at an interest rate of 3.15% with a term of 270 days; and in December 2015, BAIC Investment, a subsidiary of the Company, completed the issuance of the first tranche of corporate bonds of RMB1,500 million at an interest rate of 3.6% with a term of five years. As at December 31, 2015, the outstanding borrowings of the Group included short-term borrowings and long-term borrowings of RMB21,279.9 million and RMB8,986.1 million, respectively. The Group will promptly repay the aforesaid borrowings at maturity.

Total assets

As at December 31, 2015, the total assets of the Group were RMB127,393.1 million, representing an increase of RMB17,534.4 million as compared with that as at December 31, 2014, mainly attributable to (i) the increase in fixed assets, intangible assets and construction work in progress; and (ii) the increase in accounts receivable as a result of increase in sales volume of Beijing Motor and Beijing Benz.

MANAGEMENT DISCUSSION AND ANALYSIS

Total liabilities

As at December 31, 2015, the total liabilities of the Group were RMB80,323.7 million, representing an increase of RMB12,433.6 million as compared with that as at December 31, 2014, mainly attributable to (i) the increase in raw material payables as a result of increase in sales volume of Beijing Motor and Beijing Benz; and (ii) the completion of the issuance of ultra short-term debentures and corporate bonds, among which the fixed-rate liabilities amounted to RMB11,803.9 million. The borrowing which has the contract of interest rate swap matured in 2015. As at December 31, 2015, the Company did not make any further interest rate hedging arrangements.

Total equity

As at December 31, 2015, the total equity of the Group was RMB47,069.4 million, representing an increase of RMB5,100.8 million as compared with that as at December 31, 2014, mainly attributable to the increase in net profits of Beijing Benz.

Net gearing ratio

As at December 31, 2015, the Group's net gearing ratio ((total borrowings less cash and cash equivalents)/total equity plus the total borrowings less cash and cash equivalents) was 11.8%, representing a decrease of 4.2 percentage points from 16.0% as at December 31, 2014, mainly attributable to the increase in total equity interest.

Significant investment

In 2015, the Group incurred total capital expenditures of RMB7,418.8 million, of which Beijing Motor and Beijing Benz incurred capital expenditures of RMB3,085.8 million and RMB4,333.0 million, respectively.

In 2015, the Group incurred total research and development expenditures of RMB3,729.1 million, the majority of which were incurred by Beijing Motor for its product research and development projects. Most of the aforesaid research and development expenses are capitalized when certain conditions are met by following the accounting policy of the Group.

Material acquisitions and disposals

The Group, its associates and joint ventures did not have any material acquisitions and disposals in 2015.

Pledge of asset

As at December 31, 2015, the Group had pledged notes receivable of RMB2,696.1 million and pledged inventory of RMB528.7 million.

Contingent liabilities

The Group had no material contingent liabilities as at December 31, 2015.

Employee and remuneration policies

As at December 31, 2015, the Group had 25,461 employees, while there were 22,015 employees as at December 31, 2014. In 2015, the Group incurred total staff costs of RMB4,557.6 million, representing a year-on-year increase of 30.6%, mainly attributable to (i) the year-on-year increase in number of employees of Beijing Benz; and (ii) the increase of relevant performance bonus of Beijing Benz based on the completion progress of annual operating plan.

The Group set employee remuneration standards based on employees' qualifications, positions and industry average levels, and offered rewards based on the Group's operating performance and the performance of individual employees.

RISK FACTORS

Commercial environment Risk

1. ***Risks relating to macroeconomic volatility***

   Macroeconomic performance will have significant impact on consumer demand for passenger vehicles, and therefore will affect the Group's business performance. According to the forecast of the Chinese Academy of Social Sciences (CASS), China's GDP growth is expected to stabilize in 2016 with an annual growth rate of 6.7%, lower than the 6.9% growth rate in 2015. The Group will continue to pay attention to the macroeconomic situations in China, and introduce responsive measures in due course to deal with the volatility in the economic environment.

2. ***Risks relating to the fluctuation of raw material prices***

   The key raw materials used by the Group in the research and development, production and sales of automobiles include steel, rubber, plastics and paint. With the continuous increase in production and sales, the key materials for production procured by the Group from its suppliers have also grown in volume with each passing year. If there is a surge in commodity prices, even though part of its impact can be offset by the Group through measures such as changing allocation and raising prices, it will still adversely affect the Group's business performance.

MANAGEMENT DISCUSSION AND ANALYSIS

3. *Risks relating to fuel consumption and emission policies*

As a result of global energy shortage, countries around the world have adopted a range of measures to cut the fuel consumption of vehicles. The Chinese government will also introduce stricter standards on fuel consumption. The Group has already taken a series of steps to meet the requirements of the government, which have increased raw material costs and development expenditures, thus affecting the Group's business performance.

In the meantime, exhaust emissions of traditional vehicles are viewed as one of the primary sources of air pollution. The Chinese government is constantly raising the emission standards of traditional vehicles. The Group has taken voluntary actions to fulfill its social responsibilities and support the implementation of the relevant emission regulations. However, the increased raw material costs and development expenditures will also affect the Group's business performance.

4. *Risks relating to the fluctuation of oil price*

The target consumers of the Group's Beijing Brand and the passenger vehicle products of Beijing Hyundai are more sensitive to changes in oil prices than those of Beijing Benz. Higher oil prices will, to a certain extent, discourage the purchase desire of potential buyers of the Beijing Motor and Beijing Hyundai. The price of oil in the international market is influenced by changes in supply and demand, and, as a form of financial product, it also faces the risks of price volatility. The pricing mechanism for finished oil products in China is still in the process of reform, and oil prices are not yet fully determined by the market. If there is a substantial rise in international oil prices or a major adjustment to China's oil pricing policies, the Group's sales might be affected, which, in turn, will cast a negative light on the business performance of the Group.

5. *Foreign exchange risks*

The Group makes payment mainly for Beijing Benz for some of their imported components and automobile parts with Euro and other foreign currencies, and uses foreign currency borrowing as a means to lower fiscal expenditures. Apart from this, all the capital raised by the Company through initial public offering and any follow-up stock issuance in the Main Board of the Stock Exchange are in Hong Kong dollars. Fluctuations in exchange rates may exert a certain impact on the Group's business performance.

Since the second half of 2015, expectations have been strengthening for the depreciation of RMB. In response to this, the Group has exerted utmost efforts to reduce the size of debt denominated in foreign currencies. In the meantime, guided by an effectively developed strategy of foreign exchange management, the Group continues to take orderly steps to control the exchange rate risks. Forward contract is the primary hedging tool currently used by the Group.

Operating risks

1. *Competitive risks*

Because of the situation of market sales, automobile companies have all resorted to sales promotion as the strategy for maintaining market share. If market demand remains weak, automobile companies might be forced to step up their promotion strategies, leading to a further decline in the actual trading price of vehicles which will increase price risks to the companies.

2. *Risks relating to the losses of the Beijing Brand business*

Due to the temporary weakness in the automobile market, the business of Beijing Brand continued to record operating losses in 2015. The Company will continue to minimize the operating losses incurred by the Beijing Brand by implementing strict cost-saving and budget control measures and raising the profitability of its products.

3. *Risks relating to capacity expansion*

Despite the slowdown in growth rate, China, the world's largest passenger vehicle market, continues to offer huge opportunities for automobile companies. In order to gain a bigger share in the market, the various brands of the Group have all expanded their capacity of varying degrees in recent years. If market sales fail to meet expectations, the additional fixed costs generated by these new capacities will weigh on the Group's business performance.

MANAGEMENT DISCUSSION AND ANALYSIS

4. ***Risks of failing to launch products welcomed by the market timely***

   Whether products welcomed by the market can be launched timely will exert certain impact on the Group's business performance. The various brands of the Group have already launched several popular products, including Benz C-Class Sedan, GLA SUV, GLC SUV, Senova X65, Senova X25 and Wevan M20, Wevan M30 which are much welcomed by consumers. Nevertheless, in the face of growing consumer demand for improved user experience and ever intense market competition, the Group will continue to develop and launch new products which are responsive to the design preference, user habit and quality requirements of consumers.

OUTLOOK OF 2016

Industry Overview

The focus of China's macroeconomics in 2016 is on structural adjustment and steady growth. While there is increasing downward pressure on economy, the automobile market in the PRC will face both favorable and unfavorable factors. The downward pressure on macroeconomics continues to exist while increasingly stringent restriction policies affect the demand for vehicles. However, the reform on vehicle supply side may further stimulate market demand, which aids the regional market to release its growth potential. At the same time, the growth in market segment for SUV is expected to continue. According to the estimation from China Association of Automobile Manufacturers, China's automobile sales in the year is expected to be 26.0 million units (of which 25.4 million units are domestic, and 0.6 million units are exported), representing a year-on-year increase of 6.0%.

Beijing Brand

In 2016, Beijing Brand will further advance the "E+S" strategy and launch a number of SUV models and new energy vehicles models to meet market demand, including Senova X55, Senova X35 and Wevan S50, among others. It will also launch new energy vehicles models which are transformed from the traditional vehicle models in order to further seize the SUV vehicle market and maintain its leadership position in the new energy vehicle market.

Senova X55 targeting full-field SUV, will be available with 1.5L naturally aspirated engine and 1.5L turbo engine, with manual or automatic transmission.

Senova X35 urban-type SUV, will be available with 1.5L naturally aspirated engine with manual or automatic transmission.

Wevan S50 is positioned as an economical SUV. The first SUV model under the Wevan series will be available with 1.5L turbo engine with manual or automatic transmission.

Wevan M50 will be positioned as a front-engine and front-wheel drive product to complement the existing models of Wevan product series in order to meet different consume needs in the market. Most of the products above are applicable for the Chinese government's policy of 50% reduction on purchase tax for passenger vehicles with displacement of 1.6L and below. The Company remains cautiously optimistic about sales expectation.

With the in-depth implementation of the "E + S" strategy of the Beijing Brand and the continuous improvement of its new energy and SUV product matrix, the effect of consolidated efforts will quickly come into sight making it the company's strong sales growth engine.

Beijing Benz

In 2016, on the basis of the steady growth of the GLA-Class SUV and the C-Class series, operation performance of Beijing Benz will mainly rely on the outcome of the GLC SUV market and the performance of the brand new generation of E-Class passenger vehicles to be launched within the year.

At the same time, in consideration of the sales volume of Beijing Benz in 2015 and the marketing strategy that the competitors may be taking, the Group expects the growth rate of Beijing Benz in 2016 will be lower than that of 2015 but still maintains rapid increase.

Beijing Hyundai

In 2016, Beijing Hyundai will still be facing great pressure on competition. For this reason, Beijing Hyundai will set its focus on steadily increasing market share, maintaining a stable market position, and ensuring sales target to be achieved. Beijing Hyundai will flexibly adjust its sales promotion policy according to the automotive market situation, through launching two new products and safeguarding a stable supply of SUV products to achieve its annual business objectives.

The Company expects in 2016 the SUV product heat will continue to ferment, and market competition will become fierce. Beijing Hyundai will take various measures including enhancing the competitiveness of its existing products, increasing sales on high profit-margin products, and reducing procurement costs, so as to safeguard a stable profit level of SUV products.

In addition, the Beijing Hyundai plant in Cangzhou will be officially put into operation by the end of 2016. With the operation of this new plant, Beijing Hyundai will successively introduce the brand new Elantra model of Lingdong, and the A0-Class economical passenger vehicle. Beijing Hyundai, while maintaining the A0-Class market share in its segment, will expect a rapid climb in sales volume, and less impact on annual results from the operation of the new plant as much as possible.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors hereby presents the report of the Board of Directors, annual report and 2015 audited consolidated financial statements as prepared in accordance with the International Financial Reporting Standards.

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 listed on the Main Board of the Hong Kong Stock Exchange.

PRINCIPAL BUSINESS

Please refer to the section headed "Company Profile" on pages 9 to 17 of this report for details.

BUSINESS REVIEW

Please refer to the section headed "Management's Discussion and Analysis" on page 18 to 25 in this report for information on the business conditions, main risks and uncertainties faced by the Company and the Group in 2015, and the forecast of 2016 outlook.

In 2015, the Company and the Group followed strictly the relevant laws, regulations and environmental policies in China, and established appropriate mechanisms for compliance operation, in order to make initial preparation for the "Environmental, Social and Governance Reporting Guide" enacted by the Hong Kong Stock Exchange.

PERFORMANCE

The 2015 annual results and the financial position as of December 31, 2015 of the Company and the Group are set out in on pages 69 to 145 of the audited consolidated financial statements in this report.

PROPERTY

Change of property, plant and equipment of the Group in 2015 are set out in Note 7 to audited consolidated financial statements.

SHARE CAPITAL

The total share capital of the Company is RMB7,595,338,182.0 and is divided into 7,595,338,182 shares, at par value of RMB1.00 per share as of the Date of Issue of the Report (comprise of 5,494,647,500 Domestic Shares and 2,100,690,682 H Shares).

Share capital position of the Company for 2015 is set forth in Note 21 to audited consolidated financial statements.

TAXATION

Tax position of the Group for 2015 are set forth in Note 31 to audited consolidated financial statements.

EVENTS AFTER BALANCE SHEET DATE

Ms. Yung Mei Yee ("**Ms. Yung**") has tendered her resignation as the agent for services of process in Hong Kong of the Company as required under the Companies Ordinance (the "**Process agent**") and Ms. Mok Ming Wai have been appointed in replacement of Ms. Yung as the Process agent, both with effect from March 24, 2016.

The details for other events after balance sheet date of the Group are set forth in Note 37 to audited consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of the change in the reserves of the Company and the Group for 2015 are set forth in Note 39 to audited consolidated financial statements, and on pages 72 to 73 of the audited Consolidated Statement of Changes in Equity respectively, among which the details of the reserve distributable to Shareholders are set forth in Note 39 to audited consolidated financial statements.

PROFIT DISTRIBUTION

In accordance with the "Notice on the issues of profit distribution for overseas listed pilot companies implementing shareholding system" (Cai Kuai Zi [1995] No. 31) and the Articles of Association of the Company (provisions of Article 193 of the Articles of Association in comparison to the China enterprises), distributable profits will be determined based on either the Chinese accounting standards and IFRS, whichever is lower.

The Board recommends to distribute an annual dividend for the year 2015 of RMB0.15 per share (tax inclusive). The proposal will be submitted to the Company's 2015 annual general meeting for review and approval. Expected date of distribution will be no later than August 19, 2016.

REPORT OF THE BOARD OF DIRECTORS

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company and the Group did not purchase, redeem or sell the Company's listed securities for the year 2015.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company was listed on the Main Board of the Stock Exchange on December 19, 2014. The net proceeds from the initial public offering are approximately RMB8,523.8 million.

As of the end of 2015, the net proceeds from the initial public offering have been spent on investment in fixed assets, development of Beijing Brand passenger vehicles, expansion of sales network and promotion of Beijing Brand passenger vehicles, repayment of bank loans, etc. Usage of the net proceeds is 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 Company for the top five clients accounted for 4.9% of the total revenue in 2015, among which the transaction amount of the single largest client accounted for 1.8% of the total revenue.

Major suppliers

The transaction amount of the Group for the top five suppliers accounted for 55% of the Group's total purchase (raw material used in cost of sales) in 2015, among which the transaction amount of the single largest supplier accounted for 32.8% of the Group's total purchase (raw material used in cost of sales) in the year.

In 2015, Daimler AG, the Group's largest supplier, Beijing Hainachuan Johnson Automotive Parts Co., Ltd., the second largest supplier, Beijing Electric Vehicle Co., Ltd., the fourth largest supplier, and Beijing AsiaPac Automobile Chassis System Co. Ltd., the fifth largest supplier, are related parties of the Group, and together they accounted for approximately 49.3% of total purchase (raw material used in cost of sales) in the year.

In 2015, Mr. Hubertus Troska and Mr. Bodo Uebber, the non-executive Directors of the Company, held interests in Daimler AG. Save as disclosed above, to the best knowledge of the Directors, none of the Directors, associates of Directors and Shareholders (who to the best of the Directors' knowledge held more than 5% interest in the Company's share capital) has interests in the top five suppliers of the Group in 2015.

RELATIONS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group provides competitive remuneration portfolio to attract and incentivize employees. The Group reviews the employees' remuneration portfolio on a regular basis and makes necessary adjustment to in line with the market standard. The Group also understands that it is of great importance to maintain good relations with suppliers and customers for the realization of the short-term and long-term goals. For the purpose of maintaining the competitiveness of brands and the leading position, the Group is committed to providing premium products and services to customers. For the year 2015, the Group had no material and significant dispute with suppliers and/or customers.

