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 2017

* For identification purpose only

All New Senova D50

行有道·達天下
Your Wish · Our Ways

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[1]

- **REGISTERED OFFICE**
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Mr. Gu Xin[5]
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- **COMPANY SECRETARY**

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1 For identification purpose
2 Resigned from this position on June 23, 2017
3 Appointed on June 23, 2017
4 Resigned from this position on September 20, 2017
5 Appointed on September 20, 2017

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- **H SHARE STOCK CODE**
  1958

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Chairman's Statement

Xu Heyi
Chairman

DEAR SHAREHOLDERS,

On behalf of the Board of Directors (the "Board of Directors" or the "Board") of the Company, I am delighted to present the 2017 Annual Report of BAIC Motor Corporation Limited (the "Company", together with its subsidiaries, the "Group").

2017 is the key year for China to comprehensively implement the "13th Five-Year Plan". Under the supply-side structural reform, economic structure optimization, growth driver conversion and quality improvement were continuously promoted. The overall economy is stable with good momentum for growth and better than expected, with the annual GDP growth rate of 6.9%[6]. As to the passenger vehicle industry, affected by decrease in the purchase tax incentives, a larger base in the previous year and other factors, the growth in both production and sale volumes of passenger vehicles slowed down. According to the statistics of China Association of Automobile Manufacturers (the "CAAM") in 2017, the sales volume of passenger vehicles in China was 24.718 million units, representing a year-on-year increase of 1.4%; among four vehicle types, SUV saw 13.3% growth in sales volume, while the remaining vehicle types experienced a year-on-year decline in sales volume, indicating an overall trend of slight growth of the industry. In terms of absolute value, China remained the world's largest single passenger vehicle market, with the sales of Chinese brand passenger vehicles higher than the average growth rate of the industry, a continuing increased market share, the strong development momentum of new energy passenger vehicles and a visible trend of transformation and upgrade of the automobile industry.

In 2017, facing various internal and external challenges including intensified industrial competition and product structure upgrade, the Group comprehensively implemented the "13th Five-Year Plan" with focus on the supply-side reform. Under industrial and competition pressures, the Group recorded the consolidated revenue of RMB134.16

6 The preliminary calculation result of the National Bureau of Statistics. Source: National Bureau of Statistics, January 19, 2018

1.466 Million Units

In 2017, the Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz sold 1.466 million units of vehicles in total

RMB **134.16** Billion

In 2017, the Group recorded the consolidated revenue of RMB134.16 billion and the net profit of RMB10,998.3 million in the year

billion and the net profit of RMB10,998.3 million in the year; having been under performance pressure, each business unit made breakthroughs in development: Beijing Benz sold 423 thousand units of vehicles in the year, representing a year-on-year increase of 33.3%, sustaining the front rank in terms of growth rate among joint venture premium passenger vehicle brands; Beijing Hyundai achieved preliminary results in terms of the localization effect and sold 785 thousand units in the year, representing a recovery in sales volume, and regained its status as a mainstream vehicle enterprise; Beijing Brand focused its efforts on Product 2.0 and endeavored to enhance the brand value, thus building an obvious competitive advantage in differentiated competition for off-road vehicles and new energy products.

With regard to 2017 annual results, the Board of Directors has recommended payment of an annual dividend of RMB0.10 (inclusive of tax) per share to shareholders, so as to safeguard a return to shareholders.

It is expected that macroeconomic policies will continue to uphold the general work guideline of making progress while maintaining stability, continuously promote the supply-side reform and boost conversion of the economic model from rapid growth to high-quality development in 2018. In terms of the automobile industry, 2018 will also be a key year for transformation and reform: Efforts are made to promote implementation of the dual-credit scheme, adjustment of new energy vehicle subsidies, further implementation of the "Smart Manufacturing 2025" strategy and other industrial policies; the trend of networking, intelligentization, electrification and sharing in the automobile industry becomes more and more visible; all major automobile enterprises will enhance industrial cooperation and remake strategic arrangements. The various reform opportunities and challenges above co-exist, which will bring about new strategic topics for business development of the Group.

In the coming year, under the working policy of "accelerating product upgrade, carrying out improvement and eliminating bad practices, adhering to transformation development and gathering growth momentum", the Group will further and actively grasp the new normal of development of the passenger vehicle industry, focus on key tasks including structural reform adjustment, enhancement of confidence in development of self-owned brands, deepening of joint venture cooperation, comprehensive implementation of new energy strategies and stimulation of innovation. It will continuously improve the core competitiveness and market influences of products and make progress to achieve the strategic targets of the "13th Five-Year Plan".

Lastly, I would like to express my heartfelt gratitude to all our staff and business partners for their hard work, and to our Shareholders for their long-lasting support!

Chairman

Xu Heyi
March 22, 2018

Summary of Financial and Performance Information

FIVE-YEAR FINANCIAL SUMMARY

Summary of consolidated financial information of the Group for 2013 to 2017 is as follows:

(Unit: RMB million)

Item	For the year ended December 31				
	2017	**2016**	**2015**	**2014**	**2013**
Revenue	**134,159**	116,199	84,112	56,370	12,782
Cost of sales	**(98,659)**	(89,967)	(68,835)	(47,387)	(12,367)
Gross profit	**35,500**	26,232	15,277	8,983	415
Selling and distribution expenses	**(11,920)**	(10,603)	(8,002)	(5,646)	(2,203)
General and administrative expenses	**(5,007)**	(4,298)	(4,039)	(3,455)	(1,316)
Other (losses)/gains-net	**(1,055)**	189	1,244	1,540	620
Financial costs-net	**(448)**	(468)	(416)	(533)	(474)
Share of (loss)/profit of investments accounted for using equity method	**(34)**	4,217	4,257	5,809	6,023
Profit before income tax	**17,036**	15,269	8,321	6,698	3,065
Income tax expense	**(6,038)**	(3,733)	(1,999)	(857)	(114)
Profit for the year	**10,998**	11,536	6,322	5,841	2,951
Attributable to					
Equity holders of the Company	**2,253**	6,367	3,319	4,511	2,714
Non-controlling interests	**8,745**	5,169	3,003	1,330	237

Total assets, total liabilities and interests attributable to equity holders of the Company	As of December 31				
	2017	**2016**	**2015**	**2014**	**2013**
Total assets	**167,403**	168,900	127,393	109,859	85,396
Total liabilities	**107,762**	110,867	80,324	67,890	54,342
Interests attributable to equity holders of the Company	**40,836**	40,160	35,010	33,355	23,692

FIVE-YEAR PERFORMANCE SUMMARY

The sales volume[7] of vehicles of each passenger vehicle business segment of the Group for 2013 to 2017 is as follows:

(Unit: unit)

Brand	For the year ended December 31				
	2017	**2016**	**2015**	**2014**	**2013**
Beijing Brand	**235,841**	457,082	337,102	309,648	202,280
Beijing Benz	**422,558**	317,069	250,188	145,468	116,006
Beijing Hyundai	**785,006**	1,142,016	1,062,826	1,120,048	1,030,808
Fujian Benz[note]	**22,476**	12,568	–	–	–

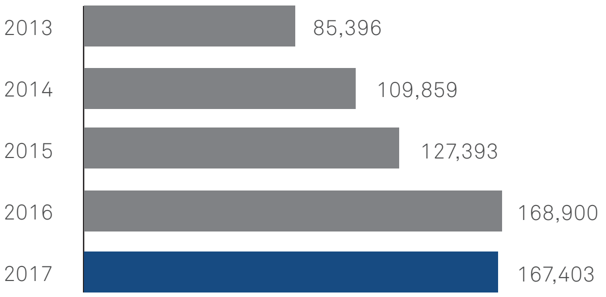
Note: The Company completed the change in industrial and administrative registration in respect of the acquisition of 35.0% equity interest in Fujian Benz Automotive Co., Ltd. ("Fujian Benz") on September 18, 2016. In addition, Fujian Motor Industry Group Co. ("FJMOTOR") shall act in concert with the Company in terms of the operation and management of Fujian Benz and other matters, while the director(s) appointed by FJMOTOR shall exercise its rights as a director in concert with the Company. Therefore, Fujian Benz has officially become a joint venture of the Company. The sales performance of Fujian Benz for 2016 and 2017 is set out here.

7 When referring to the sales volume of the Group in this report, it refers to the sales volume of wholesales

Summary of Financial and Performance Information

Total Asset

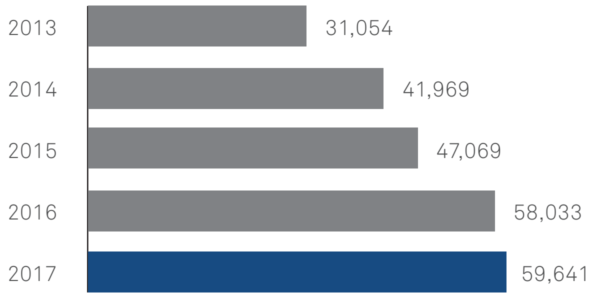
CAGR: 18% 》



(Unit: RMB million)

Total Equity

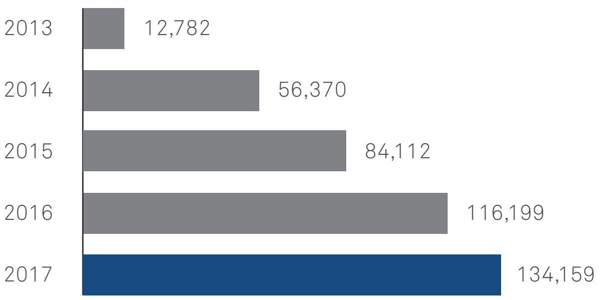
CAGR: 18% 》



(Unit: RMB million)

Revenue

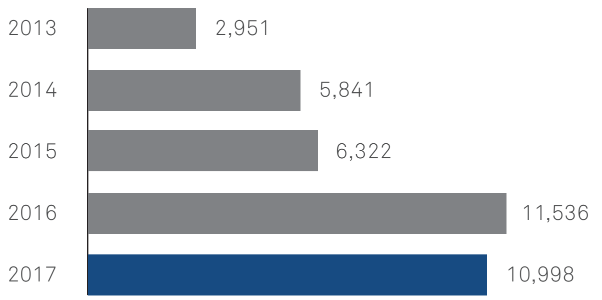
CAGR: 80% 》



(Unit: RMB million)

Profit for the Year

CAGR: 39% 》



(Unit: RMB million)

OVERVIEW

We are a leading passenger vehicle manufacturer in China, and are one of the passenger vehicle manufacturers with the most optimized brand layout and business system in the industry. Our brands cover joint venture premium passenger vehicles, joint venture premium multi-purpose passenger vehicles, joint venture mid- to high-end passenger vehicles and proprietary brand passenger vehicles, which can maximally satisfy various customers' demands, and we are also the leader of pure electric passenger vehicle business in China.

The Company completed its H shares initial public offering and was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on December 19, 2014 (H share stock abbreviation: BAIC Motor; H share stock code: 1958); on December 5, 2017, the special resolution on proposed initial public offering and listing of A shares was approved at the 2017 second extraordinary general meeting of the Company. At present, the Group is promoting relevant work for issue of A shares.

MAJOR BUSINESS OPERATIONS

The Group's major business operations include research and development, manufacturing and sales and after-sale services of passenger vehicles, production of core parts and components of passenger vehicles, car financing and other related businesses. We keep developing industry chains and strengthening our brands.

Passenger vehicles

Currently, our passenger vehicle business is conducted through four business segments, namely Beijing Brand, Beijing Benz, Beijing Hyundai and Fujian Benz.

1. **Beijing Brand**
   Beijing Brand is our proprietary brand, and the Group holds the entire interest of Beijing Brand's business. Currently, business of Beijing Brand is operated under four series, i.e. Senova, BJ, Wevan and New Energy Vehicle, which are now selling over ten models on the market, covering a full range of sedan, SUV, CUV, MPV models and new energy vehicles.

Senova

"Senova" is a mid- to high-end passenger vehicle product series under the proprietary brands of the Company and is targeted at consumers who value both vehicle performance and high-quality life. "Dedication to Performance" is the brand philosophy of Senova. It aims to create the brand attribute of "MB-tech quality, intelligent driving, metropolitan beauty and innovative technology".

BJ

"BJ" series is a pioneer brand of BAIC which is inherited from the half century long military vehicle with a strong DNA of hard style off-road vehicle. "Pure Cross-Country, Absolutely Boundless" is the brand philosophy of BJ. With the brand vision of "No.1 off-road vehicle brand in China", it aims to create the brand attribute of "pure inheritance, professional skill, military vehicle quality and hard style".

Wevan

The "Wevan" series focuses on CUV and MPV models, and is targeted at small and micro businesses and individuals. "Leading to blissful future" is the brand essence of Wevan.

New Energy Vehicle

Along with manufacturing of traditional oil powered passenger vehicles, Beijing Brand has also made efforts to promote production of new energy products and made arrangement for designing technical routes of, development and production of pure electric, hybrid electric and 48V products.

In terms of pure electric new energy vehicle, Beijing Brand has produced many pure electric new energy vehicle models improved from traditional oil-powered car models. The major vehicle models continue to be industry-leading, with a mileage range in the integrated operating condition reaching 360 km.

In terms of hybrid electric product planning, Beijing Brand plans to rapidly complete the upgrade from traditional oil-powered products to hybrid electric products through a two-step process: From the end of 2019 to the beginning of 2020, it will concurrently complete upgrade of existing vehicle models, A-Class and B-Class sedans and A-Class SUV models to 48V products; from 2020, it will develop new products in comprehensive consideration of gasoline engine, 48V hybrid electric vehicle model, HEV model and plug-in hybrid electric vehicle model.

2. Beijing Benz

Beijing Benz Automotive Co., Ltd. ("Beijing Benz") is a subsidiary of the Company. The Company holds 51.0% equity interest of Beijing Benz, while Daimler AG ("Daimler AG") and its wholly-owned subsidiary, Daimler Greater China Ltd. ("Daimler Greater China"), together hold 49.0% equity interest of Beijing Benz. Beijing Benz commenced the manufacturing and sales of passenger vehicles of Mercedes-Benz brand in 2006.

Beijing Benz currently manufactures and sells four types of Mercedes-Benz vehicles, namely the E-Class sedan, the C-Class sedan, GLC SUV and GLA SUV. In terms of wholesale sales volume in 2017, Beijing Benz is the second largest producer of joint venture premium passenger vehicles, with absolute industry-leading sales growth rate over the last two years. In the second half of 2017, Beijing Benz formally commenced construction of a production base of new energy passenger vehicles and planned to launch the first type of Mercedes-Benz pure electric vehicle products in 2019.

3. Beijing Hyundai

Beijing Hyundai Motor Co., Ltd. ("Beijing Hyundai") is a joint venture of the Company. The Company holds 50.0% equity interest of Beijing Hyundai through its subsidiary BAIC Investment Co., Ltd. ("BAIC Investment"), while Hyundai Motor Company ("Hyundai Motor") holds another 50.0% equity interest of Beijing Hyundai. Beijing Hyundai commenced the manufacturing and sales of passenger vehicles of Hyundai brand in 2002. Beijing Hyundai currently manufactures and sells over ten types of vehicles, covering a full range of major sedan models including middle class, compact and A0-Class models, as well as SUV models.

In the second half of 2017, Chongqing Factory, the fifth factory of Beijing Hyundai, was completed, thus forming a nation-wide production capacity arrangement of "Five Factories in Three Regions"[8], further improving and forming a nation-wide production and marketing system.

8 Five Factories in Three Regions refers to three vehicle factories of Beijing Hyundai located in Shunyi District, Beijing, and Hebei Cangzhou Factory and Chongqing Factory, which were constructed by Beijing Hyundai under the national strategic guidance of "Beijing-Tianjin-Hebei coordinated development" and "Yangtze River Economic Zone development", thus forming the arrangement of Five Factories in Three Regions

4. **Fujian Benz**

Fujian Benz Automotive Co., Ltd. ("Fujian Benz") is a joint venture of the Company. The Company holds 35.0% equity interest in Fujian Benz, and establishes an act-in-concert agreement with Fujian Motor Industry Group Co. ("FJMOTOR"), which holds 15.0% equity interest in Fujian Benz. The consensus will be reached while making decisions regarding the operation, management and other matters of Fujian Benz, as well as the exercising of power by the directors appointed by FJMOTOR. Daimler Vans Limited (Hong Kong) holds the remaining 50.0% equity interest of Fujian Benz. Fujian Benz commenced the manufacturing and sales of multi-purpose passenger vehicles of Mercedes-Benz brand in 2010. With launch of the new-generation Mercedes-Benz V-Class model, Fujian Benz further strengthened its industry position and competitive strength in the field of high-end multi-purpose passenger vehicles in 2017, thus laying a sound foundation for subsequent development.

Core parts and components for passenger vehicles

Besides manufacturing of whole vehicles, we also produce engines, powertrain, and other core parts and components for passenger vehicles through the production bases of Beijing Brand, Beijing Benz and Beijing Hyundai.

In respect of Beijing Brand, we manufacture engines, transmissions and other core automobile parts and components through entities including BAIC Motor Powertrain Co., Ltd. ("Powertrain") and Beijing Beinei Engine Parts and Components Co., Ltd., mainly for use in our whole vehicles as well as for sale to other automobile manufacturers. By digesting and assimilating Saab technology and through the combination of cooperative and independent development, we have broken through many technological difficulties, successively completed development of many types of engine and transmission products, and realized mass production of such products, which has filled the gaps in certain fields in China. Such products have been widely used for passenger vehicle series such as Senova and BJ, among others.

Beijing Benz commenced to manufacture engines in 2013 and owns the first engine manufacturing base under the Mercedes-Benz brand outside Germany. Its specific product offerings include M270, M274 and M276 engines. It will successively manufacture various types of engines. With commencement of construction of the new-energy power battery factory in the second half of 2017, Beijing Benz will produce various types of new-energy powered battery products in the future.

Beijing Hyundai commenced to manufacture engines in 2004, and has five engine factories. Its specific product offerings cover four major series namely Kappa, Gamma, NU and ThetaII. The engines produced are industry-leading in terms of technology and power, etc. The products are mainly for use in Hyundai-branded passenger vehicles manufactured by Beijing Hyundai.

Car financing

We conduct car financing and automobile aftermarket-related businesses of Beijing Brand, Mercedes-Benz brand and Hyundai brand through associates including BAIC Group Finance Co., Ltd. ("BAIC Finance"), Beijing Hyundai Auto Finance Company Limited ("BHAF") and Mercedes-Benz Leasing Co. Ltd. ("MBLC").

In respect of Beijing Brand's car financing business, we have conducted group strategic cooperation with various commercial banks, automobile financial companies and lease finance companies, offering clients great variety of financial products covering all car models now selling on the market, lengthy interest-free period and favorable discount loans, and providing products of 24- and 36-installment interest-free fixed-amount loan products. Meanwhile, we have launched finance lease products including "Baopai Loan", so as to provide customers with multiple options.

MBLC is an associate of the Company. The Company and Daimler Greater China each holds 35.0% and 65.0% equity interest of MBLC. During 2017, MBLC's sale-leaseback volume increased up to 185%, which clearly further stimulated the sales of Beijing Benz's new models.

BHAF is an associate of the Company. The Company holds 33.0% and 14.0% equity interest of BHAF through its subsidiary, BAIC Investment, and its joint venture, Beijing Hyundai, respectively, while Hyundai Capital Services and Hyundai Motor hold the remaining equity interest. During 2017, BHAF ranked the seventh in terms of the new retail loan contract volume, showing the stable progress of business diversification.

Other related businesses

During 2017, we conducted research and development of high-end passenger vehicles, light materials and used car businesses through relevant joint ventures.

CORE COMPETITIVENESS

Amid intense market competition during 2017, the Group maintained stable growth, which attributed to the following core competitiveness:

1. Highly complementary and competitive business layout

The Company's passenger vehicle brand portfolio is profoundly competitive and highly complementary and can satisfy the purchase demands of different groups for vehicles at different stages. The Company has technically advanced proprietary brand passenger vehicles with strong competitiveness in a segmented market, Mercedes-Benz-branded premium passenger vehicles with a long history which are market-leading in China, mid to high-end passenger vehicles under Hyundai brand with strong global strength which are industry-leading in both sales and quality, and fast-growing Mercedes-Benz-branded premium business purpose vehicles. Our products cover economical, mid to high-end and premium passenger vehicles and premium business purpose vehicles. Our consumer group consists of businessmen, officials and family users with different requirements. The Company offers multiple levels and types of products, which can satisfy demands of customers for vehicles at different stages, and provides customers with long-term and high-quality services. Products of the Company under all brands are highly complementary, yet not directly competitive, thus maximizing the comprehensive value of brands of the Company.

2. Diversified equity structure and good strategic partnership

Beijing Automotive Group Co., Ltd. ("BAIC Group"), a Controlling Shareholder of the Company as well as one of the five biggest automobile groups in China, has established a relatively complete automobile industry chain covering businesses including research, development and manufacturing of vehicles, components and parts, automobile service trade, comprehensive commuting service, finance and investment. Other Shareholders of the Company include state-owned investment platform, key state-owned enterprise, Daimler AG, related strategic and financial investors, which is a diversified and internationalized equity structure. Such diversified equity structure is conducive to sufficient utilization of resources of shareholders, improvement in the management ability by the Company and exploitation of the development potential of the Company.

The Company has established close joint venture and cooperation relationships with Daimler AG, Hyundai Motor and other famous enterprises in the industry, and has further expanded the breadth and depth of the cooperation. In addition to establishment of Beijing Benz and Fujian Benz by the Company and Daimler AG, both parties have cooperated and exchanged with each other in technology, platform, human resource and other aspects to a greater extent. The strategic cooperation between the Company and Daimler AG is a model for Sino-foreign joint venture and international cooperation. Close cooperation with strategic partners enhances the research and development ability of the Company, expands the talent team and enriches the experience of the Company in management, production and operation.

3. Experienced management team and core research and development team

The management team members of the Company have on average over 20 years of experience in the industry, interdisciplinary and compound knowledge system and professional skills, and worked for domestic and foreign leading automobile enterprises, thus accumulating extensive experience in enterprise management. They broaden the international vision based on local culture and ensure that the Company is able to formulate efficient and farsighted research and development strategies by grasping the future development trend and technologies of passenger vehicles and the law of industry development.

The core research and development team of the Company consists of professionals who worked for international and domestic leading automobile and parts and components enterprises, including outstanding talents from Korea, Canada, Japan, United States and other countries. Meanwhile, the Company has three experts of the "Thousand Talents Program" and the "Overseas Talent Aggregation Project". The strong research and development ability and extensive research and development experience of the core research and development team provide a strong guarantee for continuous upgrade of products and technical breakthrough of the Company.

4. **Geographic advantage of location of headquarters in Beijing**

   The headquarters of the Company is located in Beijing, the capital of China, where there are many scientific research institutions, colleges and universities, a great number of industry experts and talents, and the Company is able to obtain more high-quality human resource support, attract high-end industry talents and keep abreast of new technologies and breakthroughs in the industry in a timely manner, in order to support improvement in the research and development strength of the Company. Meanwhile, Beijing boasts more convenient transportation, a more developed logistics system, more complete supporting facilities and infrastructures, which satisfies the demands of the Company for support necessary for production and operation.

5. **Advanced manufacturing, techniques, quality and process management**

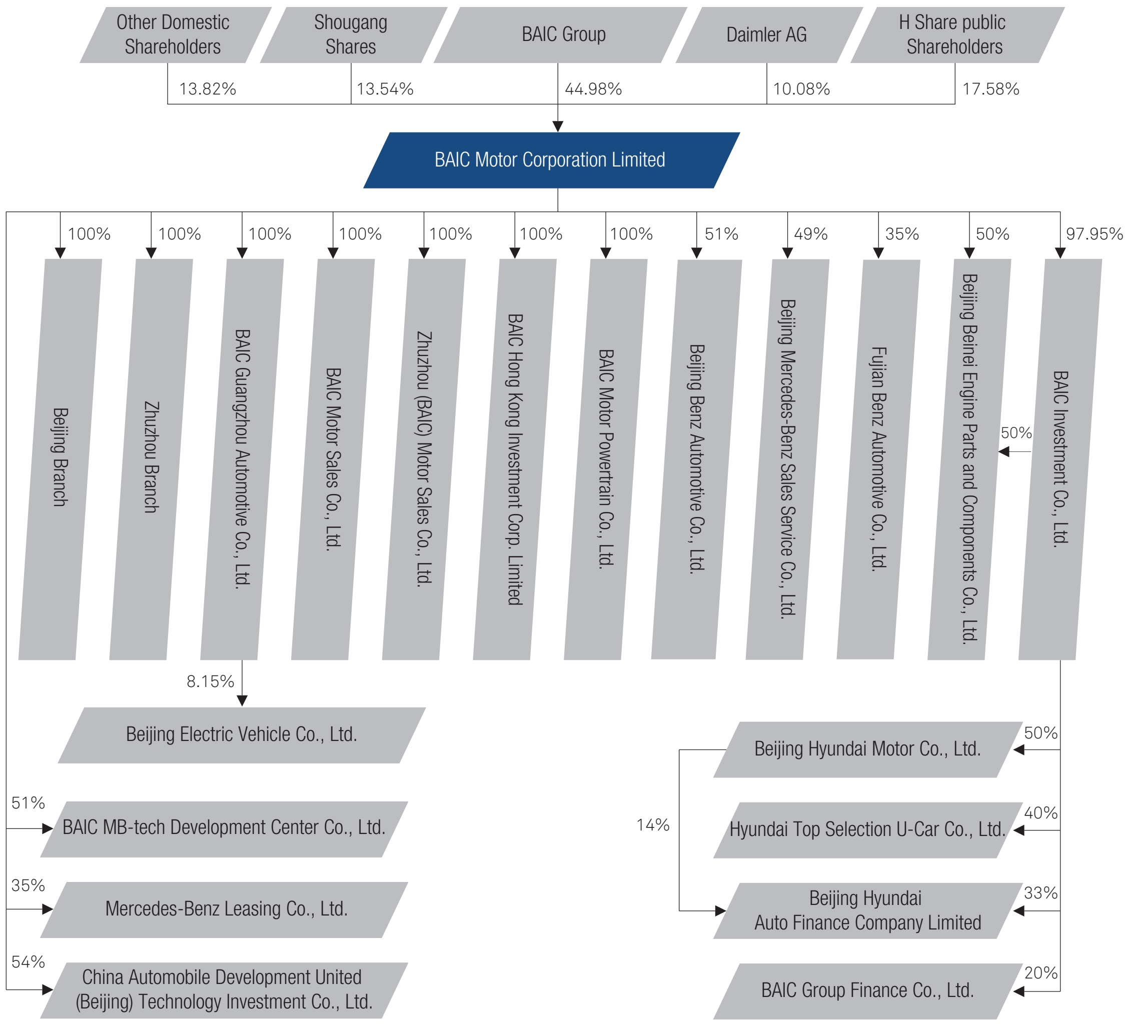
   We have specialized production facilities to manufacture and assemble passenger vehicles to improve efficiency and maintain product quality standards, as well as save unit product cost through production expansion. All of our brand production facilities are equipped with flexible production lines, as such we can apply differentiated production processes for different types of passenger vehicles. In order to ensure quality production operation, we carry out regular maintenance of the production facilities. Meanwhile, we have set up and implemented stringent quality control systems that comply with national and international standards, as we attach great importance to the consistency of product quality.

CONTROLLING SHAREHOLDER

BAIC Group is the sole Controlling Shareholder of the Company and held 44.98% equity interest of the Company as of the Date of Issue of the Report. BAIC Group is one of the top five automobile manufacturing groups in China and ranked 137th in Global Fortune 500 in 2017. BAIC Group has a operating history of over 50 years. It has now developed into a comprehensive and modern automobile conglomerate with diversified business portfolio and integrating vehicle research and development and manufacturing, parts and components manufacturing, automobile service trade, education and investment and financing business, as well as incubation of new industries. The Group is a key platform built by BAIC Group for passenger vehicle resource integration and business development.

SIMPLIFIED SHAREHOLDING STRUCTURE

The following chart sets out the major shareholding and investment structure of the Company as at December 31, 2017 (the "end of 2017"):



Note: On December 27, 2017, the Company and BAIC Guangzhou Automotive Co., Ltd. ("Guangzhou Company"), a wholly-owned subsidiary of the Company, executed a *Share Transfer Agreement*, pursuant to which the Company shall transfer to Guangzhou Company, 8.15% equity interest held by the Company in BJEV; in January 2018, the aforesaid equity transfer was completed.

THE INDUSTRY DEVELOPMENT OF PASSENGER VEHICLES DURING 2017

According to statistics of the CAAM, during 2017, the sales volume of passenger vehicles in China reached 24.718 million units, representing a year-on-year increases of 1.4%, showing an obvious slowdown in sale volume growth and an overall trend of slight growth of the industry. During 2017, the passenger vehicle industry had following characteristics:

In terms of industrial policy, industry development planning and upgrade were clear; environmental protection requirements became more and more stringent; policies and regulation were further improved. The Plan for the Mid and Long-term Development of the Automobile Industry sets the overall development target of the automobile industry, in order to make constant efforts to develop China into one of the automobile powers in the world within ten years. The dual-credit policy[9] was formally published and will come into force on April 1, 2018; decrease in new energy vehicle subsides continued; automobile purchase tax discounts for small-displacement vehicles with an engine displacement of 1.6L or less were reduced. Policy change poses challenges to traditional passenger vehicle industries, but it brings about opportunities for industrial restructuring.

In terms of segmented market, SUV products saw a sales volume growth rate of 13.3%, maintaining a relatively high growth; sedans experienced a slight decrease of 2.5% in sales volume compared with 2016; MPV and CUV respectively saw more dramatic year-on-year declines of 17.1% and 20.0% in sales volume; the upgrade trend of industrial consumption was obvious.

In terms of series market, the sales volume of Chinese-branded passenger vehicles reached 10.847 million units, representing a year-on-year increase of 3.0%, and the market share of those vehicles increased to 43.9%, representing a growth of 0.7 percentage point compared with last year. Following steady improvement in product quality, as well as gradual establishment of research and development processes, standards and systems, Chinese-branded vehicles have begun to be sold at a higher price range, with continuous expansion of the product range. Meanwhile, the development trends of joint venture brands varied. Compared with last year, Korean and French brands experienced a rapid decrease in sales volume, while other foreign brands saw a certain growth in sales volume.

New energy passenger vehicles saw a strong growth trend, with the sales volume of pure electric passenger vehicles reaching 468 thousand units, representing a year-on-year growth of 82.1%; a breakthrough was made in the mileage range of major new energy passenger vehicle products.

BUSINESS OPERATIONS OF THE GROUP IN 2017

Production and sales of various brands in 2017

In 2017, facing complex industrial competition, four business segments of the Group sold a total of 1.466 million units of vehicles, representing a year-on-year decrease of 24.0%. Performances of the major four business segments varied: Beijing Brand and Beijing Hyundai faced challenges, with a decline in sales performance; Beijing Benz and Fujian Benz maintained a good development trend, and in particular, Beijing Benz maintained the rapid growth trend.

9 Dual-credit policy refers to the Measures for the Parallel Administration of Average Fuel Consumption and New Energy Vehicle Credits of Passenger Vehicle Enterprises, which was officially published on September 28, 2017 and will come into force on April 1, 2018

1. **Beijing Brand**

In 2017, affected by intensified market competition, internal product adjustment and other factors, Beijing Brand stood up to multiple tests and was under performance pressure: in the year, 236 thousand units of passenger vehicles were sold, representing a year-on-year decrease of 48.4%; among which, the sales volume of Senova series was 86 thousand units, representing a year-on-year decrease of 57.2%; the sales volume of BJ series was 40 thousand units, representing a year-on-year increase of 45.3%; the sales volume of Wevan series was 86 thousand units, representing a year-on-year decrease of 52.0%; the sales volume of new energy vehicles was 23 thousand, representing a year-on-year decrease of 52.0%.

Although Beijing Brand was under sales volume pressure, throughout the whole year of 2017, there were many highlights of its development:

On one hand, off-road vehicle products outstood. Driven by high sales of major vehicle models including BJ40 and BJ80, the sales volume of off-road vehicle products increased by 45.3% on a year-on-year basis. With obvious differentiated competitive advantages, Beijing Brand became the No.1 off-road vehicle brand in China; on the other hand, Senova 2.0 products were a success. As the first type of products in the "Product 2.0" era, the new Senova D50 provided consumers with more-than-expected value experience, in terms of styling, interior, in-car networking experience, etc., so there was a good market response; meanwhile, major new energy products, with the mileage range of 360 km in the integrated operating condition, continued to be industry-leading; in addition, the Company entered into strategic cooperation agreements with Xiaomi, Baidu, IFLYTEK and Yanfeng respectively, so as to comprehensively promote the implementation of the "NOVA-PLS" intelligent strategy and enhance the product strength, thus laying a solid foundation for subsequent development of Beijing Brand.

In 2018, Beijing Brand will successively launch series of products, including new D70 middle-class sedan, facelifted vehicle models of X55 SUV and BJ40 off-road vehicles, so as to provide consumers with better products.

2. Beijing Benz

In 2017, Beijing Benz continued to maintain a rapid growth, with the vehicle sales volume of 423 thousand units, representing a year-on-year increase of 33.3%, sustaining the front rank in terms of growth rate among joint venture premium passenger vehicle brands. It continued to lead the rapid growth of premium vehicle market in China, with the total sales volume of Mercedes-Benz products in China accounting for over 70%.

With increase in the sales volume, Beijing Benz made efforts to improve the product strength and promote quality improvement. The mid-term facelifted vehicle model of GLA SUV, which was launched in June 2017, ranked first in terms of quality of new vehicles in J.D.Power[10] Compact Premium SUV Ratings in 2017.

In 2017, Beijing Benz continued to promote construction of the Engine Factory 2 project and the MFA vehicle factory. As a result, the vehicle and engine production capacity was further expanded. Meanwhile, Beijing Benz will formally promote preparation for production of new energy vehicle models and start construction of electric vehicle and power battery factories. According to the established plans, Beijing Benz will become Daimler AG's important production base of pure electric vehicles in China. Its strategic arrangement will be further improved.

In the next three years, Beijing Benz will introduce various types of Mercedes-Benz products including pure electric vehicles, so as to satisfy differentiated demands of consumers. The product system, which becomes richer, will undoubtedly further enhance the competitive strength of Beijing Benz.

3. Beijing Hyundai

In 2017, affected by non-operating factors to a larger extent, Beijing Hyundai sold 785 thousand units of passenger vehicles throughout the year and had the market share of 3.5%. As the sales volume of Beijing Hyundai had continuously outperformed the market quarter on quarter through active measures since the third quarter and bottomed out, Beijing Hyundai regained its status as a mainstream vehicle enterprise.

10 J.D.Power is a brand under McGraw Hill Financial in the United States, providing insight and solutions on customer satisfaction and improvement on performance

In 2017, according to the automobile product satisfaction survey conducted by J.D.Power, Beijing Hyundai ranked first in its industry segment in terms of SSI, CSI and IQS[11] simultaneously, showing its excellent product quality; meanwhile, Beijing Hyundai launched the new after-sales service brand of "Enjoying Considerate Services (享你未想)" and the new brand philosophy of "Quality and Intelligent (質現代智未來)", in order to adapt to industry development and consumption upgrade; in addition, through the release and spread of hydrogen powertrain, Smart Stream powertrain[12], plug-in hybrid electric vehicle and other new technologies, Beijing Hyundai is also committed to improving the brand influence and building a high-end brand image.

In terms of product, in 2017, Beijing Hyundai launched facelifted vehicle models of ix25 and Sonata 9, new Verna, the new-generation ix35, new Elantra and other new vehicle models, so as to improve the market competitiveness of products; for the purpose of adapting to the development trend of new energy vehicles, Beijing Hyundai launched new Elantra EV, the first pure electric vehicle model in domestic joint venture enterprises, which attracted extensive attention in the market. Beijing Hyundai planned to launch a high-performance SUV (ENCINO), a new large SUV and a sedan product in 2018. Meanwhile, it will also launch a mid-term facelifted vehicle model of new Tucson.

In response to national call on for developing new energy vehicles and the need for market competition, Beijing Hyundai actively promoted a new energy vehicle development strategy. During the "13th Five-Year Plan" period, Beijing Hyundai will successively launch five types of new energy products, including three pure electric vehicle models and two plug-in hybrid electric vehicle models. By the end of the "13th Five-Year Plan" period, the sales volume of new energy vehicles will reach 10% of the total sales volume of Beijing Hyundai.

4. Fujian Benz

Fujian Benz maintained a good development trend and underwent a rapid development, with the sales volume of 22 thousand units in 2017, representing a year-on-year increase of 79%. The sales volumes of Mercedes-Benz V-Class, New Vito and Sprinter grow at a rate much larger than the growth rates of their respective market segments.

11 SSI refers to the index of satisfaction on the vehicle sales in China; CSI refers to the index of satisfaction on after-sale services; IQS refers to research of quality of new vehicles in China

12 Smart Stream refers to the main system under the new-generation powertrain strategy of the Hyundai brand with an aim to integrate various high-end technologies to help the Hyundai brand realize the long-term global emission target

Production facilities

We have specialized production facilities to manufacture and assemble products. All of our manufacturing bases are located in China, and are equipped with advanced production facilities. All of our production facilities are equipped with flexible production lines, which allow each production line to produce different model of passenger vehicles. We believe that this not only allows us to flexibly change production plans and respond quickly to changes in market demand, but also reduces our capital expenditures and operating costs.

In September 2017, the Chongqing Factory of Beijing Hyundai was formally completed and commenced production, thus forming an operation arrangement of “Five Factories in Three Regions”, indicating that the production and marketing system of Beijing Hyundai comprehensively covered the market of Southwest China.

In the second half of 2017, Beijing Benz started construction of a new energy passenger vehicle project and a power battery project, laying a foundation for subsequent development in the new energy field.

In February 2018, the Group transferred the production base of Beijing Branch and other assets to Beijing Benz, so as to optimize capacity allocation of the Group, enable Beijing Benz to rapidly expand its capacity and make greater efforts for arrangement in the new energy field; immediately thereafter, the Company announced that the Company and Daimler AG would jointly invest over RMB11.9 billion to construct a new premium vehicle production base of the Benz brand based on the original production base of Beijing Branch.