BANK LOANS AND OTHER BORROWINGS

The details for bank loan and other borrowings of the Group as of December 31, 2015 are set forth in Note 22 to audited consolidated financial statements.

DONATIONS

In 2015, the total amount of donations made by the Group was RMB41.7 million.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets out the information of Directors, Supervisors and senior management of the Company as of the Date of Issue of the Report:

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 Lung 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

Supervisors

Name	Position	Commencement Date of Appointment[1]
Mr. Zhang Yuguo	Chairman of the Board of Supervisors	September 20, 2010
Mr. Yin Weijie	Supervisor	September 6, 2013
Mr. Yu Wei	Supervisor	June 29, 2015
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
Mr. Wang Jianping	Employee Representative Supervisor	February 25, 2015
Mr. Pang Minjing	Independent Supervisor	July 24, 2015
Mr. Zhan Zhaohui	Independent Supervisor	July 24, 2015

1 Mr. Xu Heyi, Mr. Li Zhili, Mr. Ma Chuanqi and Mr. Yang Shi have been employed and appointed as Director 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.

REPORT OF THE BOARD OF DIRECTORS

Senior Management

Name	Position	Commencement Date of Appointment
Mr. Li Feng	President	May 20, 2013
Mr. Li Jikai	Vice President	March 17, 2014
Mr. Wu Xuebin	Vice President	September 6, 2013
Mr. Chen Bao	Vice President	March 22, 2013
Mr. Zhou Yanming	Vice President	December 10, 2010
Mr. Chen Hongliang	Vice President	March 22, 2013
Mr. Liu Zhifeng	Vice President	June 1, 2013
Mr. Wang Zhang	Vice President	March 22, 2015
Mr. Chen Guixiang	Vice President	November 20, 2015
Mr. Cai Jianjun	Vice President	November 20, 2015
Mr. Gu Lei	Vice President	March 22, 2015
Mr. Jiang Xiaodong	Vice President	March 17, 2014
Mr. Yin Taihe	Vice President	August 30, 2012
Mr. Zhang Huaxie	Vice President	March 22, 2015
Mr. Liang Guofeng	Vice President	March 22, 2013
Mr. Xie Wei	Vice President	November 20, 2015
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 individuals on the basis of Rule 3.13 of the Listing Rules.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Jianping was elected by poll at the employee representative meeting of the Company and appointed as employee representative Supervisor of the Company, effective from February 25, 2015 until the expiration of the term of the second session of the Board of Supervisors on September 8, 2016.

Mr. Yu Wei was elected by poll at the general meeting of the Company and appointed as Supervisor of the Company on June 29, 2015, effective from the date of approval at the general meeting until the expiration of the term of the second session of the Board of Supervisors on September 8, 2016.

Mr. Pang Minjing and Mr. Zhan Zhaohui were elected by poll at the general meeting of the Company and appointed as Independent Supervisor on June 29, 2015, effective from July 24, 2015 until the expiration of the term of the second session of the Board of Supervisors on September 8, 2016.

On March 22, 2015, Mr. Wang Zhang, Mr. Zhang Huaxie and Mr. Gu Lei were appointed as vice presidents of the Company by the Board of Directors for a term of office effective from March 22, 2015 until the expiration of the term of the second session of the Board of Directors on September 8, 2016.

On November 20, 2015 Mr. Chen Guixiang, Mr. Cai Jianjun and Mr. Xie Wei were appointed as vice president of the Company by the Board of Directors for a term of office effective from November 20, 2015 until the expiration of the term of the second session of the Board of Directors on September 8, 2016.

On March 22, 2015, Mr. Zhang Hui was dismissed from the position of vice president by the Board of Directors.

Save as disclosed above, the Company had no appointment or dismissal of Directors, Supervisors and senior management during 2015. Meanwhile, as of the Date of Issue of the Report, there is no change in information of the Directors, Supervisors or chief Executive which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules,

REPORT OF THE BOARD OF DIRECTORS

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 57 to 65 of this report.

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 expiration of the term of office of the second session of the Board (for the Directors), or to the expiration 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 of the Company are set forth in Note 40 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 29 to audited consolidated financial statements.

MANAGEMENT CONTRACTS

In 2015, no contract regarding the management and administration of overall business and any substantial part of the business has been entered into by the Company.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" of this report on pages 34 to 41, none of the Company or any of its subsidiaries entered into any contracts of significance with the Controlling Shareholder or any of its subsidiaries other than the Group, nor was there any contracts of significance between the Group and the Controlling Shareholder or any of its subsidiaries other than the Group in relation to provision of services.

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

In 2015, none of the Directors or Supervisors or their connected entities has material interest in, directly or indirectly, contracts, transactions or arrangement of significance subsisting during the year or by the end of the year.

RIGHTS AND INTERESTS OF DIRECTORS ON COMPETING BUSINESSES

In 2015, save as disclosed in this report, none of the Directors or their associates has any competing interests in the businesses of the Company 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.

REPORT OF THE BOARD OF DIRECTORS

The chart below summarizes the information of the Company's Directors and Supervisors serving in BAIC Group and its other related companies:

Name	Main Positions in the Group	Main Positions in BAIC Group and Its other related companies
Mr. Xu Heyi	• Chairman of the board, secretary of the Communist Party of China (CPC) committee and non-executive Director of the Company • Chairman of the board of Beijing Benz • Chairman of the board of BAIC Hong Kong • Chairman of the board of BAIC Investment	• Chairman of the board, secretary of the CPC committee of BAIC Group • Chairman of the board of Foton • Chairman of the board of Beijing General Aviation Co. Ltd. • Chairman of the board of Beijing 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 • Vice chairman of the board of Foton • Executive director of BAIC International Development Co. Ltd. • Chairman of the Board of BAIC Rocar Automobile Services & Trade Co.Ltd.
Mr. Li Feng	• Executive Director, President and vice secretary of the CPC committee of the Company • Director of Beijing Benz	• Director and member of the standing committee of the CPC committee of BAIC Group
Mr. Qiu Yinfu	• Non-executive Director of the Company	• Director of Foton
Mr. Bao Robert Xiaochen	• Independent non-executive Director of the Company	• Independent director of Foton
Ms. Wang Jing	• Non-executive Director of the Company	• Director of Beijing Electric Vehicle Co., Ltd.
Mr. Zhu Zhenghua	• Supervisor of the Company	• Director of Beijing Electric Vehicle Co., Ltd. • Director of Beijing Hainachuan Investment Co., Ltd.

REPORT OF THE BOARD OF DIRECTORS

Save as disclosed above as of the Date of Issue of the Report, none of the Company's Directors, Supervisors or associates have 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, 2015, 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 the 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 the 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.

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 and the Group 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 December 31, 2015, 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 (%) (Note2)	Percentages to the total share capital (%)
BAIC Group	Domestic Shares	3,416,659,704(L)	62.18	44.98
Shougang Shares	Domestic Shares	1,028,748,707(L)	18.72	13.54
Shenzhen Benyuan Jinghong Equity Investment Fund (Limited Partner)	Domestic Shares	342,138,918(L)	6.23	4.50
Daimler AG	H Share	765,818,182(L)	36.46	10.08
Easy Smart Limited	H Share	278,651,500(L)	13.26	3.67

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 December 31, 2015.

REPORT OF THE BOARD OF DIRECTORS

ARRANGEMENTS FOR SHARE PREEMPTIVE RIGHT AND SHARE OPTION

In 2015, no arrangement for share preemptive right and share option was made by the Company, and there is no specific provision under the China laws or the Articles regarding share preemptive right.

DEBENTURES ISSUED

The debentures issued by the Group in 2015 are set out below:

On February 12, 2015, the Company issued the first medium-term notes for 2015 for RMB500 million at an interest rate of 4.68% with a term of 5 years. The capital raised was mainly for repayment of bank borrowings and working capital supplement.

On November 20, 2015, the Company issued the first ultra short-term debentures for 2015 for RMB2,500 million at an interest rate of 3.15% with a term of 270 days. The capital raised was mainly for repayment of borrowings and working capital supplement.

On December 10, 2015, BAIC Investment, a subsidiary of the Company, issued the first corporate bond for 2015 for RMB1,500 million at an interest rate of 3.6% with a term of 5 years. The capital raised was mainly used as working capital supplement.

EQUITY-LINKED AGREEMENTS

In 2015, no equity-linked agreement was entered into by or subsisted in the Company, and there was no provision to enter into any agreement which will or may result in the Company issuing new shares.

PERMITTED INDEMNITY PROVISION

In 2015, no permitted indemnity provision (whether made by the Company or otherwise) was made or in force for the benefit of the directors of the Company or any directors of the associated companies of the Company (if made by the Company).

The Company has liability insurance coverage for certain relevant lawsuits for the Directors, Supervisors and senior management.

PENSION AND EMPLOYEE BENEFITS PLAN

For details on pension and employee benefits plan, please refer to the section headed "Human Resources" on page 66 in the Report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For details, please refer to the section headed "Corporate Governance Report" on pages 44 to 56 in the Report.

AUDIT COMMITTEE

The Audit Committee has reviewed the Company's 2015 annual results, and the annual consolidated financial statements prepared in accordance with IFRSs for the year 2015.

AUDITORS

PwC and PwC Zhong Tian were appointed as the Company's auditors in relation to the financial statements prepared under IFRSs and China Accounting Standards, respectively, for the year ended 2015.

Grant Thornton LLP was the auditor of the Company in relation to the financial statements prepared under the China Accounting Standards for the year 2012 and 2013, and subsequent to its resignation as the auditor of the Company in 2014, PwC Zhong Tian was appointed as the auditor of the Company under the China Accounting Standards.

SUMMARY OF THE 5-YEAR FINANCIAL INFORMATION

Summary of the Group's operation performance, assets and liabilities for the last five financial years is set out in the section headed "Summary of Financial Information" on page 7 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 a confirmation letter from the BAIC Group, which confirms that in 2015 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.

REPORT OF THE BOARD OF DIRECTORS

MATERIAL LITIGATION

As of December 31, 2015, the Company 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 between the Group and the connected persons (as defined under the Listing Rules) in the year 2015 are as follows:–

Continuing Connected Transactions

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

   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 of the Company 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 RMB0 and technology license fee of RMB0 to BAIC Group during 2015. 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.

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

   Beijing Benz entered into a trademark licensing agreement with 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, and the manufacturing and assembly of passenger vehicles. Beijing Benz has to pay to BAIC Group of the royalties regularly for the use of the trademark.

   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 2015, the annual cap of exemption approved by the Stock Exchange was RMB315.3 million, and the actual payment of trademark licensing fee by Beijing Benz to BAIC Group under the aforesaid agreement was RMB300.7 million.

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

   We 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.

REPORT OF THE BOARD OF DIRECTORS

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 of the Company and will expire 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.

A resolution in relation to revising the 2015 and 2016 annual caps for the property and facility leasing fee under the Property and Facility Leasing Framework Agreement was therefore passed in the 2014 general meeting of the Company.

For 2015, the revised annual cap was RMB333.5 million, and the actual payment of property and facility leasing fee by our Group to BAIC Group under the aforesaid agreement was RMB184.5 million.

4. Financial Services Framework Agreement between BAIC Finance and the Company

We entered into a financial services framework agreement (the "Financial Services Framework Agreement") with BAIC Group Finance Co., Ltd. ("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 and other services subject to obtaining relevant approvals from China Banking Regulatory Commission. The initial term of the agreement commenced on the Listing Date of the Company and will expire 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 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 for 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 loans of a similar type for the same period 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.

REPORT OF THE BOARD OF DIRECTORS

A resolution in relation to the revised 2015 and 2016 annual caps for the highest daily deposit amount and the highest daily interest balance under the Financial Services Framework Agreement was passed in the 2014 general meeting of the Company.

For 2015, the annual cap of exemption approved by the general meeting and the actual amount of the transactions under the aforesaid agreement are summarized as follows:

Items	Annual cap approved/revised (RMB million)	Actual amount (RMB million)
Maximum daily balance of deposits placed by our Group with BAIC Finance	9,800.0	4,031.0
Fees and charges paid by our Group to BAIC Finance for other financial services	20.0	0
Highest interest income from deposits placed by our Group with BAIC Finance	110.0	76.3

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

We 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 of the Company 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: 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; 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; 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.

REPORT OF THE BOARD OF DIRECTORS

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.

A resolution in relation to the revised 2015 and 2016 annual caps for products purchasing under the Products and Services Purchasing Framework Agreement was therefore passed in the 2014 general meeting of the Company. The annual caps for services purchasing will remain unchanged.

For 2015, the annual cap of exemption approved/revised and the actual amount of the transactions under the aforesaid agreement are summarized as follows:

Items	Annual cap approved/revised (RMB million)	Actual amount (RMB million)
Purchase of products	17,020.1	13,574.7
Purchase of services	5,571.8	2,176.6
Total	**22,591.9**	**15,751.3**

6. *Provision of Products and Services Framework Agreement between 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, 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 of the Company 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 the Group are determined on the basis of arm's length negotiations between the relevant parties. To ensure that the terms of supplying products and services to BAIC Group are fair and reasonable, 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.

REPORT OF THE BOARD OF DIRECTORS

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.

A resolution in relation to the revised 2015 and 2016 annual caps for the sales of products and rendering of services under the Provision of Products and Services Framework Agreement was therefore passed in the 2014 general meeting of the Company.

For 2015, the revised annual cap of exemption and the actual amount of the transactions under the aforesaid agreement are summarized as follows:

Items	Annual cap approved/revised (RMB million)	Actual amount (RMB million)
Sales of products	15,377.7	6,425.1
Services rendered	662.0	234.6
Total	**16,039.7**	**6,659.7**

7. *Continuing Connected Transactions Relating to Daimler AG and its Associates*

In 2015, 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

REPORT OF THE BOARD OF DIRECTORS

Transaction type	Transaction summary and pricing policy	Waivers granted
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
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

REPORT OF THE BOARD OF DIRECTORS

Transaction type	Transaction summary and pricing policy	Waivers granted
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 2015. During the year, the actual transaction amount was RMB21 million. 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 requirements under Chapter 14A of the Listing Rules.

Non-Continuing Connected Transactions

Joint venture agreement entered into between MBtech Group GmbH & Co. KGaA and the Company

We entered into a Joint Venture Agreement with MBtech Group GmbH & Co. KGaA for the establishment of a joint venture on February 6, 2015 in Germany. Under the Joint Venture Agreement, the parties will develop new vehicle models and carry out research and development on core parts and components through the cooperation on the development and technology of automobile products. The registered capital of the Joint Venture is US$10 million with a total investment amount of US$25 million. The Company and MBtech Group GmbH & Co. KGaA holds 51% and 49% of equity interests in the Joint Venture, respectively.

The Board believes that the establishment of the Joint Venture will optimize the research and development capabilities of the Company, effectively support the development of its proprietary brand, facilitate the further improvement of its overall strength as an automobile manufacturing enterprise.

Daimler AG holds 10.08% equity interests in the Company and more than 30% equity interests in MBtech Group GmbH & Co. KGaA and MBtech Group GmbH & Co. KGaA is therefore an associate (as defined under the Listing Rules) of Daimler AG, and the connected person of the Company and the Joint Venture Agreement constitutes a connected transaction of the Company. As the highest applicable percentage ratios of the transaction exceed 0.1% but fall below 5%, such transaction of the Company shall be subject to the reporting and announcement requirements but is exempt from independent shareholders' approval requirement pursuant to Chapter 14A of the Listing Rules.

For details of the establishment of the joint venture, please refer to the announcement of the Company dated February 6, 2015.

Capital Increase Agreement entered into between Daimler Greater China, Mercedes-Benz Leasing and the Company

The Company, Daimler Greater China and Mercedes-Benz Leasing have entered into a Capital Increase Agreement on March 22, 2015, pursuant to which, the Company agreed to subscribe for the increased capital of Mercedes-Benz Leasing. Upon completion of the Capital Increase, the registered capital of Mercedes-Benz Leasing will be increased from RMB300,000,000.0 to RMB461,538,461.2 and the Company will hold 35% of the total equity interests in Mercedes-Benz Leasing.

The Board is of the view that car leasing and financing industry is the new revenue stream and one of the most profitable sectors in the industry chain of automobile, the Board believes that there will be substantial return on investment to the Company's Shareholders. Additionally, the development of car leasing and financing will further promote the sales of new models of Mercedes-Benz passenger vehicles in China market. On top of that, the acquisition of 35% shares of Mercedes-Benz Leasing is the first step of the Company's comprehensive cooperation with Daimler Greater China in the automobile after-market.