Sales network

The Group always attaches great importance to the interests of customers, strives to optimize its product-service system, and is devoted to enabling product distributors and customers to receive timely, efficient, accurate and high quality service guarantee. All brands have independent marketing channels. During 2017, Beijing Brand and Beijing Hyundai strengthened efforts in widening penetration of automobile sales network and enhancing construction of satellite stores, so as to enhance its sales strength; Beijing Benz was continuously committed to improving the profitability of distributors and main engine plants while expanding the sales network.

Research and development

The Group believes that our research and development capability is critical to the future development. During 2017, our various brands all vigorously boosted construction of research and development system and capacity.

Beijing Brand continued to make greater investment in research and development and achieved excellent results in terms of establishment of a research and development system and new vehicle model research and development. New Senova D50, the first second-generation vehicle model produced on the new M-trix2.0 platform, fully reflected the research and development progress of Beijing Brand in terms of styling, perceived quality, intelligentization, networking, electrification, lightweight, etc.; meanwhile, it has developed strategic cooperation relationships with Xiaomi, Baidu, IFLYTEK, Yanfeng and other intelligent technology companies, which comprehensively promoted implementation of the “NOVA-PLS” intelligent strategy.

Currently, Beijing Benz has the largest research and development center among all joint venture enterprises of Daimler AG, within which there are 7 advanced laboratories testing climate corrosion, vehicle emissions, engines and vibration noise, as well as trial production workshops and test runway, which provides major technical support for research and development and manufacturing of Mercedes-Benz's domestic models.

In 2017, Beijing Hyundai completed development of the civilian and taxi models of Elantra electric vehicle. Meanwhile, it promoted development of 13 types of imported vehicle models, of which 6 vehicle models including the new-generation ix35 and new Verna were launched in the market and mass-produced. Beijing Hyundai independently developed an in-car intelligent network system and installed such system in the new-generation ix35 and new Verna, which was recognized by the market and consumers. The average fuel consumption of the enterprise satisfied regulatory requirements of the government, through mass production and launch of new energy products in advance, revalidation of the fuel consumption of new Tucson/Santafe, expanded installation of ISG/ downsizing of engines for new Mistra/new ix25 and other measures.

Joint venture cooperation and industrial chain extension

During 2017, the Group made many great accomplishments in capital operation and industry cooperation, further broadened the scope of cooperation, extended the industrial chain, expanded the business market and enhanced its competitiveness.

1. **Capital increase to Beijing Electric Vehicle**

   On July 20, 2017, the Company and Beijing Electric Vehicle Co., Ltd. ("Beijing Electric Vehicle" or "BJEV"), a non wholly-owned subsidiary of Beijing Automotive Group Co., Ltd. ("BAIC Group"), entered into a capital increase agreement, pursuant to which, the Company shall subscribe for 223.6 million shares newly issued by Beijing Electric Vehicle at a total price of RMB1,185.08 million paid in the form of assets and cash and the Company will hold 8.15% of Beijing Electric Vehicle's total equity interests upon subscription.

   Such capital contribution deepens cooperation and collaboration by the Company in the new energy field, further expands the strategic industrial arrangement of the Company, realizes sharing of development achievements in new energy vehicles and maximizes the benefits of shareholders.

2. **Capital increase to MBLC**

The Company and Daimler Greater China entered into the capital increase agreement on June 23, 2017 and November 10, 2017, respectively, pursuant to which, both parties shall jointly contribute an aggregate amount of RMB900.0 million to MBLC in proportion to their respective shareholding in MBLC. The Company shall contribute RMB315.0 million, and it will hold 35.0% equity interest in MBLC upon completion of capital increase.

Driven by, amongst others, successful development of automobiles under the brand of Mercedes-Benz in the PRC, MBLC's business has been continuously and rapidly increasing in the recent years. It is expected that MBLC's business size will further expand in the next few years following the rapid development of the PRC's automobile leasing and automobile financial market. It is expected that the contribution will help expand the sales volume of new vehicles sold by Beijing Benz, further promote development of the Company in the automobile finance lease market of China, increase contribution of the finance lease business to the overall production value of the Company, thus generating greater investment returns for the Company and Shareholders.

3. **Framework Agreement in relation to Further Investment in Beijing Benz to introduce Pure Electric Vehicle Products with Daimler AG**

On July 5, 2017, the Company and Daimler AG entered into the Framework Agreement in relation to Greater Investment in Beijing Benz to Introduce of Pure Electric Vehicle Products, pursuant to which, the Company, Daimler AG and Daimler Greater China proposed to jointly increase the investment in Beijing Benz by approximately RMB5 billion, for introducing pure electric vehicles from Daimler AG to Beijing Benz and setting up the production and research and development capacity of locally adopted batteries for new energy vehicles.

The cooperation further deepens strategic cooperation between the Company and Daimler AG and complement both of their strengths, thereby laying a strong foundation for Beijing Benz to develop into an important production base for pure electric vehicles in China in the future.

4. **Increase in the scale of production of new energy passenger vehicles of Beijing Benz**

On February 23, 2018, the Company and Daimler AG announced an increase in the scale of production of Mercedes-Benz passenger vehicles in China, so as to satisfy future demands of the Chinese market. The Company and Daimler AG will jointly invest over RMB11.9 billion to construct a new premium vehicle production base of Beijing Benz. The factory will produce many types of Mercedes-Benz products including new-energy electric vehicle models in China and have a complete premium vehicle manufacturing system, thus further improving the overall production capacity of Beijing Benz.

5. **Strategic Cooperation Framework Agreement with Baidu**

The Company and Beijing Baidu Netcom Science and Technology Company Limited ("Baidu") entered into the Strategic Cooperation Framework Agreement on January 7, 2017 and another Strategic Cooperation Framework Agreement on October 16, 2017. Both parties will carry out in-depth cooperation in self-driving, information product, cloud service, cloud-based information security of vehicles and other fields, with an aim to have the artificial intelligence-based L4 Level intelligent driving technology met the standard for mass production and application by 2021.

Leveraging the complementary advantages, the parties will jointly build a benign ecosystem nurtured with sustainable innovation and impel innovation on self-driving technologies, so as to promote the intelligence-oriented vehicle upgrade. The cooperation is in the interests of the Company and its shareholders as a whole.

6. **Strategic Cooperation Framework Agreement with IFLYTEK**

On November 8, 2017, the Company and IFLYTEK Co., Ltd. ("IFLYTEK") entered into the Strategic Cooperation Framework Agreement. The parties would enter into a strategic cooperation partnership and will carry out in-depth cooperation in fields including intelligent human-computer interaction, in-vehicle intelligence and artificial intelligence technology, big data analysis, intelligent vehicle networking platform and marketing resources.

Conclusion of the framework agreement helps realize cooperation between both parties in the area of intelligence and is conducive to the utilization by the Company of the intelligent voice technology, automobile intelligent terminal and the intelligent vehicle networking platform for providing a safer, more natural and more convenient method for safe driving.

7. **Strategic Cooperation Framework Agreement with Yanfeng**

On October 30, 2017, the Company and Yanfeng Automotive Trim Systems Co, Ltd. ("Yanfeng") entered into the Strategic Cooperation Framework Agreement. Both parties would initiate cooperation in the fields of vehicle inner space and the interior and exterior decoration in relation to self-driving and would jointly develop intelligent interior and exterior decoration projects for future intelligent automobiles. The Company would initiate in-depth cooperation with various segments of the business division under Yanfeng including interior decoration, exterior decoration, electronics, security and seats in terms of product research and development as well as mass production. Joint efforts will be made to provide a turnkey solution for automotive intelligent cockpit and lightweight technology application for interior and exterior decoration, and to further provide commercially viable product projects of a new generation for automobile intelligent space and embody a high level of integration between product and technology with the aim of improving driving and riding experience.

PROSPECT FOR THE DEVELOPMENT OF PASSENGER VEHICLE INDUSTRY IN 2018

According to the prediction of the State Information Center: In 2018, high-quality development remains the basic requirement and main keynote of overall economic work; it is expected that the economy will continue to see steady growth and the growth rate will decrease to 6.5%. In terms of the automobile industry, cancellation of the purchase tax discounts will have a certain negative impact on the market, and the role of clamping down on overloading in driving the market growth will be weakened. It is expected that in 2018, the passenger vehicle sales volume in the market will be 25.40 million units (including MPV), and the year-on-year growth rate will decrease to 2.8%. The Chinese automobile market will show a low-growth trend.

It is expected that, in 2018, demand of the Chinese passenger vehicle market will mainly be affected by three factors, namely the law of development, the macro-economic situation, and the policies for automobile industry and casual factors. The law of development determines the long-term potential growth of the passenger vehicle market; the macro-economic situation will lead to fluctuations of rates of growth in demand for passenger vehicles based on the long-term potential growth; the policies for automobile industry and casual factors have more influences on short-term automobile markets and stimulate or restrain purchase demand for passenger vehicles within a certain period of time.

1. Industrial policy transformation and adjustment entering into the critical period

Since January 1, 2018, the purchase tax discounts for small-displacement vehicles have been totally cancelled. Thereafter, the small-displacement vehicles will be subject to a 10% regular tax. As a replacement, the dual-credit scheme came into force and a new energy vehicle subsidy policy was introduced. There is obvious policy adjustment. New energy application in the passenger vehicle industry becomes an irresistible development trend. New energy industry policies will become key factors affecting the development of the passenger vehicle industry.

2. Continued growth of Chinese brands

It is expected that in 2018, the supply of products under Chinese brands will remain higher than the supply of products under joint venture brands, and products supplied under Chinese brands will be mainly SUV which are more popular. Meanwhile, due to implementation of the second-child policy, emerging families with two children prefer 7-seat MPV, while the expanded families prefer 7-seat large SUV. The State Information Center predicted that in 2018, the sales volume of passenger vehicles under Chinese brands will be approximately 11.12 million units, representing a year-on-year growth of approximately 2.6%.

3. Stronger demand for premium vehicle products

It is expected that, in 2018, there will be more opportunities than challenges in the premium vehicle market. The market vitality will be much stronger than the vitality of the overall passenger vehicle market, and the market will see a double-digit growth for the whole year. Although the economy still experiences a downturn in 2018, which provides less support for the premium vehicle market, greater efforts are made to launch new products, and in particular, the SUV product market has a great development potential; in terms of structure, the growth of SUV will remain higher than sedan, and the growth of vehicles of Class B and above will be higher than the growth of vehicles of lower classes.

4. Prospect of new energy products remains positive

It is expected that, in 2018, the following four aspects will promote continued rapid growth in the new energy market: (1) upon implementation of the dual-credit scheme, the new energy vehicle industry will be driven by both policies and markets instead of being driven by policies only; (2) the organization user market will recover in 2018; (3) there is no dramatic change in demands in cities with purchase restriction; and (4) the growth in demands of individual users will remain stable in cities without purchase restriction. However, the growth rate of the market will decrease to some extent due to national subsidy requirements becoming more stringent in advance, subsidy reduction, the weakened role of product supply in stimulation and other factors.

5. Formation of intellectualization and internetization strategies

At present, "Artificial Intelligence", "Internet of Things", etc., has already become national strategies. It is expected that in 2018, intelligent connected vehicles will usher in a rapid development era. The social attention, capital investment and technical innovation remain at a high level. Industry chain development changes rapidly. New application and business models of intelligent connected vehicles emerge in large numbers. Traditional automobile enterprises and new rising enterprises all make efforts to develop intelligent connected vehicles. As a result, new brands, products and technologies will be continuously launched.

THE GROUP'S BUSINESS STRATEGIES IN 2018

Based on evaluation of the current trend of industrial development, the Company puts forward the annual operating policy of "accelerating product upgrade, carrying out improvement and eliminating bad practices; adhering to transformation development and gathering growth momentum". Specifically, the Company will:

Accelerating product upgrade

Focus on customers, adhere to product roadmaps, comprehensively accelerate application of electrification and intelligent networking technologies, so as to realize product upgrade.

Carrying out improvement and eliminating bad practices

Focus on development of "product strength, marketing strength and brand strength" and make efforts to make a breakthrough in core competitiveness; meanwhile, in strategic adjustment, integrate resources, eliminate bad practices, optimize processes and efficiency, so as to improve the soft power of the enterprise.

Adhering to transformation development

Change operating ideas, innovate working methods and adhere to transformation of the staff to operators, so as to promote sound development of the enterprise.

Gathering growth momentum

Promote key improvement projects, tap growth potential, stimulate growth vitality and gather sustainable growth momentum of the enterprise.

1. **Beijing Brand**

   In 2018, Beijing Brand will adhere to the principle of "customer-focused and market-oriented" and be committed to properly defining its product; meanwhile, it will make efforts to develop 2.0 models and improve product competitiveness, so as to ensure the success of strategic vehicle models; it will use key products to reverse the trend in the market and improve the selling ability.

2. **Beijing Benz**

   In 2018, under the guidance of the strategy of "achieving excellence in 2020", Beijing Benz will focus on building "core competitiveness" to break through the production capacity limit, ensure launch of new products, promote construction of intelligent factories and implement requirements of "Made in China 2025".

   In terms of sales, it will adhere to the successful marketing management experience in 2017, extensively explore local markets, carry out reasonable allocation and ensure "smooth driving"; it will adhere to the concept of "people first" and construct a brand-new distributor network ecology; it will build a young brand image and deliver the best customer experience through integration of online and offline marketing.

3. **Beijing Hyundai**

   In 2018, Beijing Hyundai will take "innovation for changes, focus on local areas, communication and collaboration, cost reduction and efficiency improvement, winning in 2018 with high quality" as the operating policy, comprehensively promote localization strategies, improve product and cost competitiveness, adjust the structure of production capacity, optimize the organizational structure and the management system, seek to maximize the profits while improving the sales volume, so as to regain its status as a mainstream enterprise in the industry.

4. **Fujian Benz**

   In 2018, Fujian Benz will enlarge profit margins according to the guideline of "accelerating product and technology upgrade and building competitiveness in the high-end multi-purpose passenger vehicle market". Meanwhile, it will innovate new methods for company development, make efforts for quality assurance, cost control, risk prevention and safe production, continue to progress toward becoming a benchmarking manufacturer of high-end multi-purpose passenger vehicles in China, and endeavor for a leading position in terms of share of the Chinese multi-purpose passenger vehicle market.

REVENUE

The Group's main business operations are the research and development, manufacturing, sales and after-sale services of passenger vehicles. The above business has brought sustained and stable revenue to the Group. In 2017, the revenue of the Group increased to RMB134,158.5 million from RMB116,199.0 million for the year ended December 31, 2016 ("2016"), representing a year-on-year increase of 15.5%, mainly attributable to the increase in revenue from Beijing Benz.

Revenue associated with Beijing Benz increased to RMB116,772.9 million in 2017 from RMB85,312.0 million in 2016, representing a year-on-year increase of 36.9%, mainly attributable to (i) a year-on-year increase of 33.3% in sales volume of Beijing Benz; and (ii) the further increase in sales volume of models with relatively higher selling prices.

Revenue associated with Beijing Brand decreased to RMB17,385.6 million in 2017 from RMB30,887.0 million in 2016, representing a year-on-year decrease of 43.7%, mainly attributable to (i) a year-on-year decrease of 48.4% in sales volume of Beijing Brand; (ii) the additional promotion offered to the market in order to cope with impacts such as the slowdown in growth of domestic passenger vehicle industry and the adjustment of preferential policy for vehicle purchase tax; and (iii) the increase in the proportion of the sales volume of higher priced E+S (new energy + SUV vehicle model) product, partially offsetting impacts of decrease in sales volume.

COST OF SALES

The Group's cost of sales increased to RMB98,659.3 million in 2017 from RMB89,967.3 million in 2016, representing a year-on-year increase of 9.7%, mainly attributable to the increase in costs of Beijing Benz.

The cost of sales associated with Beijing Benz increased to RMB78,594.0 million in 2017 from RMB59,937.4 million in 2016, representing a year-on-year increase of 31.1%, mainly attributable to (i) a year-on-year increase in sales volume of Beijing Benz; and (ii) offsetting by the impact of the increase in product cost due to increase in the sales volume of higher priced models.

The cost of sales associated with Beijing Brand decreased to RMB20,065.3 million in 2017 from RMB30,029.9 million in 2016, representing a year-on-year decrease of 33.2%, mainly attributable to (i) a year-on-year decrease in sales volume of Beijing Brand; and (ii) the increase in product cost due to the increased proportion of sales volume of E+S products.

GROSS PROFIT

Based on the aforesaid reasons, the Group's gross profit increased to RMB35,499.3 million in 2017 from RMB26,231.7 million in 2016, representing a year-on-year increase of 35.3%, mainly attributable to the increase in the gross profit of Beijing Benz.

Gross profit of Beijing Benz increased to RMB38,179.0 million in 2017 from RMB25,374.6 million in 2016, representing a year-on-year increase of 50.5%. Gross profit margin increased to 32.7% in 2017 from 29.7% in 2016, mainly attributable to (i) a year-on-year increase of 33.3% in sales volume of Beijing Benz; and (ii) the increase in average gross profit due to the increase in sales volume of models with relatively higher gross profit.

Gross profit of Beijing Brand decreased to gross loss of RMB2,679.7 million in 2017 from gross gain of RMB857.1 million in 2016. Gross profit margin decreased to -15.4% in 2017 from 2.8% in 2016, mainly attributable to (i) a year-on-year decrease of 48.4% in sales volume of Beijing Brand; and (ii) the additional promotion offered to the market in order to cope with impacts such as the slowdown in growth of domestic passenger vehicle industry and the adjustment of preferential policy for vehicle purchase tax.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Group increased to RMB11,919.5 million in 2017 from RMB10,603.1 million in 2016, representing a year-on-year increase of 12.4%, mainly attributable to the increase in expenses including service, transportation and warehousing costs resulting from the year-on-year increase in sales volume of Beijing Benz.

The percentage of the Group's selling and distribution expenses to its revenue decreased to 8.9% in 2017 from 9.1% in 2016. This was mainly attributable to the Group's implementation of stricter budget system to control the selling and distribution expenses and to lower growth rates of selling and distribution expenses compared to the growth rates of revenue, which resulted in a decrease in the percentage of selling and distribution expenses to revenue.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group increased to RMB5,007.0 million in 2017 from RMB4,297.4 million in 2016, representing a year-on-year increase of 16.5%, which is mainly attributable to the increase in tax, levies and other expenses incurred by the year-on-year increase in sales volume of Beijing Benz. Percentage of the Group's administrative expenses to its revenue was 3.7%, remaining at the same level as in 2016.

FOREIGN EXCHANGE LOSSES[13]

The Group (mainly the businesses of Beijing Benz) recorded a foreign exchange loss which increased from RMB85.6 million in 2016 to RMB1,366.0 million in 2017. The increase in foreign exchange loss was mainly attributable to losses incurred by euro-denominated payments as a result of the decline in the exchange rate of Renminbi against Euro.

The Group used foreign currencies (primarily Euro) to pay for part of its imported parts and components, the Group also had borrowings denominated in foreign currencies. Foreign exchange rate fluctuations may affect the Group's operating results to certain extent.

The Group has a well-developed foreign exchange management strategy that continuously and orderly controls foreign exchange rate risks of foreign exchange exposure. At present, the Group mainly uses foreign exchange forward contracts as our hedging tool.

[13] Foreign exchange losses include forward foreign exchange contracts where fair value changes are included in loss/gain.

FINANCIAL COSTS

The Group's net financial costs decreased to RMB447.9 million in 2017 from RMB467.9 million in 2016, representing a year-on-year decrease of 4.3%. The percentage of the Group's net financial costs to its revenue decreased to 0.3% in 2017 from 0.4% in 2016. This was mainly attributable to (i) the decrease in net financial costs, incurred by larger growth rates of finance income compared to the growth rates of financial costs; and (ii) the decrease in percentage of the net financial costs to its revenue, resulted from the decrease in net financial costs and the increase in revenue.

SHARE OF PROFITS OF JOINT VENTURES AND ASSOCIATES

The Group recorded a total investment loss of RMB33.8 million in 2017, representing a year-on-year decrease of RMB4,250.5 million, mainly attributable to the decrease in profit of Beijing Hyundai and related supporting enterprises due to the intensified competition in domestic passenger vehicle industry, the overall market downturn of Korean branded vehicles and other impacts.

INCOME TAX EXPENSES

Income tax expenses of the Group increased to RMB6,038.1 million in 2017 from RMB3,732.9 million in 2016, representing a year-on-year increase of 61.8%, mainly attributable to the increase in taxable income of Beijing Benz. Effective tax rate increased to 35.4% in 2017 from 24.4% in 2016.

The rates of enterprise income tax applicable to the Company and its subsidiaries in 2016 and 2017 were: 15.0% for new and high technology enterprises, 16.5% for Hong Kong profits tax, 32.8% for German enterprise income tax and the statutory 25.0% for PRC enterprises, among which the statutory 25.0% enterprise income tax rate for PRC enterprises was applicable to Beijing Benz in 2016 and 2017.

NET PROFIT

Based on the aforesaid reasons, the Group's net profit decreased to RMB10,998.3 million in 2017 from RMB11,536.2 million in 2016, representing a year-on-year decrease of 4.7%.

NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The Group recorded a decrease in the net profit attributable to equity holders of the Company to RMB2,252.8 million in 2017 from RMB6,366.9 million in 2016, representing a year-on-year decrease of 64.6%. Basic earnings per share decreased to RMB0.30 in 2017 from RMB0.84 in 2016, representing a year-on-year decrease of 64.3%.

FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of the end of 2017, the Group had cash and cash equivalents of RMB36,824.9 million, notes receivable of RMB8,261.1 million, notes payable of RMB9,406.4 million, outstanding borrowings of RMB31,645.0 million, unused bank credit lines of RMB23,445.3 million, and commitments for capital expenditure of RMB4,690.9 million. The above outstanding borrowings included RMB1,954.7 million equivalents of Euro borrowings at the end of 2017.

As of December 31, 2016 (the "end of 2016"), the Group had cash and cash equivalents of RMB36,063.9 million, notes receivable of RMB14,640.5 million, notes payable of RMB9,916.9 million, outstanding borrowings of RMB35,378.7 million, and unused bank credit lines of RMB22,491.0 million.

The Group usually satisfied its daily working capital requirements through self-owned cash and borrowings. At the end of 2017, the outstanding borrowings of the Group included short-term borrowings and long-term borrowings of RMB18,478.1 million and RMB13,167.0 million, respectively. The Group will promptly repay the aforesaid borrowings at maturity.

As at the end of 2017, none of the Group's debt covenants in effect includes any agreement on the obligations to be performed by Controlling Shareholders. In the meantime, the Group has also strictly followed all the terms and conditions in its debt covenants, and no default has taken place.

TOTAL ASSETS

Total assets of the Group decreased to RMB167,403.0 million at the end of 2017 from RMB168,900.4 million at the end of 2016, representing a year-on-year decrease of 0.9%, mainly attributable to (i) the decrease in receivables arising from decrease in sales volume of Beijing Brand; and (ii) the increase in inventories and receivables arising from the growth of production and sales scale of Beijing Benz, partially offsetting the effect of decrease in receivables of Beijing Brand.

TOTAL LIABILITIES

Total liabilities of the Group decreased to RMB107,762.1 million at the end of 2017 from RMB110,867.1 million at the end of 2016, representing a year-on-year decrease of 2.8%. This was mainly attributable to (i) the decrease in total borrowings; (ii) the decrease in payables as a result of the decrease in production of Beijing Brand; and (iii) the increase in payables arising from the growth of production of Beijing Benz, partially offsetting the effect of decrease in payables of Beijing Brand.

TOTAL EQUITY

Total equity of the Group increased to RMB59,640.9 million at the end of 2017 from RMB58,033.3 million at the end of 2016, representing a year-on-year increase of 2.8%, mainly attributable to (i) the increase in net profits of Beijing Benz; and (ii) dividend distribution declared by the Company and Beijing Benz, partially offsetting the effect.

NET GEARING RATIO

The Group's net gearing ratio ((total borrowings less cash and cash equivalents)/(total equity plus the total borrowings less cash and cash equivalents)) decreased to -9.5% at the end of 2017 from -1.2% at the end of 2016, representing a year-on-year decrease of 8.3 percentage points, mainly attributable to (i) the increase in cash and cash equivalents; and (ii) the decrease in total borrowings.

SIGNIFICANT INVESTMENTS

Total capital expenditures of the Group increased to RMB8,739.5 million in 2017 from RMB6,075.7 million in 2016, representing a year-on-year increase of 43.8%, of which capital expenditures of Beijing Benz increased to RMB5,604.4 million in 2017 from RMB4,172.3 million in 2016, and capital expenditures of Beijing Brand increased to RMB3,135.0 million in 2017 from RMB1,903.3 million in 2016.

Total research and development expenses of the Group decreased to RMB2,788.3 million in 2017 from RMB2,800.2 million in 2016, representing a year-on-year decrease of 0.4%, the majority of which were incurred by the Group for its product research and development activities expenses. Based on applicable accounting standards and the Group's accounting policy, most expenses of the aforesaid research and development complied with capitalization conditions and had been capitalized accordingly.

MATERIAL ACQUISITIONS AND DISPOSALS

On June 23, 2017, the Company and Daimler Greater China entered into a capital increase agreement, pursuant to which both parties would increase capital to MBLC in proportion to their respective shareholding. Upon completion of the capital increase, the Company continues to hold 35.0% equity interest of MBLC.

On July 20, 2017, the Company entered into a capital increase agreement with BJEV for the subscription of additional shares issued by BJEV. Upon completion of the capital increase, the Company holds 8.15% of the equity interests.

On November 10, 2017, the Company and Daimler Greater China entered into a capital increase agreement, pursuant to which both parties would increase capital to MBLC in proportion to their respective shareholding. Upon completion of the capital increase, the Company continues to hold 35.0% equity interest of MBLC.

On December 29, 2017, BAIC Investment and BAIC Finance entered into a capital increase agreement, pursuant to which both parties would increase capital to BAIC Finance in proportion to their respective shareholding. Upon completion of the capital increase, the Company continues to hold 20.0% equity interest of BAIC Finance.

For detailed information on the above co-operation, please refer to the Company's relevant announcements dated June 23, 2017, July 20, 2017, November 10, 2017 and December 29, 2017, respectively.

PLEDGE OF ASSETS

At the end of 2017, the Group had pledged notes receivable of RMB5,286.3 million.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities at the end of 2017.

EMPLOYEE AND REMUNERATION POLICIES

The Group's staff decreased from 25,159 at the end of 2016 to 22,844 at the end of 2017. The staff costs incurred by the Group increased from RMB4,825.8 million at the end of 2016 to RMB5,232.2 million at the end of 2017, representing a year-on-year increase of 8.4%, mainly due to (i) the increase in average labor cost; (ii) the longer labor hours as a result of the increase in production; and (iii) the increase in the annual average wage in the society, resulting in the corresponding increase in the social pooling costs paid by the Group for employees.

Through integrating human resources strategy on the basis of job classification, the Group has established a performance and competence based remuneration system, and will link the annual operating objectives with the performance appraisal of staff through a performance evaluation system, providing effective ensurance in the Group's recruiting, retaining and motivating talents, as well as the pursuit of the Group's human resources strategy.

In addition, the Group has established a pension system to provide the qualified and voluntary employees with the supplementary pension plan with certain guarantee on retirement income.

PROVISION OF LOANS

In 2017, the Group did not provide any loans to other entities.

EXTERNAL FINANCIAL ASSISTANCE OR GUARANTEES

In 2017, the Group did not provide any financial assistance or guarantees to external parties.

RISK FACTORS

1. **Risks relating to macroeconomic volatility**
   Macro-economic performance will have significant impact on consumer demand for automobiles, and therefore will affect the Group's operating performance. According to the National Bureau of Statistics, PRC's GDP growth rate was 6.9% in 2017, increasing 0.2 percentage point on year-on-year basis compared to 6.7% in 2016. According to the prediction of the State Information Center, it is expected that the economy will continue to see steady growth in 2018 and the growth rate will decrease to 6.5%. If PRC's economy growth rate continues to slow down, consumption power of residents will be affected, resulting in the lower demand for the Group's products from customers, thus adversely affects the Group's financial position, operating results and prospects. The Group will continue to pay attention to the macro-economic situations in China, and introduce responsive measures in due course to deal with the volatility in the economic environment.

2. Risks relating to the intensified market competition

The highly competitive industry in which the Group exists is full of intense market competition. According to the statistics of the CAAM, during 2017, the sales volume of passenger vehicles in China reached 24.718 million units, representing a year-on-year increase of 1.4%, while the sales volume of passenger vehicles in 2016 amounted to 24.377 million units, representing a year-on-year increase of 14.9%. Enterprises in the industry continuously increase their market shares through expanding production capacity, enlarging investment expenditure in research and development, and industry integration, and get involved in all-rounded competition in respect of products, prices, marketing, quality and costs, which continuously intensifies the market competition. If the Group can not take appropriate measures to maintain and enhance its market position, the future operating results of the Group will be adversely affected. The Group will continue to pay attention to the market situations, and introduce measures in due course to maintain and enhance its market position.

3. Risks relating to the fluctuation of raw material prices and supply

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

4. Risks relating to emission and environmental protection policies

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. In the meantime, the standards for air quality in passenger vehicles are implemented successively. The Group has taken voluntary actions to fulfill its social responsibilities and support the implementation of the regulations in relation to emission and air quality in vehicles. However, the increased raw material costs and development expenditures will also affect the Group's operating results.

5. Risks relating to revision of purchase tax relief policy for passenger vehicles

In December 2016, the Ministry of Finance revised the purchase tax relief policy for passenger vehicles, pursuant to which, the rate of purchase tax for passenger vehicles with displacement of 1.6L and below changes from 5% to 7.5% effective from January 2017, and recovering back to the statutory tax rate of 10%, effective from January 2018. The policy will impact the sales of passenger vehicles with low displacement. Although the Group will properly adjust its sales policy in response to this policy change, the Group's sales might be affected, which, in turn, will cast a negative light on the operating results within a certain period of time after the policy adjustment.

6. Risks relating to fluctuation of subsidy policy for new energy vehicles

In February 2018, four ministries, including the Ministry of Finance and Ministry of Industry and Information Technology, jointly promulgated a new subsidy policy for new energy vehicles, which indicated local subsidy funds for purchasing new energy vehicles will be gradually used to support charging infrastructure construction and operation, new energy vehicles usage and operation, etc. since 2018. Such changes of subsidy policy for new energy vehicles may affect the Group's sales of new energy vehicles, and thus adversely affect the operating results within a certain period after the policy adjustment. The Group will focus on minimizing such negative impact by constantly strengthening the research and development capability of new energy vehicles and continuing to implement measures on strict procurement and cost saving.


北汽绅宝
BAIC SENOVA
All New Senova D50
ALL NEW D50
Senova X25
Senova X35
Senova X55


北京®
BJ 80
BJ80
BJ20
BJ40
BJ40L


Mercedes-Benz
北京奔驰
GLA SUV
E-Class Sedan
C-Class Sedan
GLC SUV


北京现代
NEW THINKING.
NEW POSSIBILITIES.
ENCINO
The New-Generation ix35
All New Verna
All New Tucson

The Board of Directors hereby presents the report of the Board of Directors to the Shareholders and 2017 audited consolidated financial statements of the Group as prepared in accordance with the IFRSs.

COMPANY PROFILE AND INITIAL PUBLIC OFFERING

The Company was incorporated as a joint stock limited company in the PRC on September 20, 2010. On December 19, 2014, the Company's H Shares have been listed on the Main Board of the Stock Exchange in Hong Kong Special Administrative Region ("Hong Kong").

PRINCIPAL BUSINESS

Please refer to the section headed "Major Business Operations" on pages 9 to 13 of "Company Profile and Business Overview" in this report for details.

BUSINESS REVIEW

Please refer to the chapters headed "Company Profile and Business Overview" on pages 9 to 27 and "Management Discussion and Analysis" on pages 28 to 35 in this report for details regarding the business conditions, main risks and uncertainties faced by the Group in 2017, and the prospect of 2018. In addition, please refer to page 40, page 41 and page 40 respectively in this report for information regarding the Group's environmental performance and policies, the compliance with the relevant laws and regulations that have a significant impact on the Group and the Group's relationship with employees, suppliers and customers in 2017.

OUTLOOK

Please refer to the section headed "The Group's Business Strategies in 2018" on pages 26 to 27 of "Company Profile and Business Overview" in this report for details.

PERFORMANCE

The 2017 annual results and the financial position at the end of 2017 of the Company and the Group are set out on pages 117 to 198 of the audited consolidated financial statements in this report.

PROPERTY

Changes of property, plant and equipment of the Group in 2017 are set out in Note 7 to the audited consolidated financial statements.

SHARE CAPITAL

The total share capital of the Company is RMB7,595,338,182 and is divided into 7,595,338,182 Shares, at par value of RMB1.0 per Share as of the Date of Issue of the Report (comprising 5,494,647,500 Domestic Shares and 2,100,690,682 H Shares).

TAXATION

Tax position of the Group for 2017 is set forth in Note 32 to the audited consolidated financial statements.

EVENTS AFTER BALANCE SHEET DATE

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

DISTRIBUTABLE RESERVES

The details of the change in the reserves of the Company and the Group for 2017 are set forth in Note 41 to the audited consolidated financial statements, and in the consolidated statement of changes in equity on pages 121 to 122, respectively, among which the information of the reserve distributable to Shareholders are set forth in Note 41 to the audited consolidated financial statements.

PROFIT DISTRIBUTION

In accordance with the provisions of Article 193 of the Articles of Association of BAIC Motor Corporation Limited (the "Articles of Association"), distributable profits will be determined based on either the Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC ("China Accounting Standards" or "PRC Accounting Standards") or the IFRSs, whichever is lower.

The Board recommends the Company to distribute an annual dividend for the year 2017 of RMB0.10 per Share (tax inclusive). The proposal will be submitted to the Company's 2017 annual general meeting for review and approval. Expected date of distribution will be no later than August 24, 2018.

Pursuant to the Enterprise Income Tax Law of PRC effective from January 1, 2008 and its implementation provisions and relevant regulations, the Company is obliged to withhold and pay enterprise income tax at a rate of 10% when it distributes the 2017 final dividend to the non-resident enterprise shareholders whose names are registered in the register of members of H Shares. Any shares which are not registered in the name(s) of individual H Shareholder(s), including the HKSCC Nominees Limited, other agents or trustees, or other organizations and societies shall be deemed to be Shares held by non-resident enterprise Shareholders, and therefore the PRC enterprise income tax shall be deducted from their dividends payable.

Pursuant to the provisions and relevant laws and regulations under Guoshui Han [2008] No.897 and Guoshui Han [2008] No. 112, the Company shall withhold and pay enterprise income tax on the dividends at the tax rate of 10% for overseas non-resident enterprise Shareholders. Non-resident enterprise Shareholders receiving the dividends may, or may entrust a withholding agent or our Company to, apply to the competent tax authorities for the entitlement of tax treatment under the tax treaty (arrangements) by providing all the materials of the actual beneficial owner in compliance with the provisions of the tax treaty (arrangements). The difference of the tax shall be refunded by the competent tax authority upon audit.

Pursuant to the provisions and relevant laws and regulations under Caishui [2014] No. 81, for individual domestic investors who receive dividend gains derived from investment via the Shanghai-Hong Kong Stock Connect, the Company shall withhold and pay individual income tax at the rate of 20% on their behalf in accordance with the register of individual domestic investor as provided by the China Securities Depository and Clearing Corporation Limited. For domestic securities investment funds receiving dividend gains derived from investment via the Shanghai-Hong Kong Stock Connect, the taxable personal income shall be in accordance with the aforesaid provisions.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company and the Group did not purchase, redeem or sell any of the Company's listed securities in 2017.

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 of the Company were approximately RMB8,523.8 million.

In 2017, the Company's usage of the proceeds from the initial public offering is consistent with those as set forth in the chapter headed "Future Plans and Use of Proceeds" in the Prospectus.

MAJOR CLIENTS AND SUPPLIERS

Major clients

The transaction amount of the Group for the top five clients in 2017 accounted for 3.6% of the Group's total revenue in 2017. The transaction amount of the single largest client of the Group accounted for 1.1% of the Group's total revenue in 2017.

Major suppliers

The transaction amount of the Group for the top five suppliers in 2017 accounted for approximately 46.2% of the Group's cost of raw materials used in the cost of sales in the year. The transaction amount of the single largest supplier of the Group accounted for approximately 31.6% of the Group's cost of raw materials used in the cost of sales in the year.

In 2017, Daimler AG, the Group's largest supplier, Beijing Hainachuan Lear Automotive System Co., Ltd., the third largest supplier, Beijing Electric Vehicle, the fourth largest supplier and Beijing Beiqi Mould & Plastic Technology Co., Ltd., the fifth largest supplier, are the Connected Persons of the Group. In 2017, 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 of the Company (the "Directors"), none of the Directors, associates of Directors or Shareholders (who to the best of the Directors' knowledge held more than 5.0% interest in the Company's share capital) has interests in the top five suppliers of the Group in 2017.

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 in order to be in line with the market standard. The Group also understands that it is of great importance to maintain good relations with suppliers and 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 consistently premium products and services to customers. In 2017, the Group had no material and significant dispute with suppliers and customers.

ENVIRONMENTAL PERFORMANCE AND POLICIES

The Group has actively responded to the environmental policies and strictly complied with national and local environmental laws, regulations and policies. In adhering to the environmental concept of "green operation for sustainable development", we continued to promote clean production, develop green products through eco-design, reduce the impact of the full life cycle of products on the environment, and apply the overall prevention environmental strategies to the whole production process, so as to continuously reduce resources and energy consumption and pollutant emissions.

The Group, through the business philosophy of "improving efficiency through cost reduction", promoted both management-related energy conservation and project-related energy conservation, explored energy-saving potential, improved energy utilisation efficiency and reduced energy consumption. The Company has established its operating guidelines as planning energy consumption, promoting energy conservation and improving its productivity and efficiency through energy conservation. The Company promoted energy conservation through technologies and management methods, and continuously reduced its own energy consumption and carbon dioxide emissions, thus achieving the coordinated development of its economic development and resource conservation.

In 2017, the Group strictly complied with relevant laws, regulations and China's environmental policies, and established corresponding compliance operation mechanisms. It prepared and begun to formulate the environmental, social and governance report of the Company according to the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange. Such report is proposed to be published on or before July 2018.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company is an exempted company incorporated in China with limited liability, and registered as a non-Hong Kong company under the Hong Kong Companies Ordinance. The H Shares of the Company are traded on the Main Board of the Stock Exchange. The Company continues to review its current systems and procedures, emphasizes and strives to comply with the Company Law of the PRC (the "Company Law"), the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Securities and Futures Ordinance (the "SFO"), applicable Hong Kong Companies Ordinance, and other relevant laws and regulations which have a significant impact on the Company. The Company endeavors to safeguard its Shareholders' interests, enhance corporate governance and strengthen the functions of the Board of Directors.