REPORT OF THE BOARD OF DIRECTORS

Daimler AG holds 10.08% equity interests in the Company, and 100% equity interest in Daimler Greater China, and Daimler Greater China holds 100% equity interests in Mercedes-Benz Leasing, thus Daimler Greater China and Mercedes-Benz Leasing are associates (as defined under the Listing Rules) of Daimler AG. Daimler Greater China and Mercedes-Benz Leasing are connected persons of the Company and the Capital Increase Agreement constitutes a connected transaction of the Company. As the highest applicable percentage ratio in respect of the transaction to Mercedes-Benz Leasing by the Company is more than 0.1% but less than 5%, the transaction is subject to the reporting and announcement requirements and exempted from the independent Shareholders' approval requirement.

For details, please refer to the announcement of the Company dated March 22, 2015.

Independent Directors' Review and Confirmation

Our independent non-executive Directors have reviewed the aforesaid continuing connected transactions and have confirmed that they have been entered into: in the ordinary and usual course of the Group's business; on normal or better commercial terms; on conditions no less favorable to the 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, PwC, 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, our auditor provided the Board of Directors with a letter confirming that, with respect to the aforesaid continuing connected transactions:

1) nothing has come to our auditor's attention that causes it to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors.

2) for transactions involving the provision of goods or services by the Group, nothing has come to our auditor's attention that causes it to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

3) nothing has come to our auditor's attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

4) with respect to the aggregate amount of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to our auditor's attention that causes it to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

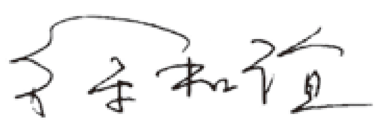
The Company has submitted a copy of the aforesaid auditor's letter to the Stock Exchange.

MODEL CODE

Having made all reasonable enquiries to the Directors and the Supervisors, in 2015, they confirmed that they 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 2015 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, 2014.



BY ORDER OF THE BOARD
Chairman
Xu Heyi

March 24, 2016

REPORT OF THE BOARD OF SUPERVISORS

In 2015, pursuant to the Company Law, the Articles of Association and Rules of Procedure of the Board of Supervisors of BAIC Motor Corporation Limited, and in the spirit of accountability for the interest of the Company and in the 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 so doing, they have promoted operational standard and healthy development of the Company.

THE WORK OF THE BOARD OF SUPERVISORS

Convening Meetings of the Board of Supervisors

In 2015, three meetings of the Board of Supervisors were held, in which the "Work Report of the Board of Supervisors of BAIC Motor Corporation Ltd for 2014", the "2014 Annual Report", matters relating to nomination of independent Supervisors and remuneration, and "2015 Interim Report" were reviewed and approved.

Appointment of co-opted members of the Board of Supervisors

Pursuant to the Articles of Association and as approved by the 2014 general meeting, Yu Wei was co-opted to be the shareholders representative Supervisor, and Pang Minjing and Zhan Zhaohui to be independent Supervisors. At the same time, at the Company's employee representative meeting, Wang Jianping was elected as employee representative Supervisor. The term of office for the four newly appointed Supervisors is effective until the expiration of the term of the second session of the Board of Supervisors.

Participating in the General Meetings and Attending the Board Meetings

Pursuant to the Articles of Association and Rules of Procedure of the Board of Supervisors, members of the Board of Supervisors attended the 2014 annual general meeting, the first extraordinary general meeting of 2015, attended the 17th, 18th, 21st, 22nd, 23rd and 24th meeting of the second session of the Board held on site and appointed the Supervisors to act as the scrutineers of the general meetings and Board meetings to ensure compliance with meeting procedures and the legitimacy and compliance of voting on the resolutions in the meetings; and reviewed the meeting materials of the 16th, 19th and 20th 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 meetings materials, members of the Board of Supervisors enhanced their understanding of deliberation 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 of the performance of the duties of the Directors and senior management, decision on significant matters, standardization of operation and management activities, and in effective monitoring. In so doing, they have played a positive role in promoting the Company's standardized governance and improving the operational efficiency of the Company.

Carrying out in-depth investigation and research of enterprises and exchanging learning with industry counterparts

In 2015, the Board of Supervisors visited the Company's Beijing branch company and BAIC Motor Powertrain company respectively to conduct research study and investigation to understand the situation of the product planning, technical research and development, financial position, progress of the launch of the core product projects and status of base construction of BAIC Motor Powertrain Company; and business management, product quality, and production and operation cost efficiency of Beijing branch company. Furthermore, members of the Board of Supervisors visited BAIC Yinxiang Automobile Co. Ltd. an industry counterpart, to conduct field visits, exchange business ideas and discuss with the management executives new product development, cost control, procurement, as well as building of research and development team, supplier management and other aspects. On the basis of research study and exchange, recommendations on improvements were made to the management of the Company and its level two enterprises.

REPORT OF THE BOARD OF SUPERVISORS

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

In 2015, the Board of Directors further improved the corporate governance system pursuant to the Company Law, the Listing Rules, the Articles of Association and relevant laws and regulations to ensure higher efficiency and compliance with the rules and regulations in decision-making. The Directors duly performed their duties diligently, and in accordance with the law, the senior managers devoted to their duties and performed their duties faithfully and conscientiously implemented the decisions made by the Board of Directors, and ensured high standards of operation and prudent management. Significant progress in operation and management were made especially in cost reduction efficiency, new products research and development, quality control and innovative management. The Company further improved its internal management and internal control systems through setting up of a relatively sound mechanism for internal control to enhance internal evaluation. The overall internal control system operated well with continuous enhancement in management capabilities while production management as a whole remained stable.

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

The Board of Supervisors carefully read the 2015 audited consolidated financial statements of the Company, reviewed the standard unqualified audit report issued by PwC, 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 2015 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 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 2015, the Company implemented the management principle of "restructuring, repositioning, enhancing intrinsic value and increasing efficiency", and has actively responded to the added pressure of the macroeconomic and the "new normal" of the automotive industry. We have focused on promoting management improvement and have made achievements in products transformation, products breakthrough, cost reduction efficiency and met the various management objectives set by the Board of Directors at the beginning of the year. Nonetheless, pressure on business is still big and the task to upgrade and transform and improve efficiency is daunting, leaving us room for improvement in some aspects when compared with advanced and international practices. To that end, we will proactively make improvements on our work, governance, operational efficiency, in particular in the areas of product and technology innovation, in order to reward investors with excellent results.

During the year, the work of the Board of Supervisors has received the support of the Shareholders, and the support of the Board of Directors and management. We hereby would like to express our heartfelt gratitude to the Shareholders, chairman of the Board, Directors and the management team.

In 2016, 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 works, while striving to learn, innovate and explore new approach to prevent enterprise risks and protect the interest of the Company and the Shareholders, so as to enable 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

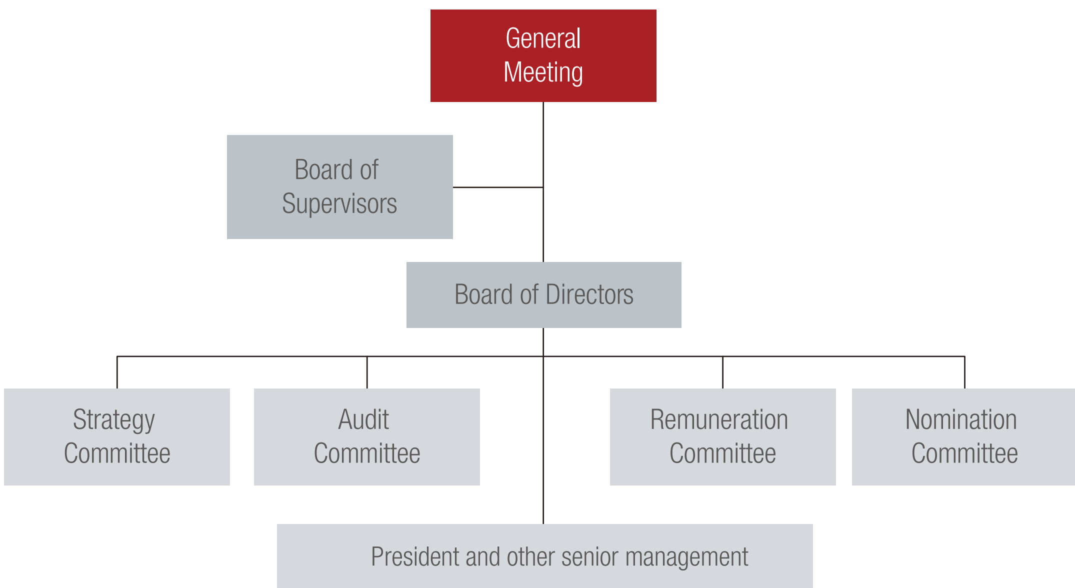
March 24, 2016

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 for the year 2015, the Company had 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 2015, the Company held two general meetings. Attendance of the Directors at general meetings is as follows:

No.	Name	Position	No. of Attendance/ No. of Meeting	Attendance Rate
1	**Xu Heyi**	Chairman and non-executive Director	1/2	50%
2	**Zhang Xiyong**	Non-executive Director	1/2	50%
3	**Li Zhili**	Non-executive Director	1/2	50%
4	**Li Feng**	Executive Director and President	2/2	100%
5	**Ma Chuanqi**	Non-executive Director	1/2	50%
6	**Qiu Yinfu**	Non-executive Director	2/2	100%
7	**Hubertus Troska**	Non-executive Director	0/2	0%
8	**Bodo Uebber**	Non-executive Director	0/2	0%
9	**Wang Jing**	Non-executive Director	2/2	100%
10	**Yang Shi**	Non-executive Director	2/2	100%
11	**Fu Yuwu**	Independent non-executive Director	1/2	50%
12	**Wong Lung Tak Patrick**	Independent non-executive Director	2/2	100%
13	**Bao Robert Xiaochen**	Independent non-executive Director	0/2	0%
14	**Zhao Fuquan**	Independent non-executive Director	0/2	0%
15	**Liu Kaixiang**	Independent non-executive Director	0/2	0%

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 2015, 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 2015, 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 in the section headed "Report of the Board of Directors" 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 comprises 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.

CORPORATE GOVERNANCE REPORT

The Board of Directors determines key resolution 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. 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

During 2015, 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.

In 2015, the Board of Directors complied 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 disclose to the Company in a timely manner information regarding the number of positions held, nature of the position(s), identity, term of office and other significant undertakings in other listed companies or organizations.

As 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. In 2015, the independent non-executive Directors raised no objection to the Board resolutions and other matters deliberated by the 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.

CORPORATE GOVERNANCE REPORT

Training received by all the Directors in 2015 is as follows:

Name	Training Received [1]
Mr. Xu Heyi	A/B/C/D
Mr. Zhang Xiyong	A/B/C/D
Mr. Li Zhili	A/B/C/D
Mr. Li Feng	A/B/C/D
Mr. Ma Chuanqi	A/B/C/D
Mr. Qiu Yinfu	A/B/C/D
Mr. Hubertus Troska	A/B/C/D
Mr. Bodo Uebber	A/B/C/D
Ms. Wang Jing	A/B/C/D
Mr. Yang Shi	A/B/C/D
Mr. Fu Yuwu	A/B/C/D
Mr. Wong Lung Tak Patrick	A/B/C/D
Mr. Bao Robert Xiaochen	A/B/C/D
Mr. Zhao Fuquan	A/B/C/D
Mr. Liu Kaixiang	A/B/C/D

Note1：
A: attending seminars and/or meetings and/or forums and/or briefings
B: speaking at seminars and/or meetings and/or forums
C: attending training provided by law firms or training related to the issuer business
D: reading materials on different topics, including corporate governance, responsibilities of directors, revision to the listing rules and other related regulations

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.

Executive Directors, non-executive Directors and independent non-executive Directors shall serve a term of three years, or from the effective date of their appointment to the expiration of the term of office of the second session of the Board of Directors on September 8, 2016, whichever is shorter.

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 and Executive Directors, are stipulated. The contract can be terminated in accordance with relevant provisions of the service contract. None of the Directors 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 advance written notice along with board materials shall be served to all Directors, and in order to help the Directors attend the meetings with full understanding of 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 shall be 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 Directors or committee members are not able to attend the meeting in person, the Company will communicate with them well in advance to ensure their rights to express opinions and to participate in decision-making.

The minutes of the Board meetings and 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 the Board meetings and Special Committees meetings shall be sent to the Directors within a reasonable time period in a reasonable manner after the meetings.

At each of the Board meetings, resolutions are examined strictly whether they involve conflict of interest that may require the Directors abstained from voting, and the Directors are also reminded to confirm such before the Board meetings.

CORPORATE GOVERNANCE REPORT

During 2015, the Company held nine Board meetings. The main matters deliberated are as follows:

Name of Board Meeting	Time	Main Matters Deliberated
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 Annual Report and Performance Announcement Proposal on 2015 Production and Operation Plan Proposal on 2015 Investment Plan
19th Board Meeting of the second session of the Board	April 25, 2015	Proposal on 2015 first quarter Financial Statements
20th Board Meeting of the second session of the Board	May 12, 2015	Proposal on revising the Articles of Association of BAIC Motor Corporation Limited Proposal on revising the Rules of Procedure of the General Meeting of BAIC Motor Corporation Limited Proposal on revising the Rules of Procedure of the Board Meeting of BAIC Motor Corporation Limited
21st Board Meeting of the second session of the Board	August 25, 2015	Proposal on 2015 Interim Report and Performance
22nd Board Meeting of the second session of the Board	October 20, 2015	Proposal on 2015 third quarter Financial Statements Proposal on the by-election of members of the Strategy Committee of the Board of Directors
23rd Board Meeting of the second session of the Board	November 20, 2015	Proposal on 2014 Financial Report of BAIC Investment Co., Ltd. (draft) Proposal on 2014 Profit Distribution Plan of BAIC Investment Co., Ltd. (draft) Proposal on the appointment and removal of relevant senior managers
24th Board Meeting of the second session of the Board	December 22, 2015	Proposal on the technological upgrade and capacity expansion project of Zhuzhou base Proposal on BAIC Investment Co., Ltd.'s capital increase in Beijing Hyundai Auto Finance Co., Ltd.

CORPORATE GOVERNANCE REPORT

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	9/9	100%
2	**Zhang Xiyong**	Non-executive Director	9/9	100%
3	**Li Zhili**	Non-executive Director	9/9	100%
4	**Li Feng**	Executive Director and President	9/9	100%
5	**Ma Chuanqi**	Non-executive Director	9/9	100%
6	**Qiu Yinfu**	Non-executive Director	9/9	100%
7	**Hubertus Troska**	Non-executive Director	9/9	100%
8	**Bodo Uebber**	Non-executive Director	9/9	100%
9	**Wang Jing**	Non-executive Director	9/9	100%
10	**Yang Shi**	Non-executive Director	9/9	100%
11	**Fu Yuwu**	Independent non-executive Director	9/9	100%
12	**Wong Lung Tak Patrick**	Independent non-executive Director	9/9	100%
13	**Bao Robert Xiaochen**	Independent non-executive Director	9/9	100%
14	**Zhao Fuquan**	Independent non-executive Director	9/9	100%
15	**Liu Kaixiang**	Independent non-executive Director	9/9	100%

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

Having made all reasonable enquiries, the Board confirms that in 2015 the Directors and the Supervisors have strictly followed the Model Code. The Company has not adopted a standard lower than that provided by the Model Code in relation to our Directors' securities dealings.

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:

(1) Formulate and review the Company's policies and practices on corporate governance;

(2) Review and monitor the training and continuous professional development of the Directors and senior management;

(3) Review and monitor the Company's policies and practices on compliance with the legal and regulatory requirements;

(4) Develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

(5) 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 2015, except for the independent non-executive Directors and independent Supervisors who have received directors and supervisors' remuneration from the Company, the remaining Directors or Supervisors have not received remuneration from the Company as directors or supervisors' remuneration. The executive Directors received the senior management's remuneration of the Company. The remuneration standard of independent non-executive Directors and independent Supervisors 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 and independent Supervisor is RMB120,000 per year (before tax), which shall be calculated starting from the effective date of their term of office.

The remuneration details of the Directors and Supervisors for 2015 are set forth in Note 29 to the audited consolidated financial statements.