Laws and regulations that have a significant impact on the operation of the Group include but are not limited to the Company Law, the Regulations of China on Company Registration, the Law of China on Chinese-Foreign Equity Joint Ventures, Contract Law of China, Labor Contract Law of China, the Regulation on the Administration on Recall of Defective Auto Products, the Provisions on the Liability for the Repair, Replacement and Return of Household Automotive Products, Trademark Law of China, Patent Law of China, and Product Quality Law of China.

The operation of the Group has always complied with national and local laws and regulations. It upholds honesty and integrity, and performs its social responsibility. In 2017, there was no major litigation or dispute against the Group.

The Group has always been adhering to putting power under institutional checks (以制度管權), continuously improving and strengthening the Company's employee management system construction. In 2017, the Group further deepened and perfected the management system matching with the governance requirements of listed companies, and further facilitated the system which is easy to comply with, operate and implement. Meanwhile, the Group continues to enforce the policies such as the State-owned Enterprise Implementing Three Importance and One Largeness Policy-making System and the Requirements of Practice Integrity for State-owned Enterprises Leaderships.

The Company and employers has been exercising their best endeavours to strictly follow the applicable rules, laws and industry standards. The Directors are not aware of any breach of laws or regulations which have a significant impact on the Group in 2017, nor are they aware of any litigation or cases of corruption, bribery, extortion, fraud and money laundering involving the Group in 2017.

BANK LOANS AND OTHER BORROWINGS

The details for bank loans and other borrowings of the Group at the end of 2017 are set forth in Note 23 to the audited consolidated financial statements.

DONATIONS

In 2017, the total amount of donations made by the Group was RMB68.0 million.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth part of information of the Directors, supervisors of the Company (the "Supervisors") and senior management of the Company at the end of 2017:

Directors

Name	Position	Commencement Date of Appointment
Mr. Xu Heyi	Chairman and Non-executive Director	September 20, 2010
Mr. Zhang Xiyong	Non-executive Director	September 6, 2013
Mr. Zhang Jianyong	Non-executive Director	December 28, 2016
Mr. Chen Hongliang	Executive Director and President	June 23, 2017
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
Mr. Guo Xianpeng	Non-executive Director	April 21, 2017
Ms. Wang Jing	Non-executive Director	April 24, 2014
Mr. Zhu Baocheng	Non-executive Director	April 21, 2017
Mr. Ge Songlin	Independent Non-executive Director	April 21, 2017
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

The Company has received the confirmations by each independent non-executive Director in relation to his independence pursuant to Rule 3.13 of the Listing Rules. Each of the independent non-executive Directors has 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 pursuant to Rule 3.13 of the Listing Rules.

Supervisors

Name	Position	Commencement Date of Appointment
Mr. Gu Zhangfei	Chairman of the Board of Supervisors	December 5, 2017
Mr. Wang Min	Supervisor	December 28, 2016
Mr. Yao Shun	Supervisor	December 5, 2017
Mr. Jiang Dali	Supervisor	December 5, 2017
Mr. Zhang Guofu	Employee Representative Supervisor	August 29, 2013
Mr. Li Shuangshuang	Employee Representative Supervisor	December 5, 2017
Ms. Wang Bin	Employee Representative Supervisor	December 5, 2017
Mr. Pang Minjing	Independent Supervisor	July 24, 2015
Mr. Zhan Zhaohui	Independent Supervisor	July 24, 2015

Senior Management

Name	Position	Commencement Date of Appointment
Mr. Chen Hongliang	President	March 6, 2017
Mr. Liu Yu	Vice-president	August 24, 2016
Mr. Wang Zhang	Vice-president	March 22, 2015
Mr. Chen Guixiang	Vice-president	November 20, 2015
Mr. Chen Wei	Vice-president	June 15, 2017
Mr. Xie Wei	Vice-president	November 20, 2015
Mr. Cai Jianjun	Vice-president	November 20, 2015
Mr. Li Deren	Vice-president	June 15, 2017
Mr. Huang Wenbing	Vice-president	March 6, 2017
Mr. Gu Xin	Secretary to the Board and Company Secretary	August 28, 2017 and September 20, 2017

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following sets out changes in information of the Directors, Supervisors and senior management from January 1, 2017 to the Latest Practicable Date:

Directors and Supervisor

Mr. Guo Xianpeng and Mr. Zhu Baocheng were elected by poll at the general meeting and appointed as non-executive Directors on April 21, 2017, effective from the date of approval at the general meeting until the date of expiration of the term of the third session of the Board of Directors. On the same date, Mr. Guo Xianpeng and Mr. Zhu Baocheng were appointed as members of the strategy committee (the "Strategy Committee") respectively. Ms. Shang Yuanxian and Mr. Yang Shi ceased to serve as non-executive Director on April 21, 2017, and Ms. Shang Yuanxian ceased to serve as a member of the Strategy Committee on the same date.

Mr. Ge Songlin was elected by poll at the general meeting and appointed as an independent non-executive Director on April 21, 2017, effective from the date of approval at the general meeting until the date of expiration of the term of the third session of the Board of Directors. On the same date, Mr. Ge Songlin was appointed as a member of each of the Strategy Committee and the nomination committee (the "Nomination Committee"). Mr. Fu Yuwu ceased to serve as the independent non-executive Director, a member of the Strategy Committee and a member of the Nomination Committee on April 21, 2017.

Mr. Chen Hongliang was elected by poll at the general meeting and appointed as an executive Director on June 23, 2017, effective from the date of approval at the general meeting until the date of expiration of the term of the third session of the Board of Directors. Mr. Li Feng ceased to serve as the executive Director on June 23, 2017. On the same day, Mr. Chen Hongliang was appointed as a member of each of the Strategy Committee and the remuneration committee (the "Remuneration Committee"), effective from June 23, 2017 until the date of expiration of the term of the third session of the Board of Directors. Mr. Li Feng ceased to serve as the member of the above-mentioned committees.

Besides, on June 23, 2017, Mr. Li Feng ceased to be the authorized representative under Rule 3.05 of the Listing Rules (the "Authorized Representative") of the Company and Mr. Chen Hongliang was appointed as the Authorized Representative. The appointment became effective from June 23, 2017. For details, please refer to the relevant announcements of the Company dated April 21 and June 23, 2017.

On March 22, 2018, the Board passed a resolution in relation to the nomination of the Director, proposing to appoint Mr. Lei Hai as the non-executive Director and a member of the Strategy Committee of the Company, for a term commencing from the date of approval at the general meeting of the Company until the expiration of the term of the third session of the Board. For details, please refer to the relevant announcement of the Company dated March 22, 2018. Due to other job assignment, from the effective date of the above appointment of Mr. Lei Hai as the Director of the Company, Mr. Zhu Baocheng will cease to serve as the non-executive Director and member of the Strategic Committee.

Mr. Gu Zhangfei, Mr. Yao Shun and Mr. Jiang Dali were elected by poll at the general meeting and appointed as shareholder representative Supervisors of the Company on December 5, 2017, effective from the date of approval at the general meeting until the date of expiration of the term of the third session of the board of supervisors of the Company (the "Board of Supervisors"). Mr. Zhang Yuguo, Mr. Yu Wei and Mr. Zhu Zhenghua ceased to serve as the Shareholder representative Supervisors on December 5, 2017. On the same day, Mr. Gu Zhangfei was elected as the chairman of the third session of the Board of Supervisors, effective from December 5, 2017 to the date of expiration of the term of the third session of the Board of Supervisors.

Mr. Li Shuangshuang and Ms. Wang Bin were elected by poll at the employee representative congress of the Company and appointed as the employee representative Supervisors of the Company, effective from December 5, 2017 until the expiration of the term of the third session of the Board of Supervisors. Ms. Li Chengjun and Mr. Wang Jianping ceased to serve as the employee representative Supervisors on December 5, 2017.

Senior Management and Company Secretary

Due to work arrangement, Mr. Li Feng ceased to serve as the president of the Company on March 6, 2017. On the same day, the Board of Directors appointed Mr. Chen Hongliang as the president of the Company, effective from March 6, 2017 until the expiry of the term of the second session of the Board of Directors. Moreover, on April 21, 2017, Mr. Chen Hongliang was re-appointed as the president of the Company upon election by the Board of Directors, with a term ending upon the expiry of the term of the third session of the Board of Directors.

Mr. Liu Zhifeng ceased to serve as the vice president of the Company on March 6, 2017, and the Board of Directors appointed Mr. Huang Wenbing as the Company's vice president, effective from March 6, 2017 until the expiry of the term of the second session of the Board. Moreover, Mr. Huang Wenbing was re-appointed as the vice president of the Company upon election by the Board of Directors on April 21, 2017, with a term ending upon the expiry of the term of the third session of the Board of Directors. On June 15, 2017, Mr. Zhou Yanming ceased to serve as the vice president of the Company, and the Board of Directors appointed Mr. Chen Wei and Mr. Li Deren as the Company's vice president, effective from June 15, 2017 until the expiration of the term of office of the third session of the Board.

On August 28, 2017, Mr. Gu Lei ceased to serve as the vice president of the Company, and Ms. Sun Ke ceased to serve as the secretary to the Board. On the same day, the Board of Directors appointed Mr. Gu Xin as the secretary to the Board.

On September 20, 2017, Ms. Sun Ke ceased to act as the company secretary and the Authorized Representative of the Company. On the same day, the Board appointed Mr. Gu Xin as the company secretary of the Company and Ms. Mok Ming Wai, a director of TMF Hong Kong Limited, as the company secretary assistant of the Company. Meanwhile, Mr. Gu Xin also succeed Ms. Sun to serve as the Authorized Representative, effective from September 20, 2017. With regard to the appointment of Mr. Gu Xin, the Company has been granted by the Stock Exchange a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is for a period of three years. For details, please refer to relevant announcement of the Company dated September 20, 2017.

Due to other work commitments, Mr. Xie Wei ceased to serve as the vice president of the Company on January 22, 2018. On the same date, the Board of Directors appointed Mr. Yang Xueguang as the vice president of the Company, effective from January 22, 2018 until the date of expiration of the term of the third session of the Board of Directors. Mr. Cai Jianjun ceased to serve as the vice president of the Company on March 22, 2018. On the same date, Mr. Wu Zhoutao was appointed as the vice president of the Company by the Board for a term commencing from March 22, 2018 until the date of expiration of the term of the third session of the Board.

Save as disclosed above, from January 1, 2017 up to the Latest Practicable Date, the Company did not newly appoint or remove any Directors, Supervisors and members of senior management.

BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Biographical details of the Directors, Supervisors and senior management are set forth in the chapter headed "Directors, Supervisors and Senior Management" on pages 94 to 106 in this report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each Director of the third session of the Board of Directors and each Supervisor of the third session of the Board of Supervisors have entered into a service contract with the Company for a term of three years, or from the date of the latest appointment and up to the term of the fourth session of the Board of Directors or the fourth session of the Board of Supervisors becoming effective (as the case may be and whichever is later). 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.

In 2017, 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 in 2017 are set forth in Note 42 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 in 2017 are set forth in Note 30 to audited consolidated financial statements.

MANAGEMENT CONTRACTS

In 2017, 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 chapter headed "Connected Transactions" on pages 53 to 68 in this report, none of the Company or any of its subsidiaries entered into any contracts of significance with the Controlling Shareholder or any of its subsidiaries other than the Group, nor was there any 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 in 2017.

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

In 2017, save as disclosed in this report, none of the Directors or Supervisors or their connected entities has material interest in any contracts, transactions or arrangements, which are significant to the businesses of the Group and entered into by the Company or any of its subsidiaries either directly or indirectly.

RIGHTS AND INTERESTS OF DIRECTORS ON COMPETING BUSINESSES

In 2017, save as disclosed in this report, none of the Directors or their associates has any competing interests in the businesses which compete or are likely to compete with the Company, either directly or indirectly.

DIRECTORS AND SUPERVISORS SERVING IN COMPETING BUSINESSES

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

Name	Main Positions in the Group	Main Positions in Beijing Automotive Group Co., Ltd. and Its Connected Companies
Mr. Xu Heyi	• Chairman of the Board and non-executive Director of the Company • Chairman of the Board of Beijing Benz Automotive Co., Ltd. • Chairman of the Board of Fujian Benz Automotive Co., Ltd.	• Chairman of the board of Beijing Automotive Group Co., Ltd. • Chairman of the board of Beijing Electric Vehicle Co., Ltd.
Mr. Zhang Xiyong	• Non-executive Director of the Company	• Director and general manager of Beijing Automotive Group Co., Ltd. • Chairman of the board of Beiqi Foton Motor Co., Ltd.
Mr. Zhang Jianyong	• Non-executive Director of the Company • Director of Beijing Benz Automotive Co., Ltd.	• Deputy general manager of Beijing Automotive Group Co., Ltd. • Director of Beiqi Foton Motor Co., Ltd. • Chairman of the board of BAIC Group Finance Co., Ltd. • Executive director of BAIC Group Industrial Investment Co., Ltd. • Director of Bank of Jiujiang
Ms. Shang Yuanxian Note 1	• Non-executive Director of the Company	• Director of Beiqi Foton Motor Co., Ltd. • Director of Bohai Automotive System Co., Ltd. • Director of ZF BAIC (Beijing) Chassis Systems Co., Ltd.

Name	Main Positions in the Group	Main Positions in Beijing Automotive Group Co., Ltd. and Its Connected Companies
Mr. Qiu Yinfu	• Non-executive Director of the Company • Director of BAIC Investment Co., Ltd.	• Director of Beiqi Foton Motor Co., Ltd.
Ms. Wang Jing	• Non-executive Director of the Company	• Director of Beijing Electric Vehicle Co., Ltd.
Mr. Wang Min	• Supervisor of the Company	• Supervisor of Beijing Automotive Asset Operation Management Co., Ltd. • Supervisor of Beijing Automotive International Development Co., Ltd.
Mr. Zhu Zhenghua Note 2	• Supervisor of the Company	• Director of Beijing Electric Vehicle Co., Ltd. (ceased on November 24, 2017) • Director of Beijing Hainachuan Automobile Components Corporation Limited (ceased on September 20, 2017)
Mr. Jiang Dali Note 3	• Supervisor of the Company	• Director of Beijing Electric Vehicle Co., Ltd. (succeeded on November 24, 2017) • Director of Beijing Hainachuan Automobile Components Corporation Limited (succeeded on September 20, 2017)

Note 1: Ms. Shang Yuanxian ceased to be the non-executive Director of the Company since April 21, 2017.

Note 2: Mr. Zhu Zhenghua ceased to act as the Supervisor of the Company on December 5, 2017, the Director of Beijing Electric Vehicle on November 24, 2017, the Director of Beijing Hainachuan Automobile Components Corporation Limited on September 20, 2017.

Note 3: Mr. Jiang Dali began to act as the Supervisor of the Company on December 5, 2017, the Director of Beijing Electric Vehicle on November 24, 2017, the Director of Beijing Hainachuan Automobile Components Corporation Limited on September 20, 2017.

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

Save as disclosed above, as at the Date of Issue of the Report, none of the Directors, Supervisors or their associates had any rights and interests in competing businesses or businesses that might be competing with the Group's business, nor did they have any other conflicts of interest with the Group.

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

At the end of 2017, none of the Company's Directors, Supervisors and senior management had any interests or short positions (including those deemed to have according to the provisions of the SFO) in the shares, underlying shares or debentures of the Company or any of its associated corporation (as defined under Part XV of the SFO) 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 interests or short positions, pursuant to section 352 in the SFO, which are required to be recorded in the register referred to by such section, or which needed to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 to the Listing Rules (the "Model Code").

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At the end of 2017, none of the Directors or Supervisors or any of their respective associates was granted by the Company or its subsidiaries any right had or exercised any such rights 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

At the end of 2017, 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 disclosed to the Company pursuant to Divisions 2 and 3 in Part XV of the SFO, or recorded in the register required to be kept under section 336 of the SFO, or who were directly and/or indirectly deemed to have 5% or more interest of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings:

Name of Shareholder	Type of Share	Amount of share/ relevant share amount Note 1	Percentages to relevant share capital types (%) Note 2	Percentages to the total share capital (%)
Beijing Automotive Group Co., Ltd.	Domestic Shares	3,416,659,704(L)	62.18	44.98
Beijing Shougang Company Limited	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 Shares	765,818,182(L)	36.46	10.08
Easy Smart Limited	H Shares	167,356,500 (L)	7.97	2.20

Note 1: (L) – Long position;

Note 2: The percentage is calculated by the amount of shares held by relevant person/the amount of relevant class of shares issued by the Company by the end of 2017.

ARRANGEMENTS FOR SHARE PRE-EMPTIVE RIGHT AND SHARE OPTION

In 2017, no arrangement for share pre-emptive right and share option was made by the Company, and there is no specific provision under the PRC laws or the Articles of Association regarding share pre-emptive right.

DEBENTURES ISSUED

The debentures issued by the Group in 2017 are set out below:

On July 4, 2017, the Company issued the green bonds for 2017 with an issuance amount of RMB2,300.0 million at a nominal interest rate of 4.7% per annum with a term of 7 years. The capital raised was used for technological upgrade and capacity expansion project of the Company's Zhuzhou base and replenishment of working capital.

On July 21, 2017, the Company issued the first ultra short-term debentures for 2017 with an issuance amount of RMB2,000.0 million at a nominal interest rate of 4.4% per annum with a term of 270 days. The capital raised was used for replenishment of working capital supplement and repayment of bank borrowings.

On January 20, 2017, BAIC Investment issued the first corporate bond for 2017 for RMB800.0 million at a nominal interest rate of 4.3% per annum with a term of 7 years (with the issuer's option to adjust the nominal interest rate and investor's resale option at the end of the fifth year). The capital raised was used for repayment of the principal and interest of the matured corporate bonds.

EQUITY-LINKED AGREEMENTS

In 2017, 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 shares.

PERMITTED INDEMNITY PROVISION

In 2017, no permitted indemnity provision (whether made by the Company or otherwise) was made which was or is in force for the benefit of the Directors of the Company or any Directors of the associated companies of the Company (if made by the Company).

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

PENSION AND EMPLOYEE BENEFITS PLAN

For details on the Group's pension and employee benefits plan, please refer to the chapter headed "Human Resources" on pages 107 to 108 in this report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For details, please refer to the chapter headed "Corporate Governance Report" on pages 72 to 93 in this report.

AUDIT COMMITTEE

The Audit Committee of the Board of Directors of the Company (the "Audit Committee") has reviewed the Company's and the Group's 2017 annual results, and the audited consolidated financial statements for 2017 prepared in accordance with the IFRSs.

AUDITORS

PricewaterhouseCoopers ("PwC") and PricewaterhouseCoopers Zhong Tian LLP ("PwC Zhong Tian") were appointed as the Company's auditors in relation to the financial statements prepared under the IFRSs and China Accounting Standards, respectively, for the year ended 2017.

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 chapter headed "Summary of Financial and Performance Information" on pages 6 to 8 in this report. This summary does not form part of the consolidated financial statements.