The remuneration paid to the senior management (including one Director) in 2015 is as follows:

Remuneration Range (RMB)	Number of People
Above 2,500,000	1
2,000,001 – 2,500,000	2
1,500,001 – 2,000,000	3
Below 1,500,000	12

Note: including one resigned senior management member

LIABILITY INSURANCE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Company has placed Directors, Supervisors and senior management under the coverage of liability insurance for certain relevant lawsuits in 2015.

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.

In 2015, the positions of Chairman and President (chief executive) of the Company are held respectively by Mr. Xu Heyi and Mr. Li Feng. 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 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

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 ten 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, Mr. Zhao Fuquan and Ms. Meng Yulei, among which two of them are independent non-executive Directors.

On October 20, 2015, the Board reviewed and approved the appointment of Ms. Meng Yulei (who is not a Director of the Company) as the member of the Strategy Committee. Ms. Meng has become a member of the Strategic Committee after the resolution on the relevant amendments to the Rules of Procedures of the Board of Directors was considered and approved at the first extraordinary general meeting of 2015 which was held on 22 December 2015.

CORPORATE GOVERNANCE REPORT

During 2015, the Strategy Committee held four meetings to review the following matters:

Name of Strategy Committee Meeting	Time	Main Matters Deliberated
First meeting of 2015	February 5, 2015	Proposal on the establishment of a joint-venture technical center with MBtech Group GmbH & Co. KGaA Proposal on share capital increase in Mercedes-Benz Leasing Co., Ltd.
Second meeting of 2015	March 19, 2015	Proposal on 2015 production and operation plan Proposal on 2015 investment plan
Third meeting of 2015	November 20, 2015	Proposal on second engine plant construction of Beijing Benz Automotive Co., Ltd. Proposal on the second phase construction of the passenger vehicle base of the proprietary brand of BAIC Motor Corporation Limited
Fourth meeting of 2015	December 22, 2015	Proposal on the technological upgrade and capacity expansion project of Zhuzhou base

Attendance of the committee members is as follows

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

Audit Committee

The Company has established an Audit Committee to operate formally and perform corresponding duties effective from the Listing Date. 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 Directors.

CORPORATE GOVERNANCE REPORT

During 2015, the Audit Committee held six meetings to deliberate the following matters:

Name of Audit Committee Meeting	Time	Main Matter Deliberated
First meeting of 2015	February 5, 2015	Proposal on engagement of accounting firm
Second meeting of 2015	March 19, 2015	Proposal on 2014 financial report (draft); Proposal on 2014 annual report and performance announcement
Third meeting of 2015	April 24, 2015	Proposal on 2015 first quarter financial statements
Fourth meeting of 2015	August 17, 2015	Proposal on 2015 interim report and interim performance
Fifth meeting of 2015	October 16, 2015	Proposal on 2015 third quarter financial statements
Sixth meeting of 2015	December 22, 2015	Proposal on 2015 work plan for internal control evaluation of BAIC Motor Corporation Limited

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 Group's first and third quarter's financial statements, the interim results and annual results in the 2015 financial year, the work plan of external auditors and the relevant auditing arrangements as well as the report prepared by PwC for accounting matters and major discoveries during the audit process.

Attendance of the committee members is as follows:

No.	Name	Position	No. of Attendance/ No. of Meeting	Attendance Rate
1	**Wong Lung Tak Patrick**	Chairman	6/6	100%
2	**Ma Chuanqi**	Committee member	6/6	100%
3	**Liu Kaixiang**	Committee member	6/6	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 has made recommendations and suggestions to the Board of Directors on the remuneration proposal for certain executive Directors and senior management.

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.

CORPORATE GOVERNANCE REPORT

During 2015, the Remuneration Committee held one meeting to deliberate the following matters:

Name of Remuneration Committee Meeting	Time	Main Matters Deliberated
First meeting of 2015	March 19, 2015	Proposal on 2015 remuneration for independent Directors Proposal on 2015 project incentive scheme

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 Lung 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.

During 2015, the Nomination Committee held two meetings to deliberate the following matters:

Name of Nomination Committee Meeting	Time	Main Matters Deliberated
First meeting of 2015	March 19, 2015	Proposal on employment of relevant senior management Proposal on Board Diversity Policy
Second meeting of 2015	November 18, 2015	Proposal on employment of relevant senior management

CORPORATE GOVERNANCE REPORT

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	**Li Zhili**	Committee member	2/2	100%
3	**Fu Yuwu**	Committee member	2/2	100%
4	**Bao Robert Xiaochen**	Committee member	2/2	100%
5	**Zhao Fuquan**	Committee member	2/2	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, cultural and educational background, race, professional experience, skills, knowledge and length of service. The final candidate will be selected based on the comprehensive capability and the contributions that 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 in 2015 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 2015 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, that is, 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 2015, and the financial positions of the Group as of December 31, 2015 are set out in the audited consolidated financial statements of the Report.

COMPANY SECRETARY

Mr. Yan Xiaolei is the Secretary to the Board of Directors and the company secretary of the Company in 2015. 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.

Since Mr. Yan Xiaolei has been confirmed by the Stock Exchange to have complied with the requirements for company secretary set forth in Rule 3.28 of the Listing Rules, Ms. Yung Mei Yee resigned from the position of company secretary assistant of the Company on December 18, 2015. With Ms. Yung Mei Yee's resignation, Mr. Yan Xiaolei will continue to serve as the sole company secretary of the Company.

During 2015, 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 nine Supervisors. The employee representatives Supervisors are elected democratically by the employee representative congress, while non-employee representatives Supervisors and independent 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 the year 2015, 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. Three 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 as non-voting delegates and duly performed the duties of the Board of Supervisors.

Please refer to the section "Report of the Board of Supervisors" on pages 42 to 43 of this report for details.

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, business department, legal affairs department (compliance department) and finance centers, as well as matters discovered in the external auditors' statutory audit.

In the year 2015, the Group conducted a comprehensive examination on the effectiveness of the 2015 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 during 2015, 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 appointed PwC and PwC Zhong Tian 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.

The remuneration for the year 2015 paid or payable to the Company's auditors, PwC and PwC Zhong Tian, for audit and audit-related services amounted to RMB11.4 million and no non-audit services fee.

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.

In 2015, the Company released 70 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.

CORPORATE GOVERNANCE REPORT

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 and the first extraordinary general meeting of 2015 had provided an opportunity for Shareholders and Directors to communicate directly. The Company's Chairman and chairmen of the Special Committees will try their best to attend the 2015 general meeting to answer queries, while the Company's external auditor will also attend the meeting to answer questions thereon.

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 (including the election of individual Directors).

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.

According to the Articles of Association, Shareholders who individually or collectively hold more than 3% of the Shares may submit a proposal to the Board in writing 10 days before the date of the general meeting. The Board shall notify other Shareholders within two days upon the receipt of the proposal and include it for consideration at the general meeting. The written proposal shall be addressed to the Board.

Please visit the Company's website for relevant procedures for 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

On June 29, 2015, the 2014 general meeting of the Company reviewed and approved several revisions of the Articles of Association. The revised Articles of Association is published in the announcement dated June 30, 2015 and on the Company's website.

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 58, 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 Foton, chairman of the board of BAIC Investment, Beijing Benz, Beijing Hyundai and BAIC (Hong Kong) Investment Co, Ltd. (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, representative of the 12th National People's Congress, member of the 11th Beijing Municipal Committee, and is the deputy chairman of the China Association of Automobile Manufacturers, among others.

Mr. Xu has more than 30 years of experience in the industry and in 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 Beijing Automotive Industry Holding Co., Ltd. (now BAIC Group) ("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 52, 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 Beijing BAIC Rocar Automobile Services & Trading Co. Ltd., and vice chairman of the board of Foton and chairman of Jiangxi ChangHe Automotive Co., Ltd.

Mr. Zhang has more than 30 years of experience in the industry and in management. He has 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 60, holds a bachelor's degree in economics and management and is a senior political officer. **At present, Mr. Li is a non-executive Director of the Company.** Mr. Li has more than 30 years of experience in the industry and in 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 52, holds a master's degree in power engineering, master's degree in Business Administration and is a senior engineer. **At present, Mr.Li 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 more than 30 years of experience in the industry and in management. From October, 1996, he began to serve as the head of the Automobile Engineering Research Institute of Foton, general manager of the marketing company and deputy general manager of Foton, member 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 September 6, 2013, he has been an executive director of the Company.

Mr. Ma Chuanqi (馬傳騏), aged 60, holds a master's degree in business administration and is a senior accountant. **At present, Mr. Ma is a non-executive Director of the Company**.

Mr. Ma has more than 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Qiu Yinfu (邱銀富), aged 48, 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 Foton 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., Ltd.

Mr. Qiu has more than 20 years of experience in the industry and in 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. Qiu is also a director of Foton (stock code: 600166.SH).

Mr. Hubertus Troska, aged 56, 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 nearly 30 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 56, 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, representative member of the board of management of Daimler AG and chairman of the board of management of Daimler Financial 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 44, 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 Electric Vehicle Co., Ltd.

Ms. Wang has more than 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 60, holds a master's degree in national economic management 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. 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 more than 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 70, **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 more than 40 years of 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 67, 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, Mr. Wong 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 more than 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, former name Guangzhou Pharmaceutical Holdings Co. Ltd.), 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 on August 10, 2015, Mr. Wong resigned from Excel Development (Holdings) Limited (stock code: 01372.HK) as independent non-executive director.

Mr. Bao Robert Xiaochen (包曉晨), aged 49, American, holds a bachelor's degree in engineering, MSc, MBA, certified quality manager, certified reliability engineer and certified quality engineer. **At present, Mr. Bao 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 more than 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 51, 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 US Daimler Chrysler from April 1997 to March 2004, vice president and general manager of research & development center of Shenyang HuaChen Jinbei Vehicle Manufacturing Co 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).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Liu Kaixiang (劉凱湘), aged 51, holds a doctoral degree in law. **At present, Mr. Liu 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 more than 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 nine Supervisors. Employee representative Supervisors are elected democratically by the employee representative congress, while non-employee representative Supervisors and independent Supervisors are elected by the Shareholder's general meeting. The term of office of each Supervisor is three years or until the expiration of the term of the second session of the Board of Supervisors on 8 September 2016, whichever is shorter, and renewable upon re-election. The followings are certain information of the Supervisors of the Company.

Mr. Zhang Yuguo (張裕國), aged 59, 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 (SASAC).

Mr. Zhang has more than 20 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 48, 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 more than 20 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).

Currently, Mr. Yin is also the managing director of China Institute of Internal Audit, a supervisor of Beijing Association of Automobile Manufacturers, member 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. Yu Wei (余威), aged 38, holds a master's degree and is a senior steel rolling engineer. **At present, Mr. Yu is a Supervisor of the Company.**

Mr. Yu has more than ten years of technical and management experience. Since 2014, Mr. Yu has worked as the Chairman of the Board of Directors and general manager of Beijing Shougang Cold-Rolled Sheet Co., Ltd. He served as assistant to general manager and secretary to the party committee of the silicon business unit of Shougang Qiangang Co., Ltd. from April 2014 to June 2014. Mr. Yu also served as the executive deputy head and head of operation of cold-rolled operating department of Shougang Qiangang Co., Ltd. from 2012 to 2014. He took the position of assistant to the head, director of production and technology office and deputy head of the hot-rolled operating department of Shougang Qiangang Co., Ltd. from 2006 and 2012. He also worked as deputy section chief of hot- rolled sheet section and deputy leader of the commissioning group of No. 2160 of the medium-thick-plate plant of Beijing Shougang Xingang Co., Ltd. from 2001 to 2006. From 1999 to 2001, Mr. Yu served the positions of technician of technology department and deputy section chief of hot-rolled sheet section (temporary training assignment) of the medium-thick-plate factory of Shougang Steel Co., Ltd. Mr. Yu obtained his bachelor's degree in metal pressure processing and master's degree in business administration from Northeastern University. Mr. Yu was promoted to the position of senior steel rolling engineer in June, 2014.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhu Zhenghua (朱正華), aged 41, holds a master's degree in business administration and is a senior engineer. **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., director of Beijing Electric Vehicle Co., Ltd. and director of Beijing Hainachuan Investment Co., Ltd.

Mr. Zhu has more than 10 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 47, holds a bachelor's degree in law and is a senior political officer. **At present, Ms. Li is an employee representative Supervisor 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 more than 20 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.

Mr. Zhang Guofu (張國富), aged 38, 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 Company.

He has more than 10 years of experience in management. Mr. Zhang served in various positions, including the secretary of the Committee of BAIC Holding from April 2007 to February 2011. He was the deputy secretary to the party committee and the 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 chairman of the labor union of Beijing Hainachuan Automotive Parts Co., Ltd. from February 2011 to August 2013. He held various positions, including secretary of the party committee and chairman of labor union of the automobile research institute of BAIC Holding, from September 2013 to October 2015.

Mr. Wang Jianping (王建平), aged 45, holds a master's degree and is a political officer and certified human resource practitioner. **At present, he is the employee representative Supervisor of the Company.** He is also deputy secretary to the party committee, secretary of discipline inspection commission and chairman of the labor union of Beijing Hyundai Motor Co., Ltd., and a member of the standing committee of the labor union committee of the Company.

Mr. Wang has more than 20 years of experience in automobile industry and management. He has held various positions including the deputy chairman of the labor union of Beijing Light Duty Automobile Co., Ltd., party committee member, director of the labor union office and vice chairman of the labor union of Beijing Hyundai. He was also a member of the preparatory team and party leader of Beijing Branch Company. Since March 2011, he has been the deputy party secretary of the party committee and secretary of discipline inspection commission and chairman of the labor union of Beijing Hyundai.

Mr. Pang Minjing (龐民京), aged 60, holds a master's degree and is a senior lawyer. **At present, Mr. Li is an independent Supervisor of the Company.**

Mr. Pang has more than 30 years of experience in the law industry. Since 2002, Mr. Pang has worked as a director of Beijing North Law Firm of which he was a partner between 1988 and 2002; He previously worked as a lawyer at Beijing Municipal Second Law Firm from 1985 to 1988 and a cadre of Beijing Municipal Security Bureau from 1983 to 1985. He also worked at the factory of Beijing Automobile Repair Company from 1975 to 1979. Mr. Pang holds a bachelor's degree from the China University of Political Science and Law. He also holds the title of "National Outstanding Attorney at Law" and was approved to engage in securities legal business and state-owned-enterprise reform business by the relevant government authorities. Mr. Pang is one of the first registered practicing corporate legal counsels in China.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhan Zhaohui (詹朝暉), aged 47, holds a master's degree and is a certified accountant, certified public valuer, certified tax agent, and international certified internal auditor. **At present, Mr. Zhan is an independent Supervisor of the Company.**

Mr. Zhan has more than 20 years of experience in accounting and management. He has worked as a deputy general manager of Beijing Tianyuankai Asset Appraisal Co. Ltd. since 2012, and was a partner of Huaxia Zhongcai (Beijing) Certified Public Accountants. He was Chairman of the Board of Huaxia Jiacheng (Beijing) Asset Appraisal Co. Ltd. from 2009 to 2012, and department Manager of Huaxia Zhongcai (Beijing) Certified Public Accountants from 2007 to 2008. Mr. Zhan worked as a project manager of Beijing Huaxia Tianhai Certified Public Accountants and Beijing Huarongjian Asset Appraisal Firm from 2002 to 2007. He was a project team leader of Environmental Science Institute in Beijing General Research Institute of Mining and Metallurgy from 1998 to 2002. Mr. Zhan worked as an assistant to general manager of the lubricant company of the Shaowu Branch of Fujian Province Petroleum Corporation from 1993 to 1995, and was a clerk of the business operation division of Shaowu Branch of Fujian Province Petroleum Corporation from 1989 to 1993.

Mr. Zhan majored in oil product analysis and applications at the Heilongjiang Institute of Commerce, and subsequently obtained a master's degree in mineral processing engineering from Beijing General Research Institute of Mining and metallurgy. Mr. Zhan was a member of the Specialized Committee of Beijing Institute of Certified Public Accountants from 2010 to 2011, and has been an expert in evaluation report review committee of the State-Owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality since 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 51, 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** responsible for the operation center production and technology center and various manufacturing bases of the Company. He is also the executive director of Guangzhou Company, Zhuzhou BAIC Automotive Systems Ltd, Powertrain Company,Zhuzhou Branch. He also serves as the vice president of the Society of Automotive Engineers of Beijing.

Mr. Li has more than 20 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. Wu Robin Xuebin (鄔學斌), aged 50, American, holds a master's degree in mechanical engineering. **At present, Mr. Wu is the vice president of the Company** with responsibility over research and development of new energy products, and is also the head of the automotive research institute of the Company. 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 more than 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. Chen Bao (陳寶), aged 54, 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 center and quality center.

Mr. Chen has more than 10 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 and was mainly responsible for procurement.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhou Yanming (周焰明), aged 58, holds a master's degree in engineering, master of business administration and a research fellow and 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 more than 30 years of experience in the automobile industry. He has served in various positions from January 1982 to May 1998, including as factory supervisor 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. Chen Hongliang (陳宏良), aged 50, holds a master's degree in engineering and is a researcher-level senior engineer. **At present, Mr. Chen is a vice president** and also the senior executive vice-president and the secretary of the party committee of Beijing Benz, responsible for the human resource management, IT management, company affairs and legal work of Beijing Benz.

Mr. Chen has more than 20 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 procurement 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 from February 2009 to January, 2014.

Mr. Liu Zhifeng (劉智豐), aged 43, 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,** and is also a standing deputy general manager of Beijing Hyundai.

Mr. Liu has more than 20 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. Wang Zhang (王璋), aged 52, holds a master's degree in Engineering from Tsing Hua University, and a senior engineer (professor level). **At present, Mr. Wang is a vice president of the Company.** He is also the general manager of the off-road branch company.

Mr. Wang has more than 20 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. Chen Guixiang (陳桂祥), aged 53, holds a master's degree in Engineering and is a senior engineer. **At present, Mr. Chen is the vice president of the Company** and is also the general manager of the Wevan business unit.

Mr. Chen has more than 30 years experience in the automobile industry. Since 1984, he has served in various positions including the technician of the technical department of Second Automobile Works, deputy section head of technical department, assistant to director, director of technology research and development department of Dongfeng Automobile; deputy director of Technology Research Institute of Foton, deputy general manager, deputy chief engineer, key account business director and secretary of the party committee, and deputy general manager of the marketing company of Foton. He also held various positions in Beijing Hyundai including committee member of the party committee, head of technical center and deputy head of procurement.

Mr. Cai Jianjun (蔡建軍), aged 42, holds a MBA and is an Assistant Economist. **At present, Mr. Cai is the vice president of the Company** with responsibilities over BAIC Motor Sales Co. Ltd. where he is also the party secretary of the party committee, executive Director and general manager.

Mr. Cai has more than ten years of experience in the automobile industry. Since 1988, he has worked in Chongqing Changan Automobile, Co., Ltd. as the statistian for planning and scheduling of its marketing company, deputy manager of the company's Liaoning distribution center, manager of Dalian branch company and general manager for Liaoning province. He was also general manager of Hebei Changan Commerical Vehicle Sales Company, assistant to general manager of Hebei Changan and deputy sales director of its sales company, sales director of Changan Ford Mazda Automobile Co., Ltd., standing deputy general manager of the sedan sales business unit of Chongqing Changan Automobile Co., Ltd., deputy leader of the commissioning team and vice president of Changan Changan Peugeot Citroen automobile Co., Ltd., general manager of its sales company, and head of customer management department of Chongqing Changan Automobile Co., Ltd.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Gu Lei (顧鐳), aged 56, American, holds a doctoral degree in mechanical engineering and modern mechanics. **At present, Mr Gu is a vice president of the Company.** He is also the general manager of the technical center of MBtech.

Mr. Gu has more than 20 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. Jiang Xiaodong (姜小棟), aged 46, holds a master's degree in business administration and a senior accountant. **At present, Mr. Jiang is a vice president of the Company** with responsibility over the finance and economic center of which he is a director. He is also the chief financial officer of BAIC Investment, and director of Beijing Hyundai Auto Finance Co., Ltd. also a guest professor at Central University of Finance and Economics.

Mr. Jiang has more than 20 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. Yun Tae Hwa (尹泰和), aged 52, 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 more than 20 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 60, South Korean, holds a bachelor's degree in engineering. **At present, Mr. Zhang is a vice president of the Company.**

Mr. Zhang has over 30 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. Liang Guofeng (梁國鋒), aged 44, holds a master's degree in engineering, master of business administration, and is an engineer. **At present, Mr. Liang is a vice president of the Company** with responsibility over the product center where he is also a supervisor.

Mr. Liang has nearly 20 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.

Mr. Xie Wei (謝偉), aged 46, holds a bachelor's degree in engineering and Phd. in management, and is an engineer. **At present, Mr. Xie is the vice president of the Company** with responsibility over the management center where he is also the director.

Mr. Xie has more than 20 years of experience in automobile industry. Since 1995, he has served in various positions including the technician of assembly and welding workshop of Beijing Jeep, administrator of corporate office, ERP project engineer, COS project manager, director of corporate office, director and public relations officer of the general manager's office, senior manager of production planning and deputy general manager of logistics department of Beijing Benz, human resources director of Beijing Automobile Research Institute, human resources director, deputy general manager and head of management office of Beijing Hyundai.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Yan Xiaolei (閆小雷), aged 40, 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**, and is in charge of the investor relationship management center as its director with responsibility over the daily management of the Board of directors, information disclosure, investor relationship management, brand communication and public relations 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 more than 10 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, 2015, the Group has 25,461 full-time employees and the number of employees of different functions is set out in the table below:

Unit: headcount

	Beijing Brand	Beijing Benz	Subtotal
Production workers	8,094	9,642	**17,736**
Technical staff	3,422	1,256	**4,678**
Sales and marketing personnel	832	26	**858**
Others	1,464	725	**2,189**
Total	13,812	11,649	**25,461**

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. It is a comprehensive performance evaluation system built across the Company and cascaded down to its departments, branches and individuals to ensure full coverage of key indicators for level-by-level management as well as effective implementation and achievement of goals. Through multiple measures and approaches, the Company's business and individual motivation are connected and bound together for good, 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, carried on the development of 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. In 2015, the Group has provided trainings for totally 354,000 employees, with the overall training reaching 2.7 million hours and total training expenditure amounting to approximately RMB21.3 million.

EMPLOYEES' REMUNERATION

Through 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, ensuring competitiveness in recruiting, retaining and motivating talents, as well as the pursuit of the Company's human resources strategy.

PENSION PLAN

In 2015, the Company has one retired individual 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

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 set out on pages 69 to 145, which comprise the consolidated balance sheet as at 31 December 2015, 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.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance 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.

Pricewaterhouse Coopers
Certified Public Accountants

Hong Kong, March 24, 2016

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2015

		As at December 31,	
		2015	2014
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	38,353,039	34,218,190
Land use rights	8	5,222,063	5,347,184
Intangible assets	9	11,473,224	8,251,308
Investments in joint ventures	11	12,902,015	12,675,306
Investments in associates	12	1,680,360	1,391,135
Available-for-sale financial assets	13	4,000	4,000
Deferred income tax assets	14	4,208,609	2,676,059
Other long-term assets		1,313,159	976,823
		75,156,469	65,540,005
Current assets			
Inventories	15	9,870,762	11,068,159
Accounts receivable	16	10,948,608	6,422,290
Advances to suppliers	17	2,041,593	1,029,695
Other receivables and prepayments	18	3,965,500	2,831,500
Restricted cash	19	1,463,660	1,043,710
Cash and cash equivalents	20	23,946,496	21,923,296
		52,236,619	44,318,650
Total assets		127,393,088	109,858,655

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT DECEMBER 31, 2015

		As at December 31,	
		2015	2014
	Note	RMB'000	RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	7,595,338	7,508,018
Other reserves		17,680,657	16,677,213
Retained earnings		9,733,988	9,169,736
		35,009,983	33,354,967
Non-controlling interests		12,059,419	8,613,649
Total equity		47,069,402	41,968,616
LIABILITIES			
Non-current liabilities			
Borrowings	22	8,986,078	13,935,190
Deferred income tax liabilities	14	839,971	887,471
Provisions	23	1,610,287	894,901
Deferred income	24	1,260,294	672,609
		12,696,630	16,390,171
Current liabilities			
Accounts payable	25	21,382,334	14,977,797
Advances from customers		1,283,647	2,591,312
Other payables and accruals	26	21,201,970	17,115,051
Current income tax liabilities		1,943,280	38,787
Borrowings	22	21,279,937	15,983,058
Provisions	23	535,888	793,863
		67,627,056	51,499,868
Total liabilities		80,323,686	67,890,039
Total equity and liabilities		127,393,088	109,858,655

The notes on pages 76 to 145 are an integral part of these consolidated financial statements.

The financial statements on pages 69 to 145 were approved by the Board of Directors on March 24, 2016 and were signed on its behalf.

Xu Heyi, Director

Li Feng, Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	2015 RMB'000	2014 RMB'000
		For the year ended December 31,	
Revenue	6	84,111,526	56,370,306
Cost of sales	28	(68,834,689)	(47,386,825)
Gross profit		15,276,837	8,983,481
Selling and distribution expenses	28	(8,002,438)	(5,646,798)
General and administrative expenses	28	(4,039,122)	(3,455,016)
Other gains, net	27	1,243,610	1,540,131
Operating profit		4,478,887	1,421,798
Finance income	30	348,366	300,364
Finance costs	30	(763,941)	(833,460)
Finance costs, net		(415,575)	(533,096)
Share of profits of joint ventures		4,102,237	5,712,001
Share of profits of associates		155,108	97,136
Profit before income tax		8,320,657	6,697,839
Income tax expense	31	(1,998,648)	(856,527)
Profit for the year		6,322,009	5,841,312
Other comprehensive income		–	–
Total comprehensive income for the year		6,322,009	5,841,312
Attributable to:			
Equity holders of the Company		3,318,601	4,510,807
Non-controlling interests		3,003,408	1,330,505
		6,322,009	5,841,312
Earnings per share for profit attributable to equity holders of the Company during the year (RMB)			
Basic and diluted	32	0.44	0.70

The notes on pages 76 to 145 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015

	Attributable to equity holders of the Company						
	Share capital RMB'000 (Note 21)	Capital reserve RMB'000 (Note 39(a))	Statutory surplus reserve RMB'000 (Note 39(b))	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2014	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	–	(118,967)	–	–	(118,967)	–	(118,967)
Consideration paid for business combination under common control	–	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2015

	Attributable to equity holders of the Company						
	Share capital RMB'000 (Note 21)	Capital reserve RMB'000 (Note 39(a))	Statutory surplus reserve RMB'000 (Note 39(b))	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2015	7,508,018	15,214,551	1,462,662	9,169,736	33,354,967	8,613,649	41,968,616
Total comprehensive income for the year	–	–	–	3,318,601	3,318,601	3,003,408	6,322,009
Transactions with owners							
Issuance of new shares (Note 21)	87,320	526,113	–	–	613,433	–	613,433
Share issuance costs (Note 21)	–	(371)	–	–	(371)	–	(371)
Appropriation to statutory surplus reserve	–	–	475,748	(475,748)	–	–	–
2014 final dividends	–	–	–	(2,278,601)	(2,278,601)	–	(2,278,601)
Dividends to non-controlling interests holders of subsidiaries	–	–	–	–	–	(1,552,034)	(1,552,034)
Contributions from non-controlling interest holders of subsidiaries	–	–	–	–	–	1,992,408	1,992,408
Others	–	1,954	–	–	1,954	1,988	3,942
	87,320	527,696	475,748	(2,754,349)	(1,663,585)	442,362	(1,221,223)
Balance at December 31, 2015	7,595,338	15,742,247	1,938,410	9,733,988	35,009,983	12,059,419	47,069,402

The notes on pages 76 to 145 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	For the year ended December 31, 2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
Cash generated from operations	34(a)	13,035,082	4,546,367
Interest paid		(1,343,930)	(1,219,919)
Interest received		348,366	300,364
Income tax paid		(1,674,205)	(1,365,130)
Net cash generated from operating activities		10,365,313	2,261,682
Cash flows from investing activities			
Acquisition of subsidiaries		–	(2,369,759)
Purchase of property, plant and equipment		(9,220,098)	(9,054,876)
Purchase of land use rights		–	(260)
Addition of intangible assets		(2,831,773)	(2,730,074)
Investments in joint ventures		(1,294,125)	(551,534)
Investments in associates		(246,600)	(577,254)
Receipt of government grants for capital expenditures		289,280	42,946
Proceeds from disposals of property, plant and equipment and intangible assets	34(b)	4,070	443,327
Proceeds from disposal of interests in joint ventures		–	146,939
Proceeds from disposal of interests in associates		–	216,922
Dividends received from joint ventures		5,169,653	4,893,533
Dividends received from associates		105,671	91,245
Increase of restricted cash		(419,950)	(496,809)
Decrease of term deposits with initial term of over three months		–	4,500
Net cash used in investing activities		(8,443,872)	(9,941,154)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2015

	Note	For the year ended December 31, 2015 RMB'000	2014 RMB'000
Cash flows from financing activities			
Issuance of new shares	21	613,433	7,910,355
Proceeds from borrowings		25,406,249	23,172,347
Repayments of borrowings		(25,063,446)	(15,776,839)
Contribution from holding company		–	380,000
Dividends paid by the Company		(2,278,601)	(2,273,439)
Contributions from non-controlling interest holders of subsidiaries		1,992,408	–
Dividends paid to non-controlling interests holders of subsidiaries		(501,172)	(519,231)
Payment of listing expenses		(95,326)	(71,013)
Net cash generated from financing activities		73,545	12,822,180
Net increase in cash and cash equivalents		1,994,986	5,142,708
Cash and cash equivalents at January 1		21,923,296	16,789,889
Exchange gains/(losses) on cash and cash equivalents		28,214	(9,301)
Cash and cash equivalents at December 31		23,946,496	21,923,296

The notes on pages 76 to 145 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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 Stock Exchange of Hong Kong Limited since December 19, 2014 (the "Listing").

These financial statements are presented in Renminbi Yuan ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on March 24, 2016.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable 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.

As at December 31, 2015, the current liabilities of the Group exceeded its current asset by approximately RMB15,390 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 RMB9,015 million and RMB24,375 million respectively as at December 31, 2015.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

2 BASIS OF PREPARATION (CONTINUED)

(a) 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, 2015:

Annual Improvements Projects	Annual Improvements 2010-2012 cycle and 2011-2013 cycle
International Accounting Standards ("IAS") 19 (Amendment)	Employee benefits

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

(ii) Standards and amendments which are not yet effective adopted

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, 2015 and have not been early adopted.

IAS 1 (Amendment)	Disclosure initiative (1)
IAS 16 and IAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation (1)
IAS 16 and IAS 41 (Amendments)	Agriculture: bearer plants (1)
IAS 27 (Amendment)	Equity method in separate financial statements (1)
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture (1)
IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception (1)
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations (1)
IFRS 14	Regulatory deferral accounts (1)
Annual Improvement Project	Annual Improvements 2012-2014 Cycle (1)
IAS 7 (Amendment)	Disclosure on changes in financing liability (2)
IAS 12 (Amendment)	Deferred tax assets for unrealised losses (2)
IFRS 15	Revenue from Contracts with Customers (3)
IFRS 9	Financial Instruments (3)
IFRS 16	Lease (4)

(1) Effective for the accounting period beginning on January 1, 2016
(2) Effective for the accounting period beginning on January 1, 2017
(3) Effective for the accounting period beginning on January 1, 2018
(4) Effective for the accounting period beginning on January 1, 2019

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

2 BASIS OF PREPARATION (CONTINUED)

(b) 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 during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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 unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

For business combinations involving enterprises under common control, the consideration paid and net assets obtained by the acquirer are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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.

3.10 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial assets (Continued)

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial assets (Continued)

(d) Impairment of financial assets (Continued)

(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.

3.11 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3.15 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on interest rates on similar borrowings in the entity's functional currency.

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

(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. The contributions are recognized as employee benefit expense when they are due.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, auto parts and technologies to its dealers and automotive/spare parts 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.

3.23 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 post-tax profit for each year would have increased/(decreased) mainly as a result of foreign exchange differences on translation of US$/HK$/Euro denominated assets and liabilities:

	Profit for the year RMB$'000
As at and for the year ended December 31, 2015	
US$	(34,930)
HK$	(53)
Euro	609,915
As at and for the year ended December 31, 2014	
US$	(570,561)
HK$	(141,108)
Euro	678,545

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015, all the Group's interest rate swap contracts have been matured (December 31, 2014: with long-term borrowing of RMB1,422,269,000). These derivative instruments were stated at fair value and amounted to RMB nil as at December 31, 2015 (December 31, 2014: RMB6,042,000).