COMPLIANCE OF BAIC GROUP WITH THE NON-COMPETITION UNDERTAKING

The Company has received a confirmation letter from BAIC Group, which confirms that in 2017 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 of the Company on partial exercise of over-allotment option dated January 12, 2015.

MATERIAL LITIGATION

As of the end of 2017, the Company was 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

Fully-exempted continuing connected transactions

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

   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 the end of 2016, subject to renewal upon mutual consents by both parties. In order to continue using the licensed trademark of BAIC Group, both parties have renewed the agreement on October 20, 2016, the term of which commenced on January 1, 2017 and will end on December 31, 2019, subject to renewal upon mutual consents by both parties.

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

BAIC Group is the sole Controlling Shareholder of the Company and holds 44.98% of the total issued share capital of the Company, and thus is a Connected Person of the Company. The transaction between the Company and BAIC Group constitutes a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

The Trademark and Technology Licensing Framework Agreement was entered into on normal commercial terms and the Group paid trademark license fee of RMB0 and technology license fee of RMB0 to BAIC Group during 2017. The applicable annual ratio under the agreement calculated pursuant to Chapter 14A of the Listing Rules was less than 0.1%. Pursuant to Rule 14A.76 of the Listing Rules, the aforesaid continuing connected transaction is exempted from annual reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Non-exempt continuing connected transactions

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

   Beijing Benz (a non-wholly-owned subsidiary of the Company) entered into a trademark licensing agreement (the "Trademark Licensing Agreement") with BAIC Group on February 28, 2003, in respect of its company name "Beijing Benz" and the production and assembly of its existing vehicle models. The agreement will remain effective within the term of the joint venture agreement of Beijing Benz. This trademark licensing arrangement is a part of the joint venture agreement in respect of Beijing Benz between the Company and Daimler AG.

   Pursuant to the agreement, Beijing Benz has the non-exclusive license granted by BAIC Group to use the "Beijing" trademark in the Company's name, and the manufacturing and assembly of passenger vehicles. Beijing Benz has to pay to BAIC Group the royalties regularly for the use of the relevant trademark. When determining the fee, 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. The annual caps of trademark licensing fee paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement for the three financial years ended December 31, 2019 were RMB555.4 million, RMB607.1 million and RMB707.7 million respectively. In 2017, the actual trademark licensing fee paid by Beijing Benz to BAIC Group under the above agreement was RMB512.0 million.

   The Board of the Company resolved on 22 March 2018 to revise the 2018 and 2019 annual caps in respect of the trademark licensing fees paid by Beijing Benz to BAIC Group under the Trademark Licensing Agreement from RMB607.1 million and RMB707.7 million to RMB744.5 million and RMB900.8 million, respectively. Please refer to the announcement of the Company dated March 22, 2018 for details.

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

The Company entered into a property and facility leasing framework agreement (the "Property and Facility Leasing Framework Agreement") with BAIC Group on December 2, 2014, with the term from the Listing Date of the Company to the end of 2016, subject to renewal through mutual consents by both parties. The Company and BAIC Group renewed the Property and Facility Leasing Framework Agreement on October 20, 2016, with a term from January 1, 2017 to December 31, 2019, subject to renewal through mutual consents by both parties.

Pursuant to the agreement, the Group and/or its subsidiaries will lease properties and facilities from BAIC Group and/or its associates for manufacturing specific passenger vehicles. The rent payable under the agreement shall be agreed based on arm's length negotiation between the relevant contracting parties with reference to market rates at relevant location and subject to relevant rules and regulations of the PRC; individual agreements shall be entered into stipulating the specific terms and conditions (including property rents, payment methods and other usage fees) in respect of relevant leased properties and facilities.

The annual caps of total rent per annum payable to BAIC Group and/or its associates in terms of properties and facilities leasing under the Property and Facility Leasing Framework Agreement for the three financial years ended December 31, 2019 were RMB377.8 million, RMB396.7 million and RMB416.5 million. In 2017, the actual rent of property and facility leasing paid by the Group to BAIC Group and/or its associates was RMB162.8 million.

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

The Company entered into a financial services framework agreement (the "Financial Services Framework Agreement") with BAIC Finance on December 2, 2014, for an initial term commencing on the Listing Date of the Company and expiring at the end of 2016, subject to renewal through mutual consents by both parties. The Company renewed the Financial Services Framework Agreement with BAIC Finance on October 20, 2016, with the term from January 1, 2017 to December 31, 2019, subject to renewal through mutual consents by both parties.

Pursuant to the agreement, BAIC Finance will provide financial services to the Company, mainly including (i) deposits; (ii) loans and entrusted loans; (iii) other financial services inclusive of notes discount and acceptance, finance leasing, settlement and entrusted loan agency; and (iv) any other services subject to relevant approvals from China Banking Regulatory Commission ("CBRC").

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

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

(c) Other financial services. The interest rates or services fees will be (i) subject to the benchmark fee (if applicable) for similar types of financial services published by the PBOC or CBRC from time to time; (ii) comparable to or not exceeding the interest rates or fees charged by independent commercial banks or financial institutions to the Group for similar types of financial services; and (iii) comparable to or not exceeding the fees charged by BAIC Finance to the subsidiaries of BAIC Group (other than the Group) for similar financial services.

BAIC Group, the Controlling Shareholder and a Connected Person of the Company, holds 56.00% equity interest in BAIC Finance, an associate of BAIC Group, therefore, BAIC Finance is also a Connected Person of the Company. The transactions contemplated under the Financial Services Framework Agreement between the Company and BAIC Finance constitute the connected transactions of the Company.

As the loan services supplied by BAIC Finance to the Group are conducted on normal commercial terms or on terms no less favourable than terms available from independent third parties to the Group in respect of rendering similar services in China, and it will not offer any collateral over the assets of the Group in respect of the loans, therefore, the loan service transaction is exempted from the reporting, announcement and independent shareholders' approval requirements under the Rule 14A.90 of the Listing Rules.

The maximum daily balance of and the annual caps for the interest income from deposits under the Financial Services Framework Agreement for the three financial years ended December 31, 2019 are as follows:

Items	Annual cap for the year ended December 31 (RMB million)		
	2017	2018	2019
Maximum daily balance of deposits placed by the Group with BAIC Group Finance Co., Ltd.	12,500.0	12,500.0	12,500.0
Interest income from deposits placed by the Group with BAIC Group Finance Co., Ltd.	193.2	193.2	193.2

For 2017, the actual maximum daily balance of deposits placed by the Group with BAIC Finance was RMB12,389.6 million, and the actual Interest income from deposits placed by the Group with BAIC Finance was RMB134.8 million.

The Board of the Company resolved on 22 March 2018 to revise the 2018 and 2019 annual caps in respect of (i) the maximum daily balance of deposits placed by the Group with BAIC Finance from RMB12,500.0 million and RMB12,500.0 million to RMB16,000.0 million and RMB16,000.0 million, respectively; and (ii) interest income from deposits placed by the Group with BAIC Finance from RMB193.2 million and RMB193.2 million to RMB292.8 million and RMB292.8 million, respectively. The above revised annual caps is subject to the consideration and approval of independent shareholders at the 2017 annual general meeting of the Company. Please refer to the announcement of the Company dated March 22, 2018 for details.

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

The Company entered into a products and services purchasing framework agreement (the "Products and Services Purchasing Framework Agreement") with BAIC Group on December 2, 2014, for an initial term of the Agreement commencing on the Listing Date of the Company and expiring on the end of 2016, subject to renewal through mutual consents by both parties. In order to effectively meet the Company's requirements in terms of stable supply and high quality of products and comprehensive services and high quality, the Company renewed the Products and Services Purchasing Framework Agreement with BAIC Group on October 20, 2016, with the term from January 1, 2017 to December 31, 2019, subject to renewal through mutual consents by both parties.

Pursuant to the Agreement, BAIC Group and/or its associates will provide products and services comprising automobile equipment, raw materials, components and parts, complete vehicles, labor services, logistics services, transportation services and consultancy services ("Purchase of Products and General Services") to the Company and/or our subsidiaries. In order to ensure that the terms of individual transaction in respect of the purchase of products and general services by the Group from BAIC Group are fair and reasonable and in line with market practices, the Group has adopted the following pricing policies and measures: to have regular contact with the suppliers of the Group (including BAIC Group) to keep abreast of market developments and the price trend of comprehensive services; before placing an individual purchase order, to invite 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 comprehensive services determined jointly by the Company's tender assessment team according to the Company's administrative measures for market quotations.

The annual caps for products and services purchasing under the Products and Services Purchasing Framework Agreement for the three financial years ended December 31, 2019 are as follows:

Items	**Annual cap for the year ended December 31 (RMB million)**		
	2017	**2018**	**2019**
Purchase of products	41,532.7	61,954.4	72,821.3
Purchase of services	7,755.0	8,265.5	8,632.2

For 2017, the actual amount of purchasing products and services under the Products and Services Purchasing Framework Agreement were RMB25,910.5 million and RMB2,698.1 million respectively.

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

The Company entered into a Sales of Products and Provision of Services Framework Agreement (the "Sales of Products and Provision of Services Framework Agreement") with BAIC Group on December 2, 2014, for an initial term of the Agreement commenced on the Listing Date of the Company and expired at the end of 2016, subject to renewal through mutual consents by both parties. The Company renewed the Sales of Products and Provision of Services Framework Agreement with BAIC Group on October 20, 2016, with the term from January 1, 2017 to December 31, 2019, subject to renewal through mutual consents by both parties.

Pursuant to the Agreement, BAIC Group and/or its associates will purchase various products comprising facilities, raw materials, components and parts, complete vehicles etc. ("Provision of Products") and services comprising sales agency, processing agency, labor, logistics, transportation and consultancy services ("Provision of Services") offered by the Company and/or subsidiaries. In order to ensure that the terms under such agreement are fair, the said agreement specifically provides that the terms of transactions contemplated thereunder are to be no less favorable than those entered into between the Company and independent third parties. The service fees charged to BAIC Group by the Group are determined on the basis of arm's length negotiations between the relevant parties. To ensure that the terms of supplying products and services to BAIC Group are fair and reasonable, we will make reference to the relevant historical prices of products and services and will base such on the principle of cost coupled with a fair and reasonable margin.

The annual caps for Provision of Products and Provision of Services under the Sales of Products and Provision of Services Framework Agreement for the three financial years ended December 31, 2019 are as follows:

Items	Annual cap for the year ended December 31 (RMB million)		
	2017	2018	2019
Provision of Products	32,473.3	43,017.6	46,445.6
Provision of Services	973.1	1,027.2	1,101.1

For 2017, the actual amount of Provision of Products and Provision of Services under the Sales of Products and Provision of Services Framework Agreement were RMB13,909.2 million and RMB3.9 million respectively.

6. Continuing connected transactions between Beijing Benz and Daimler AG and its associates

In 2017, Beijing Benz has entered into a number of continuing connected transactions with Daimler AG and its associates. In view of factors including protection of trade secrets and avoidance of unnecessary burden and losses to the business and operation of the Group, the Stock Exchange, at the time of Listing of the Company, has granted Beijing Benz a exemption from strict compliance with the written agreement and/or annual cap, announcements, annual reporting and/or independent Shareholders' approval requirements under the Listing Rules in respect of certain transactions with Daimler AG, as follows:

Nature of transaction	Transaction summary and pricing policy	Exemption granted
Sales of vehicles by Beijing Benz Automotive Co., Ltd. to Daimler AG and its associates	• **Transaction summary**: Daimler AG and its associates purchased vehicles from Beijing Benz Automotive Co., Ltd. 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.	Signing of written agreement
Purchases of parts and accessories by Beijing Benz Automotive Co., Ltd. from Daimler AG and its associates	• **Transaction summary**: Beijing Benz Automotive Co., Ltd. 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 will be taken into consideration by Beijing Benz Automotive Co., Ltd. to ensure that the prices offered by Daimler AG and its associates are reasonable and competitive in the market. • **Transaction amount**: Not applicable.	Signing of written agreement, annual cap, annual reporting, announcement and independent Shareholders' approval

Nature of transaction	Transaction summary and pricing policy	Exemption granted
Provision of the right to use intellectual property rights (including trademarks and technologies) by Daimler AG and its associates to Beijing Benz Automotive Co., Ltd.	• **Transaction summary**: Beijing Benz Automotive Co., Ltd. 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 the Group on arm's length negotiations subject to our internal control procedures. The royalties payable for such licenses of technologies and trademarks are calculated as a percentage of the net revenue from vehicles and automobile parts and components which use the licensed technologies and trademarks. This net revenue is calculated based on the manufacturer's suggested retail price less the value-added tax, gross margin of dealers, sales rebates to dealers, consumption tax and sales discounts. • **Transaction amount**: Not applicable.	Signing of written agreement, annual cap, annual reporting, announcement and independent Shareholders' approval
Provision of Services by Daimler AG and its associates to Beijing Benz Automotive Co., Ltd.	• **Transaction summary**: Beijing Benz Automotive Co., Ltd. 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. • **Pricing policy**: The service fees charged by Daimler AG and its associates to the 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 the Company agreed that the service fees to be paid will be determined on a fixed fee rate on a daily basis with reference to the historical rates paid by Beijing Benz Automotive Co., Ltd. for the provision of similar services. The Group will take into account the market prices and comparable prices of similar services. • **Transaction amount**: Not applicable.	Signing of written agreement, annual cap, annual reporting, announcement and independent Shareholders' approval

Nature of transaction	Transaction summary and pricing policy	Exemption granted
Beijing Benz Automotive Co., Ltd. provides Daimler AG and its associates with services, parts and accessories	• **Transaction summary**: Beijing Benz Automotive Co., Ltd. sold components and spare parts and provided aftersales referral services to Daimler AG and its associates. • **Pricing policy**: In relation to the aforesaid transactions, the Group will take into account the market prices of the relevant parts, components and services offered by other suppliers to Daimler AG and its associates to ensure that the prices Beijing Benz Automotive Co., Ltd. offered to Daimler AG and its associates are fair and reasonable and on normal commercial terms. The Group determines the prices of our components, parts and accessories by reference to the average profit margin in the market or based on the principle of the cost plus a reasonable margin. • **Transaction amount**: Not applicable.	Signing of written agreement, annual cap, annual reporting, announcement and independent Shareholders' approval

Daimler AG holds 10.08% equity interest in the Company and is a substantial Shareholder of the Company, therefore Daimler AG and its associates are Connected Persons of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions between the Group and Daimler AG and its associates constitute connected transactions of the Company.

The annual caps in relation to the continuing connected transactions arising from the sale of vehicles by Beijing Benz to Daimler AG and its associates for the three financial years ended December 31, 2019 are RMB170.0 million, RMB170.0 million and RMB170.0 million respectively. In 2017, the actual amount of this transaction was RMB108.2 million.

7. General Product Supply Series Agreements between the Company and Daimler AG

In order to strengthen the construction of its own brands and to further enhance the Company's research and development capabilities of high-end vehicles through leveraging on the accumulation of research and development and manufacturing technology regarding high-end vehicles by Daimler AG, on July 12, 2017, the Company and Daimler AG entered into the general product supply series agreements ("General Product Supply Series Agreements"), with the agreement term commenced on October 12, 2017 and ending on December 31, 2019. According to the General Product Supply Series Agreements, the Company will purchase from Daimler AG the parts, components, materials and services used for manufacturing and production of Vehicles.

With respect to the parts, components and materials produced by Daimler AG, the respective purchase prices of the parts, components and materials ordered by the Company are determined on the global standard prices of the parts, components and materials produced by Daimler AG effective at the time when Daimler AG delivers goods for the purchase order accordingly multiplied by the Company's expected amount of needs and usage of parts, components and materials.

The annual caps of the continuing connected transactions in which the Company purchased automobile parts, components and materials from Daimler AG under the General Product Supply Series Agreements for the three financial years ended December 31, 2019 are RMB434.1 million, RMB1,499.6 million and RMB263.1 million respectively. In 2017, the actual amount of transactions under such agreements was RMB96.4 million.

The Board of the Company resolved on 22 March 2018 to revise the 2018 and 2019 annual caps for the transactions to purchase from Daimler AG the parts, components and materials by the Company under the General Product Supply Series Agreements from RMB1,499.6 million and RMB263.1 million to RMB1,924.8 million and RMB574.0 million, respectively. Please refer to the announcement of the Company dated March 22, 2018 for details.

8. **Entrusted R&D Technical Services Framework Agreements between the Company and BAIC MBtech and MBtech**

In order to sufficiently perform such provisions in relation to appointment of BAIC MBtech and MBtech to carry out R&D technical services and such agreements on support provided by MBtech to BAIC MBtech in purchase of required materials, goods, equipment and services as specified in the joint venture contract ("Joint Venture Contract") between the Company and MBtech Group GmbH & Co. KGaA ("MBtech") for the establishment of BAIC MB-tech Development Center Co., Ltd. ("BAIC MBtech"), on March 24, 2017, the Company, BAIC MBtech and MBtech respectively entered into the Entrusted R&D Technical Services Framework Agreement between BAIC Motor and BAIC MBtech, the Entrusted R&D Technical Services Framework Agreement between BAIC Motor and MBtech, and the Entrusted R&D Technical Services Framework Agreement between BAIC MBtech and MBtech.

Pursuant to the aforesaid agreements, the R&D technical services provided by BAIC MBtech to the Company and/or its subsidiaries include: the research and development of whole passenger vehicles, electric vehicles and new energy vehicles and their parts and components, research and application of automobile technology, engineering consultancy, manufacturing engineering and quality management consultancy, high-tech, new product development, project management, technical support, licensing and transfer of technology, import and export of technology, import and export of agency and import and export of goods. The R&D technical services provided by MBtech to the Company and/or its subsidiaries and BAIC MBtech include: engineering services, R&D related services, production and sales of structural parts, components, parts, systems, the overall system and software, consultancy, planning and project management during the development of products as well as consultancy on supplier network.

The agreements are valid for a period of three years commenced on the dates of the agreements and may be renewed upon agreement of both parties in writing, subject to relevant laws, regulations and the Listing Rules.

Both parties will refer to the market average price of similar product and service in automobile industry in terms of the price of each product and service under the aforesaid agreements, and if there is no reference, the price of the product and service will be negotiated specifically by both parties. Such negotiated price will be set in line with comprehensive factors such as cost plus reasonable profits, by reference to historical cost of similar service and in consideration of market comparable price. Specific profit proportion under the specific agreement will be set according to specific technology research and development type and terms of service to ensure the service provided by BAIC MBtech and MBtech is not less favourable than that provided by independent third party and is fair and reasonable to the Company and BAIC MBtech.

The annual caps for the aforesaid three connected transactions for the three financial years ended December 31, 2019 are as follows:

Items	Annual cap for the year ended December 31 (RMB million)		
	2017	2018	2019
The entrusted R&D technical services between the Company and its subsidiaries (exclusive of BAIC MBtech) and BAIC MBtech	400	400	500
The entrusted R&D technical services between the Company and its subsidiaries (exclusive of BAIC MBtech) and MBtech	50	50	50
The entrusted R&D technical services between BAIC MBtech and MBtech	60	60	60

In 2017, the actual amount in relation to the entrusted R&D technical services between the Company and its subsidiaries (exclusive of BAIC MBtech) and BAIC MBtech was RMB54.9 million; the actual amount in relation to the entrusted R&D technical services between the Company and its subsidiaries (exclusive of BAIC MBtech) and MBtech was RMB4.4 million; the actual amount in relation to the entrusted R&D technical services between BAIC MBtech and MBtech was RMB0 million.