As at December 31, 2015, 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, 2015 would have been approximately RMB102,535,000 (2014: RMB104,023,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

As at December 31, 2015, 92% (December 31, 2014: 89%) of the Group's restricted cash, term deposits and cash at banks 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

As at December 31, 2015, the Group has net current liabilities of approximately RMB15,390 million (December 31, 2014: RMB7,181 million). Management regularly monitors the Group's current and expected liquidity requirements to ensure that it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed banking facilities to meet its capital commitments and working capital requirements. The amount of undrawn credit facilities at the balance sheet dates are disclosed in Note 22 to these financial statements.

The tables below analyze the Group's financial liabilities 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
At December 31, 2015				
Borrowings	22,166,736	4,624,677	4,138,489	1,050,140
Accounts payable	21,382,334	–	–	–
Other payables and accruals	19,382,116	–	–	–
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	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

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,	
	2015 RMB'000	2014 RMB'000
Total borrowings (Note 22)	30,266,015	29,918,248
Less: cash and cash equivalents (Note 20)	(23,946,496)	(21,923,296)
Net debt	6,319,519	7,994,952
Total equity	47,069,402	41,968,616
Total capital	53,388,921	49,963,568
Gearing ratio	12%	16%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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, restricted cash, accounts and other receivables, accounts and other payables and current bank 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
Assets				
Financial assets at fair value through profit or loss				
At December 31, 2015	–	56,678	–	56,678
At December 31, 2014	–	–	–	–
Liabilities				
Financial liabilities at fair value through profit or loss				
At December 31, 2015	–	–	–	–
At December 31, 2014	–	6,042	–	6,042

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(d) Depreciation and amortization

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

(e) Income taxes

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

Deferred tax assets are recognized only if it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. This determination requires significant judgment regarding the realizability of deferred tax assets. For entities with a recent history of losses, there would need to be convincing other evidence that sufficient taxable profits would be available in the future. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

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 brand, and providing other related services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015			
Total revenue	17,918,066	66,262,804	84,180,870
Inter-segment revenue	(69,344)	–	(69,344)
Revenue from external customers	17,848,722	66,262,804	84,111,526
Segment gross (loss)/profit	(1,419,806)	16,696,643	15,276,837
Other profit & loss disclosure:			
Depreciation and amortization	(1,160,978)	(2,626,010)	(3,786,988)
Provisions for impairments on receivables, inventories and property, plant and equipment	(164,835)	(33,239)	(198,074)
Finance (cost)/income, net	(537,647)	122,072	(415,575)
Income tax expense	(9,350)	(1,989,298)	(1,998,648)
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 (cost)/income, net	(560,442)	27,346	(533,096)
Income tax credit/(expense)	18,848	(875,375)	(856,527)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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.

There is no customer accounting for 10 percent or more of the Group's revenue for each of the years ended December 31, 2015 and 2014.

The Group is domiciled in PRC. Substantially all of the Group's revenue was generated from external customers residing in the PRC during the years ended December 31, 2015 and 2014. The Group's long-lived assets are primarily located in Mainland China and Hong Kong.

The segment assets and liabilities as at December 31, 2015 and 2014 are as follows:

	Passenger vehicles – Beijing Motor RMB'000	Passenger vehicles – Beijing Benz RMB'000	Total RMB'000
At December 31, 2015			
Total assets	63,725,718	63,667,370	127,393,088
Including:			
Investment in joint ventures	12,902,015	–	12,902,015
Investment in associates	1,680,360	–	1,680,360
Total liabilities	(41,464,850)	(38,858,836)	(80,323,686)
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)

The total of non-current assets other than financial instruments and deferred tax assets of Beijing Motor and Beijing Benz as at December 31, 2015 is RMB27,052,099,000 and RMB29,309,386,000 respectively (December 31, 2014: RMB21,690,621,000 and RMB27,102,885,000 respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture and office equipment RMB'000	Mouldings RMB'000	Construction in progress RMB'000	Total RMB'000
Net book amount at January 1, 2015	8,185,532	8,819,726	332,334	1,391,300	1,587,190	13,902,108	34,218,190
Additions	1,573	20,528	18,833	34,038	5,182	7,338,674	7,418,828
Transfers upon completion	5,882,725	7,125,081	66,261	1,162,555	2,094,410	(16,331,032)	–
Disposals	–	(566)	(3,094)	(84)	(20)	(50,066)	(53,830)
Depreciation	(745,791)	(1,227,730)	(77,551)	(498,947)	(657,015)	–	(3,207,034)
Impairment	–	(10,667)	(1,027)	(4,557)	(6,864)	–	(23,115)
Net book amount at December 31, 2015	13,324,039	14,726,372	335,756	2,084,305	3,022,883	4,859,684	38,353,039
At December 31, 2015							
Cost	14,515,430	17,335,742	502,270	2,924,967	4,172,099	4,859,684	44,310,192
Accumulated depreciation and impairment	(1,191,391)	(2,609,370)	(166,514)	(840,662)	(1,149,216)	–	(5,957,153)
Net book amount	13,324,039	14,726,372	335,756	2,084,305	3,022,883	4,859,684	38,353,039
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(a) There is no property, plant and equipment pledged as security for borrowing agreements at December 31, 2015 and 2014.

(b) The Group has capitalized borrowing costs amounting to RMB321,264,000 on qualifying assets of property, plant and equipment for the year ended December 31, 2015 (2014: RMB329,120,000). Borrowing costs were capitalized at the weighted average of its borrowing rate of 6.07% during the year (2014: 6.13%).

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

	For the year ended December 31,	
	2015 RMB'000	2014 RMB'000
Cost of sales	2,982,269	1,603,469
Selling and distribution expenses	9,076	10,088
General and administrative expenses	186,760	228,149
	3,178,105	1,841,706
Transfer to intangible assets – development costs	28,929	14,151
	3,207,034	1,855,857

(d) As at December 31, 2015, the Group has not obtained the formal ownership certificates for certain buildings with carrying values of approximately RMB1,428,362,000 (December 31, 2014: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

8 LAND USE RIGHTS

	For the year ended December 31,	
	2015 RMB'000	2014 RMB'000
Cost		
At January 1	5,569,747	5,569,487
Additions	–	260
At December 31	5,569,747	5,569,747
Accumulated amortization		
At January 1	(222,563)	(97,444)
Amortization	(125,121)	(125,119)
At December 31	(347,684)	(222,563)
Net book amount		
At December 31	5,222,063	5,347,184

Notes:

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

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

	For the year ended December 31,	
	2015 RMB'000	2014 RMB'000
General and administrative expenses	125,121	125,119

(c) As at December 31, 2015, the Group has not obtained the formal land use rights for certain land use rights with carrying values of approximately RMB2,059,000 (December 31, 2014: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

9 INTANGIBLE ASSETS

	Development costs (note(a)) RMB'000	Computer software RMB'000	Goodwill (note (b)) RMB'000	Total RMB'000
Net book amount at January 1, 2015	7,172,560	271,243	807,505	8,251,308
Additions	3,663,240	54,890	–	3,718,130
Amortization	(430,039)	(66,175)	–	(496,214)
Net book amount at December 31, 2015	10,405,761	259,958	807,505	11,473,224
At December 31, 2015				
Cost	11,439,847	398,528	807,505	12,645,880
Accumulated amortization	(1,034,086)	(138,570)	–	(1,172,656)
Net book amount	10,405,761	259,958	807,505	11,473,224
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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 2015 include a 13.5% (2014: 13.4%) 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 post-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 2015 include a 13.6% (2014: 14.2%) 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 post-tax and reflects specific risks relating to the relevant business.

(c) The Group has capitalized borrowing costs amounting to RMB252,199,000 on qualifying intangible assets for the year ended December 31, 2015 (2014: RMB177,314,000). Borrowing costs were capitalized at the weighted average of its borrowing rate of 3.77% during the year (2014: 4.99%).

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

	For the year ended December 31,	
	2015 RMB'000	2014 RMB'000
Cost of sales	456,448	355,364
General and administrative expenses	27,314	41,641
	483,762	397,005
Transfer from computer software to development cost	12,452	6,948
	496,214	403,953

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

10 SUBSIDIARIES

(a) The list of the principal subsidiaries at December 31, 2015 is disclosed in Note 38.

(b) 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,	
	2015	2014
	RMB’000	RMB’000
Non-current assets	33,511,199	29,761,885
Current assets	30,156,171	20,187,465
Total assets	63,667,370	49,949,350
Non-current liabilities	3,524,586	4,446,846
Current liabilities	35,334,250	27,704,036
Total liabilities	38,858,836	32,150,882
Net assets	24,808,534	17,798,468
Non-controlling interests	11,760,504	8,325,572

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

10 SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (Continued)

(ii) Summarized statement of comprehensive income

	For the year ended December 31,	
	2015 RMB'000	2014 RMB'000
Revenue	66,262,804	43,936,615
Net profit/Total comprehensive income	5,952,668	2,473,258
Net profit/Total comprehensive income attributable to non-controlling interests	2,916,807	1,211,896
Dividends declared to non-controlling interests	1,470,000	–

(iii) Summarized statement of cash flows

	For the year ended December 31,	
	2015 RMB'000	2014 RMB'000
Net cash flows generated from operating activities	17,605,903	6,586,939
Net cash flows used in investing activities	(5,232,533)	(6,963,702)
Net cash flows (used in)/generated from financing activities	(2,413,155)	1,179,347
Net increase in cash and cash equivalents	9,960,215	802,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

11 INVESTMENTS IN JOINT VENTURES

	2015 RMB'000	2014 RMB'000
At January 1	12,675,306	11,841,449
New investments (note (a))	1,294,125	15,389
Share of profits for the year:		
– Profit before income tax	5,469,649	7,616,003
– Income tax expense	(1,367,412)	(1,904,002)
	4,102,237	5,712,001
Dividends received	(5,169,653)	(4,893,533)
At December 31	12,902,015	12,675,306

(a) In November 2015, Beijing Hyundai Motor Co., Ltd ("Beijing Hyundai") increased its registered capital by RMB2,582,251,000 with each of 50% contributed by the Group and the other joint venture partner in cash. The Company also invested in a new joint venture amounted to RMB3,000,000 in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

11 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(b) 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 sheet of a material joint venture

	Beijing Hyundai	
	2015 RMB'000	2014 RMB'000
Current assets		
Cash and cash equivalents	2,240,956	4,906,707
Other current assets	37,224,182	40,646,026
	39,465,138	45,552,733
Non-current assets	18,589,580	16,058,944
Current liabilities		
Financial liabilities	26,005,674	29,545,938
Other current liabilities	2,045,826	2,966,459
	28,051,500	32,512,397
Non-current liabilities		
Financial liabilities	1,400,000	1,400,000
Other non-current liabilities	3,069,992	2,557,805
	4,469,992	3,957,805
Net assets	25,533,226	25,141,475

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

11 INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

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

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

	2015 RMB'000	2014 RMB'000
Opening net assets	25,141,475	23,551,423
Additions in paid-in capital	2,582,251	–
Total comprehensive income for the year	8,148,809	11,377,119
Dividends paid	(10,339,309)	(9,787,067)
Closing net assets	25,533,226	25,141,475
Group's share in %	50%	50%
Carrying amount	12,766,613	12,570,738

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

	2015 RMB'000	2014 RMB'000
Revenue	101,453,222	109,694,826
Depreciation and amortization	(1,820,242)	(1,733,948)
Interest income	194,486	170,105
Interest expenses	(440,605)	(316,751)
Other expenses	(88,491,650)	(92,607,695)
Income tax expenses	(2,746,402)	(3,829,418)
Net profit and total comprehensive income	8,148,809	11,377,119

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

11 INVESTMENTS IN JOINT VENTURES (CONTINUED)

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

(iii) Individually immaterial joint ventures

In addition to the interest in the joint venture 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,	
	2015 RMB'000	2014 RMB'000
Aggregate carrying amount of the net assets of individually immaterial joint ventures	273,431	212,747
Aggregate amounts of the Group's share thereon	135,402	104,568
Aggregate net profit and total comprehensive income	53,383	47,811
Aggregate amounts of the Group's share net profit and total comprehensive income	27,833	23,441

12 INVESTMENTS IN ASSOCIATES

	For the year ended December 31,	
	2015 RMB'000	2014 RMB'000
At January 1	1,391,135	807,990
New investments	246,600	577,254
Share of profits for the year		
– Profit before income tax	206,811	129,520
– Income tax expense	(51,703)	(32,384)
	155,108	97,136
Dividends received	(112,483)	(91,245)
At December 31	1,680,360	1,391,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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 sheet of material associates

	Beijing Hyundai Auto Finance Co., Ltd. ("BHAF")	
	2015 RMB'000	2014 RMB'000
Current assets		
Cash and cash equivalents	2,302,548	1,580,713
Other current assets	224,292	145,385
	2,526,840	1,726,098
Non-current assets	18,559,063	11,358,634
Current liabilities		
Financial liabilities	14,396,693	8,122,718
Other current liabilities	255,369	1,496,111
	14,652,062	9,618,829
Non-current liabilities		
Other non-current liabilities	4,126,323	1,400,000
Net assets	2,307,518	2,065,903

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

	BHAF	
	2015 RMB'000	2014 RMB'000
Opening net assets	2,065,903	961,210
Additions in paid-in capital	–	1,000,000
Total comprehensive income for the year	241,615	104,693
Closing net assets	2,307,518	2,065,903
Group's share in %	33%	33%
Carrying amount	761,481	681,748

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes: (Continued)

(a) Summarized financial information for associates (Continued)

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

	BAIC Group Finance Co., Ltd. ("BAG Finance")	
	2015 RMB'000	2014 RMB'000
Current assets		
Cash and cash equivalents	5,723,775	6,574,140
Other current assets	26,900	17,057
	5,750,675	6,591,197
Non-current assets	8,267,533	5,718,373
Current liabilities		
Financial liabilities	12,121,760	10,527,650
Other current liabilities	43,591	28,414
	12,165,351	10,556,064
Non-current liabilities		
Other non-current liabilities	68,450	20,725
Net assets	1,784,407	1,732,781

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

	BAG Finance	
	2015 RMB'000	2014 RMB'000
Opening net assets	1,732,781	680,749
Additions in paid-in capital	–	1,000,000
Total comprehensive income for the year	138,175	139,791
Dividends paid	(86,549)	(87,759)
Closing net assets	1,784,407	1,732,781
Group's share in %	20%	20%
Carrying amount	356,881	346,556

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes: (Continued)

(a) Summarized financial information for associates (Continued)

(ii) Summarized statements of comprehensive income of material associates

	BHAF	
	2015 RMB'000	2014 RMB'000
Revenue	1,944,240	1,063,356
Cost of sales	(1,626,212)	(923,138)
Other expenses	(76,413)	(35,525)
Net profit and total comprehensive income	241,615	104,693

	BAG Finance	
	2015 RMB'000	2014 RMB'000
Revenue	493,939	462,013
Cost of sales	(169,768)	(177,144)
Other expenses	(128,628)	(94,828)
Income tax expense	(57,368)	(50,250)
Net profit and total comprehensive income	138,175	139,791

(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,	
	2015 RMB'000	2014 RMB'000
Aggregate carrying amount of the net assets of individually immaterial associates	3,842,222	3,558,527
Aggregate amounts of the Group's share thereon	561,998	362,831
Aggregate net profit and total comprehensive income	292,609	432,794
Aggregate amounts of the Group's share net profit and total comprehensive income	47,740	34,629

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
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

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	4,046,455	2,521,527
– to be recovered within 12 months	162,154	154,532
	4,208,609	2,676,059
Deferred income tax liabilities:		
– to be settled after more than 12 months	(783,157)	(871,649)
– to be settled within 12 months	(56,814)	(15,822)
	(839,971)	(887,471)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

14 DEFERRED INCOME TAXES (CONTINUED)

The movement in deferred income tax assets and liabilities 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, 2015	123,761	2,481,069	71,229	2,676,059
Credited to statement of comprehensive income	58,148	1,215,711	258,691	1,532,550
At December 31, 2015	181,909	3,696,780	329,920	4,208,609
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

Deferred income tax liabilities	Capitalized interest RMB'000	Valuation surplus upon acquisition of a subsidiary RMB'000	Total RMB'000
At January 1, 2015	(55,628)	(831,843)	(887,471)
Credited to statement of comprehensive income	11,324	36,176	47,500
At December 31, 2015	(44,304)	(795,667)	(839,971)
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)

Deferred income tax assets are recognized for tax loss carry forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets in respect of losses and deductible temporary differences amounting to RMB10,833,937,000 (December 31, 2014: RMB7,146,230,000) that can be carried forward against future taxable income as at December 31, 2015. These unrecognized tax loss carry forwards are expiring within five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

15 INVENTORIES

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Raw materials	4,444,994	5,056,243
Work in progress	537,075	314,260
Finished goods	5,131,907	5,984,106
	10,113,976	11,354,609
Less: provision for impairment (note (a))	(243,214)	(286,450)
	9,870,762	11,068,159

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, 2015 amounted to RMB68,835 million (2014: RMB47,387 million).