As Daimler AG, a substantial Shareholder and a Connected Person of the Company, holds 35% equity interests in MBtech and MBtech is an associate of Daimler AG, MBtech is therefore a Connected Person of the Company. The transactions between the Company and MBtech and the transactions between BAIC MBtech, a subsidiary of the Company, and MBtech constitute connected transactions of the Company under Chapter 14A of the Listing Rules. In addition, as the Company and MBtech, a Connected Person of the Company, hold 51% and 49% equity interests in BAIC MBtech, respectively, therefore, BAIC MBtech constitutes a connected subsidiary of the Company. The transactions between the Company and BAIC MBtech also constitute connected transactions under Chapter 14A of the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS' REVIEW AND CONFIRMATION

Independent non-executive Directors of the Company have reviewed the aforesaid continuing connected transactions and have confirmed that in 2017, they have been entered into: in the ordinary and usual course of the Group's business; on normal commercial or better terms; with the terms no less favorable to the Company than those offered to or by (as the case may be) independent third parties, if those available for comparison are insufficient to determine whether the terms of such transaction is normal commercial terms; and in accordance with relevant agreements whose conditions are fair and reasonable and in the interest of the Shareholders of the Company as a whole.

AUDITOR'S LETTER

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

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

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

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

(4) with respect to the aggregate amount for each of the aforesaid continuing connected transactions, nothing has come to our auditor's attention that causes it to believe that the amount of the disclosed continuing connected transactions has exceeded the annual cap as set by the Company.

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

The Company confirmed that the entering into and implementation of specific agreements in relation to the above continuing connected transactions for the year ended December 31, 2017 has complied with the pricing principles of these continuing connected transactions.

NON-CONTINUING CONNECTED TRANSACTIONS

1. The capital increase to MBLC by the Company

On June 23, 2017, the Company and Daimler Greater China entered into the Capital Increase Agreement, pursuant to which, the Company and Daimler Greater China agreed to contribute an aggregate amount of RMB500 million to MBLC in proportion to their respective shareholding in MBLC. Of which, DGRC will contribute RMB325 million, representing 65% of the amount under the capital increase, while the Company will contribute RMB175 million representing 35% of the amount under the capital increase. Upon the completion of the capital increase, the registered capital of MBLC has been increased from RMB1,197.5 million to RMB1,697.5 million.

On November 10, 2017, the Company and Daimler Greater China further entered into the Capital Increase Agreement, pursuant to which, the Company and DGRC agreed to contribute an aggregate amount of RMB400 million to MBLC in proportion to their respective shareholding in MBLC. Of which, DGRC will contribute RMB260,000,000, representing 65% of the amount under the capital increase, while the Company will contribute RMB140,000,000, representing 35% of the amount under the capital increase. Upon the completion of the capital increase, the registered capital of MBLC has been increased from RMB1,697.5 million to RMB2,097.5 million.

Please refer to the announcements of the Company dated June 23, 2017 and November 10, 2017 for details of above transactions.

2. Capital Increase Agreement between the Company and Beijing Electric Vehicle

On July 20, 2017, the Company entered into the Capital Increase Agreement with Beijing Electric Vehicle, pursuant to which, the Company subscribed for 223.6 million shares newly issued by Beijing Electric Vehicle for a consideration of RMB1,185.08 million in assets and cash in total. Upon completion of the capital increase, the Company holds 8.15% equity interests in Beijing Electric Vehicle.

BJEV is an industry leader of the new energy automobile companies in the PRC. It currently shows a broad development space where growth prospects are strong. Participating in the capital increase enables the Company to enhance its overall profitability by sharing BJEV's operation results and investment gains in the future, thus ultimately maximize the interests of Shareholders.

Please refer to the announcement of the Company dated July 20, 2017 for details of above transaction.

3. The capital increase to BAIC Finance by BAIC Investment

On December 29, 2017, BAIC Investment, a non-wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with BAIC Finance Co., pursuant to which, BAIC Investment agreed to further contribute RMB200 million to the newly increased registered capital of BAIC Finance Co. (RMB1 billion in aggregate) based on its proportion in the registered capital of BAIC Finance Co. for the time being (i.e. 20%). Upon completion of the capital increase, the proportion of capital contribution by BAIC Investment to the registered capital (as increased) of BAIC Finance Co. remains unchanged (i.e. 20%), representing a total capital contribution of RMB500 million.

Upon the capital increase by BAIC Investment to BAIC Finance Co., it will be a great support to BAIC Finance Co. to further expand its business scale and business scope as well as promote its continuous and rapid development, and will contribute to the sale of self-owned brands with the return on investment being obtained, so as to maximize the shareholders' interests.

Please refer to the announcement of the Company dated December 29, 2017 for details of above transaction.

Save as disclosed above, none of the related party transactions or continuing related party transactions set out in Note 38 to the financial statements fall within the meaning of discloseable connected transactions or continuing connected transactions under the Listing Rules. The connected and continuing connected transactions of the Company are in compliance with the disclosure requirements of Chapter 14A of the Listing Rules.

MODEL CODE

Having made all reasonable enquiries to the Directors and the Supervisors, in the year 2017, they confirmed that they have strictly followed the Model Code. The Company has not adopted a standard lower than that provided by the Model Code in relation to Directors' securities transactions.

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of 2017 audited consolidated financial statements are consistent with the accounting policies for the preparation of audited consolidated financial statements in 2016.

All references in this part of this annual report (Report of the Board of Directors) to other parts, sections of or notes in the annual report, form part of the Report of the Board of Directors.

BY ORDER OF THE BOARD
Chairman
Xu Heyi

March 22, 2018

In the year 2017, 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 effectively monitor and inspect the execution of the duties of the Directors and senior management and the operation and management activities of the Company. In so doing, they have promoted the operational standard and healthy development of the Company.

THE WORK OF THE BOARD OF SUPERVISORS

Convening meetings of the Board of Supervisors

In the year 2017, five meetings of the Board of Supervisors were held by the Board of Supervisors, in which the Work Report of the Board of Supervisors for 2016, the 2016 Annual Report, 2017 Interim Report, matters relating to recommendation of candidates of non-employee Supervisors for the third session of the Board of Supervisors at the general meeting, election of the chairman of the third session of the Board of Supervisors, initial public offering and domestic listing of RMB ordinary shares of the Company were reviewed and approved.

Changes of members of the Board of Supervisors

Pursuant to the Articles of Association, at the second extraordinary general meeting of 2017, Mr. Gu Zhangfei, Mr. Wang Min, Mr. Yao Shun and Mr. Jiang Dali were elected as shareholder representative Supervisors of the third session of the Board of Supervisors; Mr. Pang Minjing and Mr. Zhan Zhaohui were elected as independent Supervisors of the third session of the Board of Supervisors. At the second meeting of the first session of the employee representative congress of the Company, Mr. Zhang Guofu, Mr. Li Shuangshuang and Ms. Wang Bin were elected as employee representative Supervisors of the third session of the Board of Supervisors. The third session of the Board of Supervisors of the Company consist of the aforesaid nine Supervisors. At the first meeting of the third session of the Board of Supervisors, Mr. Gu Zhangfei was elected as the chairman of the third 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 2016 annual general meeting, the 2017 first domestic shareholders class meeting, the 2017 first H shareholders class meeting, the first and second extraordinary general meeting of 2017, attended the Board meetings held on site. The Board of Supervisors also appointed certain Supervisors to act as the scrutinizers 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 resolutions and relevant materials of the Board meetings 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, 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 and effectiveness of operation and management activities; and in a timely manner, have informed the Company of possible risks and problems in production, operation, financial management and internal control, and have put forward reasonable suggestions on major operating decisions and financial risk control of the Company, and enhanced supervision of the Company for lawful operation. In so doing, they have played a positive role in promoting the Company's standardized governance and improving the operational efficiency of the Company.

Status of supervision

In 2017, members of the Board of Supervisors carried out in-depth investigation and inspection in the enterprise to understand the research and development of products, operation management, team construction and use of research funds. They also conducted onsite investigation in the construction, corporation production and operation, and financial condition of the Zhuzhou II Plant project and brought up improvement suggestions regarding the Company's management work. At the same time, members of the Board of Supervisors visited 4S store under the proprietary brand. They heard opinions and suggestions of certain suppliers and distributors on operation policies and sales of the Company. They exchanged opinions with frontline employees, heard reports of frontline employees and distributors on market demands for vehicle models, networking application, sales pricing and other related information, and put forward relevant opinions and suggestions on marketing management.

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

In the year 2017, the Board of Directors made scientific decisions in compliance with the Company Law, the Listing Rules of the Stock Exchange, the Articles of Association and relevant laws, regulations and systems. The Directors duly performed their duties diligently and in accordance with the laws; the members of senior management devoted to their duties and performed their duties faithfully and conscientiously implemented the decisions made by the Board of Directors, and ensured high standards of operation and prudent management. The Company continuously improved and effectively implemented the internal control systems according to its actual conditions, requirements of laws and regulations. The internal control systems complied with relevant national laws, regulations and actual requirements of the Company and played a relatively good role in preventing and controlling risks for the operation and management of the Company.

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

The chairman of the Board of Supervisors attended the meetings of the Audit Committee for the year, and monitored the financial position, risk management and internal audits of the Company. The Board of Supervisors carefully read the 2017 financial budget report of the Company, reviewed the standard unqualified auditor's report issued by PwC and PwC Zhong Tian, listened to the report of the Company's senior management on relevant audit and communicated with the auditors. The Board of Supervisors is of the view that the Company's 2017 financial report meets the requirements of the relevant accounting standards and regulations; and it gives a true and fair view of the Company's financial position and business performance; and the information reflecting the Company's operation is truthful, legitimate and complete without false information, misleading representation or material omissions.

The year 2017 is the second year for implementation of the "13th Five-Year Plan". In response to the application of "intelligentization, networking, electrification and sharing" in vehicle development, the Company promoted transformation and upgrade of self-developed products. In terms of management efficiency improvement, the Company actively boosted reconstruction of business processes, stimulated the enthusiasm of employees and enhanced the business process efficiency. Moreover, the Company was still under large pressure in operation and heavy workload in innovation, transformation, quality and efficiency improvement, so it was necessary to accelerate reform and innovation, create competitive edge of the Company through high-quality development, focus on market demands, grasp the new trend and change of automobile industry development, further promote strategic transformation, continuously carry out innovation in terms of mechanisms of research and development management, product planning and operation management efficiency and continuously improve the corporate operation quality and governance level, so as to reward investors with more 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 the management. We hereby would like to express our heartfelt gratitude to the Shareholders, the chairman of the Board, the Directors, the management and leaders.

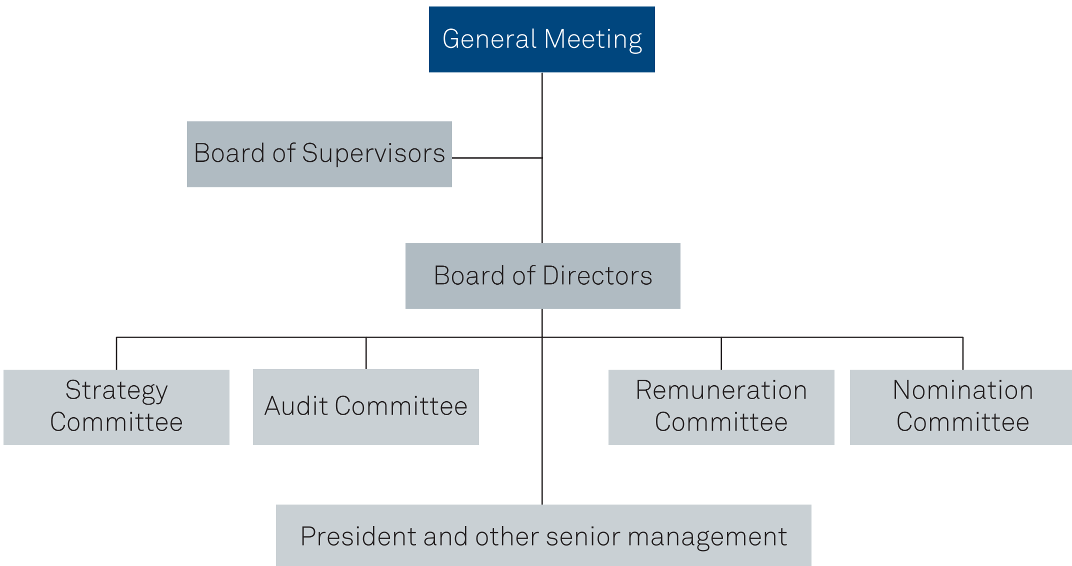
By order of the Board of Supervisors
Chairman of the Board
Gu Zhangfei

March 22, 2018

CORPORATE GOVERNANCE PRACTICE

The Group has been building and maintaining a high level of corporate governance so as to protect the rights and interests of Shareholders and enhance corporate value and sense of responsibility. The Company has put together a sound and market-oriented corporate governance structure and established the 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 of the Company. The Company has adopted the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules.

The governance structure of the Company is as follows:



The term of office of Directors of the second session of the Board was longer than such term for retirement by rotation at least every three years as specified in provision A.4.2 of the Corporate Governance Code. On April 21, 2017, Directors of the third session of the Board were elected at the 2017 first extraordinary general meeting of the Company, whose the terms of office commenced on April 21, 2017 and ends at the end of the term of office of the third session of the Board; on the same date, a meeting was convened by the third session of the Board to elect the chairman of the Board of the Company, chairmen and members of the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee and appoint relevant senior management.

On November 29, 2017, the employee representative Supervisors of the third session of the Board of Supervisors were elected at the employee representative congress of the Company. On December 5, 2017, the non-employee representative Supervisors of the third session of the Board of Supervisors were elected at the 2017 second extraordinary general meeting of the Company. The Company thereby completed the establishment of the third session of the Board of Supervisors. The terms of office of the employee representative Supervisors and non-employee representative Supervisors of the third session of the Board of Supervisors commenced on December 5, 2017 and ends at the end of the term of office of the third session of the Board of Supervisors. On the same date, a meeting was convened by the third session of the Board of Supervisors to elect the chairman of the Board of Supervisors of the Company.

Save as disclosed above, the Directors of the Company as a whole believe that for 2017, the Group had complied with all the code provisions under the Corporate Governance Code in all other respects.

GENERAL MEETING

Responsibility

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

In 2017, the Company held five general meetings, including the 2016 annual general meeting, the 2017 first domestic shareholders class meeting, the 2017 first H shareholders class meeting and the first and second extraordinary general meetings of 2017. Attendance of Directors at general meetings in 2017 is as follows:

No.	Name	Position	Number of Meetings Attended	Attendance Rate
1	Xu Heyi	Chairman and Non-executive Director	0	0%
2	Zhang Xiyong	Non-executive Director	0	0%
3	Li Feng Note 1	Executive Director and President	0	0%
4	Zhang Jianyong	Non-executive Director	0	0%
5	Chen Hongliang Note 2	Executive Director and President	1	100%
6	Shang Yuanxian Note 3	Non-executive Director	0	0%
7	Qiu Yinfu	Non-executive Director	2	40%
8	Hubertus Troska	Non-executive Director	0	0%
9	Bodo Uebber	Non-executive Director	0	0%
10	Guo Xianpeng Note 4	Non-executive Director	0	0%
11	Wang Jing	Non-executive Director	4	80%
12	Yang Shi Note 3	Non-executive Director	0	0%
13	Zhu Baocheng Note 4	Non-executive Director	4	100%
14	Fu Yuwu Note 3	Independent Non-executive Director	0	0%
15	Ge Songlin Note 4	Independent Non-executive Director	0	0%
16	Wong Lung Tak Patrick	Independent Non-executive Director	0	0%
17	Bao Robert Xiaochen	Independent Non-executive Director	0	0%
18	Zhao Fuquan	Independent Non-executive Director	0	0%
19	Liu Kaixiang	Independent Non-executive Director	1	20%

Note 1: Mr. Li Feng ceased to act as the president on March 6, 2017 and the executive Director on June 23, 2017 due to work arrangement.

Note 2: Mr. Chen Hongliang was appointed as the president on March 6, 2017. The Company held a total of one general meeting from June 23, 2017 when Mr. Chen was appointed as the executive Director to the end of 2017.

Note 3: Ms. Shang Yuanxian and Mr. Yang Shi ceased to act as non-executive Directors, and Mr. Fu Yuwu ceased to serve as an independent non-executive Director on April 21, 2017, due to election of the Board of Directors.

Note 4: The Company held a total of four general meetings from April 21, 2017 when Mr. Guo Xianpeng and Mr. Zhu Baocheng were appointed as non-executive Directors and Mr. Ge Songlin was appointed as an independent non-executive Director to the end of 2017.

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 of the Company. During 2017, BAIC Group did not circumvent the general meeting to make direct or indirect intervention in the Company's decision making and business operation.

For 2017, information on other substantial Shareholders and data on the personnel with a voting right of 5.0% or above at the general meeting (classes of Shares by Domestic Share and H Share) are set out in the section headed "Report of the Board of Directors" on pages 38 to 68 of this report.

BOARD OF DIRECTORS

Responsibility

Pursuant to the Articles of Association, the Company established the Board of Directors which is accountable to the general meeting. 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 three-year term of office, and are eligible for re-election and re-appointment upon expiry of the term. The Board of Directors determines key resolution plans of the Company, and reviews and monitors the Company's business operation. The Board of Directors has authorized the Company's senior management to oversee the day-to-day management of the Company, with operational authority and responsibility. In order to facilitate the Board of Directors to deliberate specific matters of the Company, the Board has set up four Special Committees, namely the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board of Directors has delegated various responsibilities to the Special Committees within their scope of duties.

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

Composition of the Board of Directors

As of the Date of Issue of the Report, the Board of Directors comprised fifteen members, and the biographical details of the Directors are listed in the section headed "Directors, Supervisors and Senior Management" on pages 94 to 106 in this report. In the year of 2017, the Board of Directors complied at all time 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 possess appropriate professional qualification or expertise relating to accounting or financial management), and the Rule 3.10A of the Listing Rules regarding the appointment of one-third of the Board members to be independent non-executive Directors.

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

As 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, the Audit Committee, the Remuneration Committee and the Nomination Committee. In 2017, the independent non-executive Directors raised no objection to the Board resolutions and other matters not deliberated by the Board of Directors.

In the year 2017, none of the Directors, Supervisors and senior management has any financial, business or family relationships or any relationships in other material aspects with each other or with the Company for which disclosure may be required.

Performance and continuing professional development

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

Training received by all the Directors in 2017 is as follows:

Name	Training Received Note
Mr. Xu Heyi	A/B/C/D
Mr. Zhang Xiyong	A/B/C/D
Mr. Zhang Jianyong	A/B/C/D
Mr. Chen Hongliang	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
Mr. Guo Xianpeng	A/B/C/D
Ms. Wang Jing	A/B/C/D
Mr. Zhu Baocheng	A/B/C/D
Mr. Ge Songlin	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

Note:

A: attending seminars and/or meetings and/or forums and/or briefings;

B: speaking at seminars and/or meetings and/or forums;

C: attending training provided by lawyers or training related to the issuer business;

D: reading materials on various topics, including corporate governance, responsibilities of directors, amendments to the Listing Rules and other related regulations.