(c) As at December 31, 2015, finished goods of RMB529 million (December 31, 2014: RMB1,970 million) were pledged as collateral to secure the bank borrowings to the dealers.

16 ACCOUNTS RECEIVABLE

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Trade receivables, gross (note (a))	4,579,034	2,454,837
Less: provision for impairment	(1,047)	(3,496)
	4,577,987	2,451,341
Notes receivable (note (b))	6,370,621	3,970,949
	10,948,608	6,422,290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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:

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Current to 1 year	4,560,463	2,421,937
1 to 2 years	15,166	30,223
2 to 3 years	3,335	70
Over 3 years	70	2,607
	4,579,034	2,454,837

As at December 31, 2015 and 2014, the following trade receivables were past due but not impaired. These mainly relate to a number of customers for whom there is no recent history of default. The ageing analysis of these past due but not impaired receivables is as follows:

	As at December 31,	
	2015 RMB'000	2014 RMB'000
1 to 2 years	14,225	29,182
2 to 3 years	3,240	59
Over 3 years	59	202
	17,524	29,443

As at December 31, 2015 and 2014 movement on the provision for impairment of trade receivables is as follows:

	2015 RMB'000	2014 RMB'000
As at January 1	3,496	10,078
Reversal of provision for impairment	(2,449)	(6,582)
As at December 31	1,047	3,496

(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.

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

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Pledged notes receivable	2,696,141	1,275,055

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Value-added tax, consumption tax recoverable and prepaid income tax	1,936,993	1,535,941
Government grants	214,503	552,263
Receivable from sales of raw materials	719,721	226,465
Disposal of property, plant and equipment and intangible assets	139,431	139,431
Service fees and charges	675,914	206,621
Others	279,382	171,372
	3,965,944	2,832,093
Less: provision for impairment	(444)	(593)
	3,965,500	2,831,500

19 RESTRICTED CASH

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Pledged deposits (note)	1,463,660	1,043,710

Note: Pledged deposits are maintained with banks for issuance of notes payable. They earn interests at annual rates ranging 1.43% to 1.69% as at December 31, 2015 (December 31, 2014 2.80% to 3.06%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

20 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Cash at bank and on hand	12,049,232	9,935,891
Short-term deposits (note (a))	11,897,264	11,987,405
	23,946,496	21,923,296

Notes:

(a) As at December 31, 2015, short-term deposits of RMB2,129,521,000 (December 31, 2014: RMB2,537,879,000), were deposited in BAG Finance (a 20% owned associate), which was approved by the China Banking Regulatory Commission as a non-bank financial institution. The remaining 80% of this associate is owned by BAIC Group. These deposits can be withdrawn on demand.

(b) As at December 31, 2015, approximately 97% (December 31, 2014: 60%) of the Group's cash and cash equivalents are denominated in RMB. The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

21 SHARE CAPITAL

	Ordinary shares of RMB1 each ('000)	RMB'000
At January 1, 2014	6,381,818	6,381,818
Additions (note (a))	1,126,200	1,126,200
At December 31, 2014	7,508,018	7,508,018
At January 1, 2015	7,508,018	7,508,018
Additions (note (b))	87,320	87,320
At December 31, 2015	7,595,338	7,595,338

Notes:

(a) 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.

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

The total gross proceeds from the exercises of over-allotment of the Global Offering was approximately HK$777,088,000 (equivalent to approximately RMB613,433,000), of which RMB87,320,000 was credited to share capital and approximately RMB526,113,000 was credited to share premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

22 BORROWINGS

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Non-current		
Borrowings		
– secured (note (c))	–	984,900
– unsecured (note (b))	2,959,570	7,357,289
	2,959,570	8,342,189
Corporate bonds, unsecured (note (a))	6,026,508	5,593,001
Total non-current borrowings	8,986,078	13,935,190
Current		
Borrowings		
– secured (note (c))	–	600,000
– unsecured (note (b))	16,124,013	9,854,500
Add: current portion of non-current borrowings:		
– secured (note (c))	–	120,100
– unsecured (note (b))	1,157,712	2,912,453
	17,281,725	13,487,053
Corporate bonds, unsecured (note (a))	3,998,212	2,496,005
Total current borrowings	21,279,937	15,983,058
Total borrowings	30,266,015	29,918,248

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

22 BORROWINGS (CONTINUED)

Maturity of borrowings

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Within 1 year	21,279,937	15,983,058
Between 1 and 2 years	4,291,872	4,210,666
Between 2 and 5 years	3,685,146	8,726,024
Over 5 years	1,009,060	998,500
	30,266,015	29,918,248

Contractual repricing dates upon interest rate changes

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Within 6 months	7,319,162	17,681,235
6 to 12 months	11,142,944	996,507
	18,462,106	18,677,742

Weighted average annual interest rates

	As at December 31,	
	2015	2014
Borrowings	4.13%	5.04%
Corporate bonds	5.08%	5.38%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

22 BORROWINGS (CONTINUED)

Currency denomination

	As at December 31,	
	2015 RMB'000	2014 RMB'000
RMB	28,607,667	24,917,499
US$	97,404	1,354,640
HK$	–	186,296
Euro	1,560,944	3,459,813
	30,266,015	29,918,248

Undrawn facilities at floating rates

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Within 1 year	9,015,079	4,640,111
Over 1 year	24,375,229	24,379,185
	33,390,308	29,019,296

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

22 BORROWINGS (CONTINUED)

Notes:

(a) Corporate bonds are analysed as follows:

Issuer	Issue date	Interest rate per annum	Par value RMB'000	Carrying value RMB'000	Maturity
At December 31, 2015					
BAIC Investment Co., Ltd. ("BAIC Investment")	January 29, 2010	5.18%	1,435,500	1,432,478	7 years
BAIC Investment	December 10, 2015	3.60%	1,500,000	1,497,030	5 years
The Company	April 12, 2013	4.96%	1,500,000	1,499,961	3 years
The Company	August 12, 2014	5.40%	1,000,000	999,000	3 years
The Company	September 10, 2014	5.74%	400,000	399,400	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	7 years
The Company	February 12, 2015	4.68%	500,000	499,500	5 years
The Company	November 20, 2015	3.15%	2,500,000	2,498,251	270 days
Beijing Benz	December 11, 2014	5.20%	600,000	600,000	3 years
				10,024,720	
At December 31, 2014					
BAIC Investment	January 29, 2010	5.18%	1,500,000	1,496,977	7 years
The Company	February 9, 2012	5.70%	1,000,000	999,573	3 years
The Company	August 14, 2012	5.00%	1,500,000	1,496,432	3 years
The Company	April 12, 2013	4.96%	1,500,000	1,498,524	3 years
The Company	September 22, 2014	5.54%	300,000	299,550	7 years
The Company	September 22, 2014	5.54%	300,000	299,550	7 years
The Company	September 10, 2014	5.74%	400,000	399,400	7 years
The Company	August 12, 2014	5.40%	1,000,000	999,000	3 years
Beijing Benz	December 11, 2014	5.20%	600,000	600,000	3 years
				8,089,006	

(b) Balances at December 31, 2015 include borrowings of RMB3,213 million (December 31, 2014: RMB1,797 million) obtained from BAG Finance, an associate of the Group. The remaining balance of borrowings were obtained from banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

22 BORROWINGS (CONTINUED)

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

	As at December 31,	
	2015 RMB'000	2014 RMB'000
The Group's notes receivable (Note 16(e))	–	600,000
Guarantees provided by BAIC Group (Note 36(c))	–	1,105,000
	–	1,705,000

23 PROVISIONS

Warranties

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Current	535,888	793,863
Non-current	1,610,287	894,901
Total	2,146,175	1,688,764

Movements of warranties for each of the years ended December 31, 2015 and 2014 are as follows:

	For the year ended December 31,	
	2015 RMB'000	2014 RMB'000
At January 1	1,688,764	1,028,744
Additions	922,393	869,597
Amortization of discount on non-current provisions	99,481	75,614
Payments	(564,463)	(285,191)
At December 31	2,146,175	1,688,764

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

24 DEFERRED INCOME

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

Movements of deferred income for each of the year ended December 31, 2015 and 2014 are as follows:

	For the year ended December 31,	
	2015 RMB'000	2014 RMB'000
At January 1	672,609	659,315
Additions	625,141	42,946
Amortization	(37,456)	(29,652)
At December 31	1,260,294	672,609

25 ACCOUNTS PAYABLE

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Trade payables	19,277,708	13,748,685
Notes payable	2,104,626	1,229,112
	21,382,334	14,977,797

Aging analysis of trade payables is as follows:

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Current to 1 year	19,236,144	13,737,253
1 year to 2 years	38,357	9,576
2 years to 3 years	2,770	827
over 3 years	437	1,029
	19,277,708	13,748,685

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

26 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Sales discounts and rebates	5,777,975	3,666,133
Payables for property, plant and equipment and intangible assets	4,679,073	5,909,446
Advertising and promotion	1,842,403	1,486,014
Payables for services and materials	1,821,974	1,305,662
Technology usage fee	1,787,093	815,594
Dividends payable	1,470,000	436,245
Other taxes	923,561	234,241
Wages, salaries and other employee benefits	896,294	670,032
Transportation and warehouse expenses	662,256	347,201
Outsourcing labor cost	516,213	469,789
Deposits	219,147	137,123
Interests payable	227,330	284,327
Pre-delivery inspection expenses	141,896	126,646
Payables for investments	–	419,138
Transfer of domestic shares	–	790,968
Others	236,755	16,492
	21,201,970	17,115,051

27 OTHER GAINS, NET

	For the year ended December 31,	
	2015 RMB'000	2014 RMB'000
Gain from sales of scrap materials	113,616	88,989
Net foreign exchange gain	90,170	732,677
Government grants	1,121,755	613,996
(Loss)/gain on disposal of property, plant and equipment and intangible assets	(49,760)	122,564
Others	(32,171)	(18,095)
	1,243,610	1,540,131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

28 EXPENSES BY NATURE

	For the year ended December 31, 2015 RMB'000	2014 RMB'000
Raw materials used	58,984,147	42,721,742
Changes in inventories of finished goods and work-in-progress	629,384	(1,895,990)
Employee benefit costs (Note 29)	4,557,648	3,490,543
Depreciation and amortization (Note 7(c), 8(b), 9(d))	3,786,988	2,363,830
Advertising and promotion	2,387,070	1,748,171
Tax and levies	2,777,971	2,137,179
Service fees and charges	3,198,658	1,994,724
Transportation and warehouse expenses	1,440,073	735,571
Warranty expenses	969,658	765,554
Utilities	565,338	423,303
Outsourcing labor cost	442,355	299,463
Office and travel expenses	319,793	280,296
Provision for impairment of assets	198,074	363,866
Operating lease expenses	144,801	121,906
Auditor's remuneration		
– audit services	11,427	25,451
– non-audit services	–	–
Others	462,864	913,030
Total cost of sales, selling and distribution expenses, and general and administrative expenses	80,876,249	56,488,639

29 EMPLOYEE BENEFIT COSTS

	For the year ended December 31, 2015 RMB'000	2014 RMB'000
Wages and salaries	3,630,177	2,721,853
Pension scheme and other social security costs	405,682	324,907
Housing benefits	210,520	151,128
Welfare, medical and other expenses	311,269	292,655
	4,557,648	3,490,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

29 EMPLOYEE BENEFIT COSTS (CONTINUED)

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include nil (2014: nil) director and nil (2014: nil) supervisor for the year ended December 31, 2015. Their emoluments are reflected in the analysis presented Note 40. The emoluments payable to the remaining individuals are as follows:

	For the year ended December 31,	
	2015 RMB'000	2014 RMB'000
Salaries, allowances and other benefits	13,514	15,749
Employer's contribution to pension scheme	219	2,124
	13,733	17,873

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

	For the year ended December 31,	
	2015 Number of individuals	2014 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	–	–
HK$2,000,001 – HK$2,500,000	–	–
HK$2,500,001 – HK$3,000,000	–	–
HK$3,000,001 – HK$3,500,000	5	–
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 the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2014: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

30 FINANCE COSTS, NET

	For the year ended December 31,	
	2015 RMB'000	2014 RMB'000
Finance income		
Interest on bank deposits	348,366	300,364
Finance costs		
Interest expense on borrowings	862,154	930,908
Interest expense on corporate bonds	375,769	333,372
Amortization of discount on non-current provisions (Note 23)	99,481	75,614
	1,337,404	1,339,894
Less: amount capitalized in qualifying assets (Notes 7 and 9)	(573,463)	(506,434)
	763,941	833,460
Finance costs, net	(415,575)	(533,096)

31 INCOME TAX EXPENSE

	For the year ended December 31,	
	2015 RMB'000	2014 RMB'000
Current income tax	3,578,698	883,850
Deferred income tax (Note 14)	(1,580,050)	(27,323)
	1,998,648	856,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

31 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	2015 to 2017
– Beijing Beinei Engine Parts and Components Co., Ltd.	2015 to 2017
– 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, 2015 and 2014 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,	
	2015 RMB'000	2014 RMB'000
Profit before income tax	8,320,657	6,697,839
Tax calculated at the statutory tax rate of 25%	2,080,164	1,674,460
Preferential tax rates on income of certain Group entities	79,473	(2,164)
Impact on share of results of joint ventures and associates	(1,064,124)	(1,452,284)
Income not subject to tax	(37,899)	(42,383)
Expenses not deductible for tax purposes	6,299	50,307
Utilization of previously unrecognized tax losses	(4,016)	(3,428)
Tax losses/deductible temporary differences for which no deferred tax was recognized	941,229	642,693
Additional deduction on research and development expenses	(6,681)	(10,674)
Withholding tax	4,098	–
Others	105	–
Tax charge	1,998,648	856,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

32 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,	
	2015	2014
Profit attributable to equity holders of the Company (RMB'000)	3,318,601	4,510,807
Weighted average number of ordinary shares in issue (thousands)	7,592,228	6,418,844

During the years ended December 31, 2015 and 2014, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.

33 DIVIDENDS

	For the year ended December 31,	
	2015 RMB'000	2014 RMB'000
Proposed dividend of RMB0.15 per share (note (a))	1,139,301	–
Final dividend of RMB0.30 per share (note (b))	–	2,278,601

Notes:

(a) The 2015 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 dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending December 31, 2016.

(b) The final dividend of approximately RMB2,278,601,000 (RMB0.30 per share) relating to the year ended December 31, 2014 was approved by the shareholders at a meeting held on June 29, 2015 and paid in August 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

34 CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations:

	For the year ended December 31,	
	2015 RMB'000	2014 RMB'000
Profit before income tax	8,320,657	6,697,839
Adjustments for:		
Share of profits of joint ventures	(4,102,237)	(5,712,001)
Share of profits of associates	(155,108)	(97,136)
Loss/(Gain) on disposal of property, plant and equipment and intangible assets	49,760	(122,564)
Depreciation and amortization	3,786,988	2,363,830
Provision for impairment of assets	198,074	363,866
Net foreign exchange gain	(90,170)	(732,677)
Finance costs, net	415,575	533,096
Amortization of deferred income	(37,456)	(29,652)
	8,386,083	3,264,601
Changes in working capital:		
– Increase in accounts receivable	(4,802,837)	(532,817)
– Increase in advances to suppliers, other receivables and prepayments	(2,847,825)	(1,250,599)
– Decrease/(increase) in inventories	1,022,199	(3,866,310)
– Increase in accounts payable	6,440,081	3,866,050
– Increase in advance from customers, other payables and accruals	4,479,451	2,405,422
– Increase in provisions	357,930	660,020
Cash generated from operations	13,035,082	4,546,367

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

	For the year ended December 31,	
	2015 RMB'000	2014 RMB'000
Net book amount	53,830	48,947
(Loss)/gain on disposal (Note 27)	(49,760)	122,564
Decrease/(Increase) in receivables	–	271,816
Cash proceeds	4,070	443,327

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

35 COMMITMENTS

(a) Capital commitments

The Group has the following capital commitments for property, plant and equipment not provided for as at December 31, 2015 and 2014 respectively.

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Contracted but not provided for	7,331,424	6,050,730

(b) Operating lease commitments

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

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Up to 1 year	101,414	43,221
1 to 5 years	70,448	3,180
	171,862	46,401

36 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 company beneficially owned by SASAC Beijing which also owns a significant portion of the productive assets and entities in the PRC (collectively referred as the "government-related entities"). 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 entities and corporations in which BAIC Group 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, 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties

	For the year ended December 31,	
	2015 RMB'000	2014 RMB'000
Sale of goods, materials and technologies to		
– BAIC Group	2,574	4,078
– subsidiaries of BAIC Group	6,422,469	1,501,460
– joint ventures	275,757	286,911
– an associate	384	19,449
– other related companies	568,733	1,360,460
Services provided to		
– BAIC Group	233	–
– subsidiaries of BAIC Group	207,077	242
– associates	23,292	36,717
– other related companies	144,589	84,228
Purchases of goods and materials from		
– BAIC Group	81	6,862
– subsidiaries of BAIC Group	11,366,385	4,348,513
– joint ventures	–	12,307
– associate	2,385	–
– other related companies (note)	28,406,360	23,464,787

	For the year ended December 31,	
	2015 RMB'000	2014 RMB'000
Services received from		
– BAIC Group	372,367	194,368
– subsidiaries of BAIC Group	2,107,506	772,384
– joint ventures	638,425	448,600
– other related companies	2,954,791	2,426,304
Rental expenses paid/payable to		
– subsidiaries of BAIC Group	153,804	127,392
– BAIC Group	30,719	–
Interest income received from		
– an associate	76,264	88,451
Interest expenses paid/payable to		
– an associate	98,084	62,541
Key management compensations		
– salaries, allowances and other benefits	14,797	11,157
– employer's contribution to pension scheme	805	264
– discretionary bonuses	6,806	6,066

Note: For the year ended December 31, 2015, the Group purchase goods and materials from Daimler AG of approximately RMB19,100,890,000 (2014: RMB15,515,174,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties:

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
Assets		
Other long-term assets		
– subsidiaries of BAIC Group	337,758	–
Accounts receivable		
– BAIC Group	1,839	1,345
– subsidiaries of BAIC Group	1,319,502	452,701
– joint ventures	27,174	33,084
– other related companies	195,746	362,656
Advances to suppliers		
– subsidiaries of BAIC Group	792,526	518,976
– other related companies	262,020	142,088
Other receivables and prepayments		
– BAIC Group	27,462	48,160
– subsidiaries of BAIC Group	1,001,991	77,332
– joint ventures	1,985	1,886
– associates	24,107	20,730
– other related companies	187,139	170,988
Cash and cash equivalents		
– an associate	2,129,521	2,537,879
Liabilities		
Accounts payable		
– BAIC Group	31,477	815
– subsidiaries of BAIC Group	3,996,945	1,612,036
– associates	7,981	–
– other related companies	6,688,576	6,460,755
Advances from customers		
– BAIC Group	–	327
– subsidiaries of BAIC Group	28,874	14,093
– associates	327	340
– other related companies	17	–
Other payables and accruals		
– BAIC Group	511,439	561,055
– subsidiaries of BAIC Group	1,171,139	297,040
– joint ventures	148,568	135,441
– associates	40	–
– other related companies	1,935,501	1,557,103
Dividends payable to		
– other related companies	1,470,000	436,245
Borrowings from		
– an associate (note 22(b))	3,213,190	1,796,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Guarantees:

	As at December 31,	
	2015 RMB'000	2014 RMB'000
Guarantees on bank loans provided by:		
– BAIC Group	–	1,105,000

37 EVENTS AFTER THE REPORTING PERIOD

(a) On February 2, 2016, the Company completed the issuance of the first tranche of 2016 ultra short-term debentures, the issuance size was RMB2 billion with a term of 270 days and an interest rate of 2.85%.

(b) On March 14, 2016, the Company and Fujian Motor Industry Group Co. ("FJMOTOR") entered into a series of agreements in relation to, among others, the proposed acquisition of 35% equity interest in Fujian Benz Automotive Co., Ltd. ("Fujian Benz") by the Company from FJMOTOR. Upon completion of the equity transaction, the Company and FJMOTOR will hold 35% and 15% equity interest in Fujian Benz respectively, and Daimler Vans Hong Kong Limited will hold the remaining 50% equity interest in Fujian Benz.

(c) On March 17, 2016, BAIC Investment completed the issuance of the first tranche of 2016 corporate bonds, the issuance size was RMB1.5 billion with a term of 5 years and an interest rate of 3.15%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Company name	Place and date of establishment/incorporation	Issued and paid-up capital (million)	Attributable equity interests	Principal activities
Subsidiaries				
BAIC Guangzhou Automotive Co., Ltd	The PRC August 18, 2000	RMB1,145	100%	Manufacture of passenger vehicles
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
Beijing Benz Automotive Co., Ltd.	The PRC August 8, 2005	USD1,874	51%	Manufacture and sales of passenger vehicles
BAIC Hong Kong Investment Corp. Limited	Hong Kong Oct 21, 2009	RMB60	100%	Investment holding
BAIC Motor Powertrain Co., Ltd.	The PRC February 9, 2010	RMB1,476	100%	Manufacture of auto engine
Beijing Motor Sales Co., Ltd.	The PRC May 3, 2012	RMB100	100%	Sale of passenger vehicles
Zhuzhou (BAIC) Motor Sales Co., Ltd.	The PRC August 5, 2013	RMB8	100%	Sale 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
Associates				
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at December 31,	
	2015	2014
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,845,291	7,018,707
Land use rights	945,751	966,503
Intangible assets	8,019,330	5,010,089
Investments in subsidiaries	20,594,136	18,193,302
Investments in joint ventures	72,091	65,389
Investments in associates	379,148	136,250
Available-for-sale financial assets	4,000	4,000
Other long-term assets	622,103	322,431
	38,481,850	31,716,671
Current assets		
Inventories	802,324	828,661
Accounts receivable	5,592,568	3,963,958
Advances to suppliers	852,227	913,782
Other receivables and prepayments	16,485,366	8,112,909
Restricted cash	410,535	471,780
Cash and cash equivalents	1,602,303	10,478,476
	25,745,323	24,769,566
Total assets	64,227,173	56,486,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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

Balance sheet of the Company (Continued)

		As at December 31,	
		2015	2014
		RMB'000	RMB'000
EQUITY			
Capital and reserves attributable to equity holders			
Share capital		7,595,338	7,508,018
Other reserves	note a	21,841,298	20,839,808
Retained earnings	note a	4,524,798	2,523,791
Total equity		33,961,434	30,871,617
LIABILITIES			
Non-current liabilities			
Borrowings		4,109,000	8,355,193
Deferred income tax liabilities		–	34,289
Deferred income		146,476	71,476
		4,255,476	8,460,958
Current liabilities			
Accounts payable		5,714,402	3,557,870
Advances from customers		17,654	18,064
Other payables and accruals		2,339,953	2,909,639
Borrowings		17,938,254	10,668,089
		26,010,263	17,153,662
Total liabilities		30,265,739	25,614,620
Total equity and liabilities		64,227,173	56,486,237

The balance sheet of the Company was approved by the Board of Directors on March 24, 2016 and was signed on its behalf.

Xu Heyi, Director

Li Feng, Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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

Notes: Reserve movement of the Company is as 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, 2015	20,060,726	779,082	2,523,791	23,363,599
Profit for the year	–	–	4,755,356	4,755,356
Issuance of new shares (Note 21)	526,113	–	–	526,113
Share issuance costs	(371)	–	–	(371)
Appropriation to statutory surplus reserve	–	475,748	(475,748)	–
Dividends declared/paid	–	–	(2,278,601)	(2,278,601)
At December 31, 2015	20,586,468	1,254,830	4,524,798	26,366,096
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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

40 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

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

The remuneration of each director, supervisor and the chief executive is set out below:

For the year ended December 31, 2015

	Emoluments paid or receivable in respect of a person's services as a director					Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs	
	Salaries, allowances and estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Discretionary bonus[1]	Housing allowance	Remunerations paid or receivable in respect of accepting office as director		Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director							
Li Feng (李峰) (Chief Executive)	895	36	538	–	–	–	1,469
Non-executive director							
Xu Heyi (徐和誼)	–	–	–	–	–	–	–
Zhang Xiyong (張夕勇)	–	–	–	–	–	–	–
Li Zhili (李志立)	764	30	460	–	–	–	1,254
Qiu Yinfu (邱銀富)	–	–	–	–	–	–	–
Yang Shi (楊實)	–	–	–	–	–	–	–
Ma Chuanqi (馬傳騏)	–	–	–	–	–	–	–
Hubertus Troska	–	–	–	–	–	–	–
Bodo Uebber	–	–	–	–	–	–	–
Wang Jing (王京)	–	–	–	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

40 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (CONTINUED)

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

For the year ended December 31, 2015 (Continued)

	Emoluments paid or receivable in respect of a person's services as a director					Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs	
	Salaries, allowances and estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Discretionary bonus[1] RMB'000	Housing allowance RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	RMB'000	Total RMB'000
Independent non-executive director							
Fu Yuwu (付于武)	–	–	–	–	120	–	120
Wong Lung Tak Patrick (黃龍德)	–	–	–	–	120	–	120
Bao Robert Xiaochen (包曉晨)	–	–	–	–	120	–	120
Zhao Fuquan (趙福全)	–	–	–	–	120	–	120
Liu Kaixiang (劉凱湘)	–	–	–	–	120	–	120
Supervisor							
Zhang Yuguo (張裕國)	–	–	–	–	–	–	–
Yin Weijie (尹維劼)	–	–	–	–	–	–	–
Zhu Zhenghua (朱正華)	–	–	–	–	–	–	–
Li Chengjun (李承軍)	468	30	163	–	–	–	661
Zhang Guofu (張國富)	706	36	226	–	–	–	968
Yu Wei (余威) [2]	–	–	–	–	–	–	–
Wang Jianping (王建平) [3]	–	–	–	–	–	–	–
Pang Minjing (龐民京) [4]	–	–	–	–	53	–	53
Zhan Zhaohui (詹朝暉) [5]	–	–	–	–	53	–	53

Notes:

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

(2) Appointed in June 2015.

(3) Appointed in February 2015.

(4) Appointed in June 2015.

(5) Appointed in June 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

40 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (CONTINUED)

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

For the year ended December 31, 2014

Certain of the comparative information of directors' emoluments for the year ended December 31, 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap.622).

	Emoluments paid or receivable in respect of a person's services as a director					Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs	
	Salaries, allowances and estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Discretionary bonus[1] RMB'000	Housing allowance RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	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) [2]	152	11	267	–	–	–	430
Zhang Xiyong (張夕勇)	–	–	–	–	–	–	–
Li Zhili (李志立)	814	32	475	–	–	–	1,321
Wei Gang (魏剛) [3]	–	–	–	–	–	–	–
Chen Jiang (陳江) [3]	–	–	–	–	–	–	–
Wang Baomin (王保民) [3]	–	–	–	–	–	–	–
Qiu Yinfu (邱銀富)	–	–	–	–	–	–	–
Shi Youwen (石幼文) [3]	–	–	–	–	–	–	–
Yang Shi (楊實)	–	–	–	–	–	–	–
Ma Chuanqi (馬傳騏)	–	–	–	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

40 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (CONTINUED)

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

For the year ended December 31, 2014 (Continued)

	Emoluments paid or receivable in respect of a person's services as a director					Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs	
	Salaries, allowances and estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Discretionary bonus[1] RMB'000	Housing allowance RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	RMB'000	Total RMB'000
Non-executive director (Continued)							
Hubertus Troska	–	–	–	–	–	–	–
Bodo Uebber	–	–	–	–	–	–	–
Yu Zhongfu (于仲福) [4]	–	–	–	–	–	–	–
Wang Jing (王京) [5]	–	–	–	–	–	–	–
Independent non-executive director							
Fu Yuwu (付于武) [6]	–	–	–	–	10	–	10
Wong Lung Tak Patrick (黃龍德) [6]	–	–	–	–	10	–	10
Bao Robert Xiaochen (包曉晨) [6]	–	–	–	–	10	–	10
Zhao Fuquan (趙福全) [6]	–	–	–	–	10	–	10
Liu Kaixiang (劉凱湘) [6]	–	–	–	–	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

40 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (CONTINUED)

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

For the year ended December 31, 2014 (Continued)

Notes:

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

(2) Resigned in February 2014.

(3) Resigned in December 2014.

(4) Resigned in April 2014.

(5) Appointed in April 2014.

(6) Appointed in December 2014.

(b) During the year ended December 31, 2015, no retirement benefits by a defined benefit pension plan operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries (2014: Nil).

(c) During the year ended December 31, 2015, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable (2014: Nil).

(d) During the year ended December 31, 2015, no consideration was provided to or receivable by third parties for making available director's services (2014: Nil).

(e) There are no loans, quasi-loans or other dealings in favour of the director, his controlled bodies corporate and connected entities (2014: Nil).

(f) No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2014: Nil).

DEFINITIONS

"Articles of Association" or "Articles"	The Articles of Association of BAIC Motor Corporation Limited
"Audit Committee"	audit committee of the Board
"BAIC Group"	Beijing Automotive Group Co., Ltd.
"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
"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
"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 Brand"	Proprietary brand of BAIC Motor, which is operated through three product series, including Senova Series, BJ Series and Wevan Series
"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
"Beijing Motor"	When referring to a business segment, it means the consolidated business of our Company and its subsidiaries (excluding Beijing Benz)
"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
"Board of Supervisors"	the board of Supervisors of the Company
"Board" or "Board of Directors"	the board of Directors of the Company
"CAGR"	compound annual growth rate
"CASBE"	Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this report, Hong Kong, Macao SAR and Taiwan
"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

DEFINITIONS

"Connected transaction(s)"	has the meaning ascribed thereto in the Listing Rules
"Controlling Shareholder"	has the meaning ascribed thereto in the Listing Rules
"Corporate Governance Code"	the Code on Corporate Governance as set forth in Appendix 14 to the Listing Rules
"Daimler AG"	Daimler AG, a company established in Germany in 1886 which is a Shareholder and a Connected Person of the Company
"Date of Issue of the Report"	March 24, 2016, i.e. the date on which the annual report is submitted to the Board of Directors for approval
"Director(s)"	director(s) of the Company
"Domestic Share(s)"	ordinary shares in the Company's share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"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 2015 third quarter report of Foton, approximately 27.07% equity interest of Foton was owned by BAIC Group; Foton is a Connected Person of the Company
"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
"HK$" or "Hong Kong dollars" or "HK dollars"	the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hyundai"	the brand of Hyundai Motor Company ("Hyundai Motor") and our joint venture, Beijing Hyundai is endorsed to use the brand.
"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
"IFRSs"	International Financial Reporting Standards issued by the International Accounting Standards Board
"Listing"	Listing of the H Shares on the Hong Kong Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"Main Board"	The stock market operated by the Stock Exchange (excluding options market), independent of the growth enterprise market of the Stock Exchange and under parallel operation with the growth enterprise market
"Mercedes-Benz"	the brand of Daimler AG, and our subsidiary, Beijing Benz, is endorsed to use the brand
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 to the Listing Rules

DEFINITIONS

"Nomination Committee"	nomination committee of the Board
"PBOC"	People's Bank of China
"Prospectus"	the prospectus of the Company dated December 9, 2014
"PwC"	PricewaterhouseCoopers
"PwC Zhong Tian"	PricewaterhouseCoopers Zhong Tian LLP
"Remuneration Committee"	remuneration committee of the Board
"RMB"or "Renminbi"	the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or other modified from time to time
"Share(s)"	Domestic shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"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
"Special Committees"	Strategy Committee, Audit Committee, Remuneration Committee and Nomination Committee of the Board of Directors
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	strategy committee of the Board
"Subsidiary(ies)"	has the meaning ascribed thereto in section 2 of the Company Ordinance
"Supervisor(s)"	supervisor(s) of the Company
"The Company" or "We" or "our"	BAIC Motor Corporation Limited
"The Group" or "Our Group"	the Company and its subsidiaries
"Yuan"	CNY, Chinese Yuan Renminbi
"2015" or "the year 2015" or "reporting period" or "this year"	The year ended as at 31 December 2015

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