Appointment, re-election and re-appointment of Directors

The appointment, re-election and re-appointment 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. Due to the postponed re-election, the term of office of the second session of the Board of Directors was postponed to April 21, 2017, namely the date of approval of the members of the third session of the Board by the general meeting. The third session of the Board of Directors was established on April 21, 2017. Each of the Directors has entered into a service contract with the Company for a term of three years, or from the date of the latest appointment (as the case may be and whichever is later) and up to the term of office of the fourth session of the Board of Directors becoming effective. The service contract sets out the main terms, key conditions and relevant rights, obligations and responsibilities of the appointed Directors, 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 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 each year, which shall be convened by the chairman. A 14-day advance written notice along with relevant materials to the issues to be considered shall be served to all Directors, in order to help the Directors with an opportunity to attend the meetings and fully understand all relevant issues to be considered so as to ensure effective decision-making of the Board.

For meetings of the Special Committees, a 3-day advance written notice shall be served to all the committee members. The meeting notice, 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 sufficient rights to express opinions and to participate in decision-making for the issues to be considered.

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

During 2017, the Board held fourteen meetings. The main matters considered are as follows:

Name of Board Meeting	Time	Main Matters Considered
35th Board meeting of the second session of the Board	March 6, 2017	Proposal on Nomination of Candidates for Election as Directors of the Third Session of the Board
36th Board meeting of the second session of the Board	March 23, 2017	Proposal on 2016 Annual Report and 2016 Annual Results Announcement Proposal on 2016 Report of the Board of Directors Proposal on 2016 Financial Report
1st Board meeting of the third session of the Board	April 21, 2017	Proposal on Election of Chairman of the Board of Directors Proposal on Election of Members of Special Committees under the Board of Directors
2nd Board meeting of the third session of the Board	April 27, 2017	Proposal on 2017 First Quarter Financial Statements
3rd Board meeting of the third session of the Board	May 8, 2017	Proposal on Nomination of Directors Proposal on Election of Members of the Strategy Committee and the Remuneration Committee under the Board of Directors
4th Board meeting of the third session of the Board	June 15, 2017	Proposal on Increase in Capital Contribution to Mercedes-Benz Leasing Co., Ltd.
5th Board meeting of the third session of the Board	July 3, 2017	Proposal on Increase in Capital Contribution to Beijing Electric Vehicle Co., Ltd.
6th Board meeting of the third session of the Board	July 25, 2017	Proposal on 2017 Environmental, Social and Governance Report

Name of Board Meeting	Time	Main Matters Considered
7th Board meeting of the third session of the Board	August 28, 2017	Proposal on 2017 Interim Report and 2017 Interim Results Proposal on Change to Registered Address and Amendment to the Articles of Association of BAIC Motor Corporation Limited by BAIC Motor Corporation Limited
8th Board meeting of the third session of the Board	September 20, 2017	Proposal on Appointment and Removal of Company Secretary
9th Board meeting of the third session of the Board	October 16, 2017	Proposal on Plan for Initial Public Offering and Listing of RMB Ordinary Shares
10th Board meeting of the third session of the Board	October 27, 2017	Proposal on 2017 Third Quarter Financial Statements Proposal on Increase in Capital Contribution to Mercedes-Benz Leasing Co., Ltd.
11th Board meeting of the third session of the Board	November 20, 2017	Proposal on Amendment to Rules of Procedure of the Nomination Committee under the Board of Directors Proposal on Amendment to Rules of Procedure of the Strategy Committee under the Board of Directors Proposal on Amendment to Rules of Procedure of the Audit Committee under the Board of Directors of the Company
12th Board meeting of the third session of the Board	December 4, 2017	Proposal on Recognition of Effectiveness of Internal Control of Financial Report on June 30, 2017

Attendance of the Directors at Board meetings in 2017 is as follows:

No.	Name	Position	Number of Meetings Attended	Attendance Rate
1	Xu Heyi	Chairman and Non-executive Director	14	100%
2	Zhang Xiyong	Non-executive Director	14	100%
3	Li Feng Note 1	Executive Director and President	6	100%
4	Zhang Jianyong	Non-executive Director	14	100%
5	Chen Hongliang Note 2	Executive Director and President	8	100%
6	Shang Yuanxian Note 3	Non-executive Director	2	100%
7	Qiu Yinfu	Non-executive Director	14	100%
8	Hubertus Troska	Non-executive Director	14	100%
9	Bodo Uebber	Non-executive Director	14	100%
10	Guo Xianpeng Note 4	Non-executive Director	12	100%
11	Wang Jing	Non-executive Director	14	100%
12	Yang Shi Note 3	Non-executive Director	2	100%
13	Zhu Baocheng Note 4	Non-executive Director	12	100%
14	Fu Yuwu Note 3	Independent Non-executive Director	2	100%
15	Ge Songlin Note 4	Independent Non-executive Director	12	100%
16	Wong Lung Tak Patrick	Independent Non-executive Director	14	100%
17	Bao Robert Xiaochen	Independent Non-executive Director	14	100%
18	Zhao Fuquan	Independent Non-executive Director	14	100%
19	Liu Kaixiang	Independent Non-executive Director	14	100%

Note 1: Mr. Li Feng ceased to act as the president on March 6, 2017 and the executive Director on June 23, 2017 due to work arrangement.

Note 2: Mr. Chen Hongliang was appointed as the president on March 6, 2017. The Company held a total of eight Board meetings from June 23, 2017 when Mr. Chen was appointed as the executive Director to the end of 2017.

Note 3: Ms. Shang Yuanxian and Mr. Yang Shi ceased to act as non-executive Directors, and Mr. Fu Yuwu ceased to serve as an independent non-executive Director on April 21, 2017, due to election of the Board of Directors.

Note 4: On April 21, 2017, Mr. Guo Xianpeng and Mr. Zhu Baocheng were appointed as non-executive Directors and Mr. Ge Songlin was appointed as an independent non-executive Director. From April 21, 2017 to the end of 2017, the Company held a total of twelve Board meetings.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code in Appendix 10 to the Listing Rules as the code of conduct for dealing in securities by the Directors and Supervisors. Having made all reasonable enquiries to all Directors, Supervisors and senior management, they have confirmed that they complied with the Model Code in 2017.

AUTHORIZATION OF THE BOARD OF DIRECTORS

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

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

FUNCTIONS OF CORPORATE GOVERNANCE

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

formulate and review the Company's policies and practices on corporate governance;

review and monitor the training and continuous professional development of the Directors and senior management;

review and monitor the Company's policies and practices on compliance with the regulatory requirements;

formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

review the Company's compliance with Corporate Governance Code and disclosure of information in the corporate governance report.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Board of Directors has established a Remuneration Committee with the responsibilities including confirming and reviewing the remuneration policies and proposals of the Directors and senior management. In 2017, 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 Director 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 2017 are set forth in Note 42 to the audited consolidated financial statements.

The remuneration paid by the Company to the senior management (including one Director) in 2017 is as follows:

Remuneration Range (RMB)	Number of Candidates
2,000,001-2,500,000	1
1,500,001-2,000,000	5
Below 1,500,000	7

Note: Including three members of senior management resigned before December 31, 2017.

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 2017.

CHAIRMAN AND PRESIDENT

According to the requirement of provision A.2.1 of the Corporate Governance Code, the roles of chairman and president should be separated. In 2017, Mr. Xu Heyi served as the chairman of the Company. Mr. Li Feng (who resigned on March 6, 2017) and Mr. Chen Hongliang (who was appointed on March 6, 2017) acted as the president (chief executive). The Company has clearly defined the responsibilities of the chairman and the president and the detailed definitions are provided in the Articles of Association.

SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS

Strategy Committee

The Board of Directors has established the Strategy Committee to operate formally and perform corresponding duties effective from the Listing Date of the Company. The Strategy Committee under the Board of Directors of the Company is mainly responsible for carrying out research and making proposals in respect of the medium- and- long-term development strategies of the Company. The specific terms of reference of the Strategy Committee can be found on websites of the Stock Exchange and the Company.

As at the end of 2017, the Strategy Committee comprises ten members, namely Mr. Xu Heyi (chairman), Mr. Zhang Xiyong, Mr. Zhang Jianyong, Mr. Chen Hongliang, Mr. Qiu Yinfu, Mr. Hubertus Troska, Mr. Guo Xianpeng, Mr. Zhu Baocheng, Mr. Ge Songlin and Mr. Zhao Fuquan, among which two of them are independent non-executive Directors, seven of them are non-executive Directors and one of them is executive Director.

Mr. Guo Xianpeng, Mr. Zhu Baocheng and Mr. Ge Songlin were appointed as members of the Strategy Committee, with effect from April 21, 2017. Mr. Chen Hongliang was appointed as a member of the Strategy Committee, with effect from June 23, 2017.

During 2017, the Strategy Committee held a total of seven meetings. Attendance of the committee members is as follows:

No.	Name	Position	Number of Meetings Attended	Attendance Rate
1	Xu Heyi	Chairman	7	100%
2	Zhang Xiyong	Committee member	7	100%
3	Li Feng Note 1	Committee member	1	100%
4	Zhang Jianyong	Committee member	7	100%
5	Chen Hongliang Note 2	Committee member	6	100%
6	Qiu Yinfu	Committee member	7	100%
7	Hubertus Troska	Committee member	7	100%
8	Guo Xianpeng Note 3	Committee member	6	100%
9	Yang Shi Note 4	Committee member	1	100%
10	Zhu Baocheng Note 3	Committee member	6	100%
11	Ge Songlin Note 3	Committee member	6	100%
12	Fu Yuwu Note 4	Committee member	1	100%
13	Zhao Fuquan	Committee member	7	100%
14	Meng Yulei Note 4	Committee member	1	100%

Note 1: Mr. Li Feng ceased to act as the member of the Strategy Committee on June 23, 2017, due to work arrangement.

Note 2: The Strategy Committee held a total of six meetings from June 23, 2017 when Mr. Chen Hongliang was appointed as the member of the Strategy Committee to the end of 2017.

Note 3: The Strategy Committee held a total of six meetings from April 21, 2017 when Mr. Guo Xianpeng, Mr. Zhu Baocheng and Mr. Ge Songlin were appointed as members of the Strategy Committee to the end of 2017.

Note 4: Mr. Yang Shi, Mr. Fu Yuwu and Ms. Meng Yulei ceased to act as members of the Strategy Committee on April 21, 2017, due to other work commitments.

Audit Committee

The Board of Directors has established the Audit Committee to operate formally and perform corresponding duties effective from the Listing Date of the Company. Our Audit Committee is mainly responsible for reviewing and monitoring the Company's financial reporting processes, including, among others, proposing the engagement or change of external auditors; monitoring internal audit system of the Company and its implementation; being responsible for the communication of internal auditors and external auditors; reviewing the financial information and its disclosure; reviewing risk management and internal monitoring system of the Company. The specific terms of reference of the Audit Committee can be found on the websites of the Stock Exchange and the Company.

As of the end of 2017, the Audit Committee comprises three members, namely Mr. Wong Lung Tak Patrick (chairman), Mr. Zhang Jianyong and Mr. Liu Kaixiang, among which two of the members are independent non-executive Directors and one of the members is a non-executive Director.

During 2017, the Audit Committee held a total of six meetings, which 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 for the financial year of 2017, 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.

During 2017, the Audit Committee held a total of six meetings, and attendance of the committee members is as follows:

No.	Name	Position	Number of Meetings Attended	Attendance Rate
1	Wong Lung Tak Patrick	Chairman	6	100%
2	Zhang Jianyong	Committee member	6	100%
3	Liu Kaixiang	Committee member	6	100%

Remuneration Committee

The Board of Directors has established the Remuneration Committee to operate formally and perform corresponding duties effective from the Listing Date of the Company. The Remuneration Committee under the Board of Directors of the Company is mainly responsible for formulating assessment standards of Directors and senior management and evaluating their performance to confirm and determine and review the remuneration policies and plans of senior management, including, among others, formulating the remuneration plans or proposals with regard to remuneration packages for Directors and senior management personnel including but not limited to performance evaluation standard, procedure and main evaluation system, main plan, rule and system for reward and punishment, based on their duties, responsibilities, importance and the pay levels of related positions in similar companies; reviewing the performance of duties by Directors and senior management personnel of the Company and conducting appraisals of their performance; monitoring the implementation of remuneration system of the Company. The specific terms of reference of the Remuneration Committee can be found on the websites of the Stock Exchange and Company.

As at the end of 2017, the Remuneration Committee comprises five members, namely Mr. Bao Robert Xiaochen (chairman), Mr. Chen Hongliang, Ms. Wang Jing, Mr. Wong Lung Tak Patrick and Mr. Liu Kaixiang, among which three are independent non-executive Directors, one is non-executive Director and one is executive Director.

The Remuneration Committee has made recommendations and suggestions to the Board of Directors on the remuneration packages for certain executive Director and senior management.

Mr. Chen Hongliang was appointed as a member of the Remuneration Committee, with effect from June 23, 2017.

During 2017, the Remuneration Committee held a total of one meeting, considering and discussing relevant employee incentive schemes. Attendance of the committee members is as follows:

No.	Name	Position	Number of Meetings Attended	Attendance Rate
1	Bao Robert Xiaochen	Chairman	1	100%
2	Li Feng Note 1	Committee member	1	100%
3	Chen Hongliang Note 2	Committee member	0	0%
4	Wang Jing	Committee member	1	100%
5	Wong Lung Tak Patrick	Committee member	1	100%
6	Liu Kaixiang	Committee member	1	100%

Note 1: Mr. Li Feng ceased to act as the member of the Remuneration Committee on June 23, 2017, due to work arrangement.

Note 2: The Remuneration Committee did not hold any meeting from June 23, 2017 when Mr. Chen Hongliang was appointed as the member of the Remuneration Committee to the end of 2017.

Nomination Committee

The Board of Directors has established the Nomination Committee to operate formally and perform corresponding duties effective from the Listing Date of the Company. Our Nomination Committee is mainly responsible for researching the structure, size and composition of the Board, reviewing the suitable candidates of Directors and senior management and making proposals to Board. The specific terms of reference of the Nomination Committee can be found on the websites of the Stock Exchange and the Company.

As at the end of 2017, the Nomination Committee comprises five members, namely Mr. Xu Heyi (chairman), Mr. Zhang Xiyong, Mr. Ge Songlin, Mr. Bao Robert Xiaochen and Mr. Zhao Fuquan, among which three are independent non-executive Directors and two are non-executive Director.

Mr. Ge Songlin was appointed a member of the Nomination Committee, with effect from April 21, 2017.

During 2017, the Nomination Committee held a total five meetings. Attendance of the committee members is as follow:

No.	Name	Position	Number of Meetings Attended	Attendance Rate
1	Xu Heyi	Chairman	5	100%
2	Zhang Xiyong	Committee member	5	100%
3	Ge Songlin [Note 1]	Committee member	4	100%
4	Fu Yuwu [Note 2]	Committee member	1	100%
5	Bao Robert Xiaochen	Committee member	5	100%
6	Zhao Fuquan	Committee member	5	100%

Note 1: The Nomination Committee held a total of four meetings from April 21, 2017 when Mr. Ge Songlin was appointed as the member of the Nomination Committee to the end of 2017.

Note 2: Mr. Fu Yuwu ceased to act as the member of the Nomination Committee on April 21, 2017, due to other work commitments.

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 the individual is expected to bring to the Board. The composition of the Board of Directors (including their gender, age and term of office) will be disclosed in the annual report each year.

The Nomination Committee shall consider and adopt the composition of Board of Directors in accordance with the above measurement standard. By taking into account the Directors' skills and experience and their suitability to the Company, the Nomination Committee believes that the Company's existing Board structure in 2017 is reasonable and meets the requirements of "Board Diversity Policy", without the need of adjustment.

RESPONSIBILITY OF DIRECTORS IN RELATION TO THE FINANCIAL STATEMENTS

The Board of Directors shall fulfill its duty to prepare the 2017 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 of the Company has provided the Board of Directors with the necessary explanation and data to facilitate the Directors to review the Company's financial statements submitted for the approval by the Board of Directors. The Company has provided all members of the Board of Directors with updated information on the performance situation and prospects of the Company on a monthly basis.

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

The results of the Company and the Group for the year 2017, and the financial positions of the Group at the end of 2017 are set out in the audited consolidated financial statements in this report on pages 117 to 198.

COMPANY SECRETARY

Due to work commitment, Ms. Sun Ke ceased to act as the secretary to the Board on August 28, 2017 and the company secretary of the Company on September 20, 2017. Mr. Gu Xin served as the secretary to the Board of the Company (with effect from August 28, 2017) and the company secretary (with effect from September 20, 2017), responsible for advising the Board of Directors on corporate governance, ensuring compliance with policies and procedures of the Board of Directors, relevant laws and regulations. In order to maintain good corporate governance and ensure compliance with the Listing Rules and applicable laws in Hong Kong, the Company appointed Ms. Mok Ming Wai, the director of TMF Hong Kong Limited (a company secretary service provider), as the company secretary assistant of the Company to assist Mr. Gu Xin (internal contact person) in performing his duties as the company secretary of the Company.

In the year 2017, Mr. Gu Xin and Ms. Mok Ming Wai attended no less than 15 hours of relevant professional training respectively, in compliance with the requirements in Rule 3.29 of the Listing Rules.

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 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 2017, the Board of Supervisors has monitored the financial activities and the legality and compliance of the duties carried out by Directors and senior management of the Company. Five meetings were held in total, with attendance rate (including authorizing other Supervisors to attend the meeting) of 100%. The Supervisors also attended the general meetings and Board meetings as non-voting delegates and duly performed the duties of the Board of Supervisors.

Internal control and risk management

Responsibility of the Board

The Board is responsible for supervising the design, implementation and monitoring of risk management system by the management to ensure the establishment and maintenance of an effective risk management system of the Company and its subsidiaries. The Board keeps supervising risk management and internal control systems of the Company and its subsidiaries and reviews the effectiveness of the risk management and internal control systems of the Group at least once annually. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee under the Board is responsible for conducting regular or irregular reviews to the operation of the risk management and internal control systems of the Company in order to ensure the effectiveness of their operation. The management should report to the Board in respect of the operation of the risk management and internal control systems at least once annually. The Board and the Audit Committee are all clear that the effectively working risk management and internal control systems can only minimize the possibility of the occurrence of risks as possible, not to completely eradicate the same. The Board only makes reasonable rather than absolute assurance that no risk events would occur.

Risk management and internal control systems

The Company's business promotion department and the audit department are responsible for the risk management and internal control auditing functions. Among them, the business promotion department is the lead department of the Company's risk management and internal control system construction and system operation, which is responsible for providing related working mechanism of risk management and internal control and the generalized risk management and internal control methods and tools and designing relevant operating modes, establishing relevant organizations of risk management, organizing related professional training of risk and internal control together with the human resources department, as well as establishing risk and internal control business processes and incentive and communication mechanisms. The audit department is responsible for organizing self-evaluation of risk management and internal control and entrusting an independent third party to implement the risk management and internal control evaluation.

The Board of Directors has reviewed the effectiveness of risk management and internal control systems of the Group for 2017 and considered that such systems were effective and adequate.

The Company sets up a comprehensive risk management system involving three lines of defense. The first line of defense is the comprehensive risk management defense line consisting of process system, internal control system and risk database. The second line of defense is the key risk management and control defense line based on risk manager system. The third line of defense is the audit work known for independence and professionalism. The three lines of defense cooperate with each other, jointly constructing a comprehensive and well-established risk management system which focuses on the key risks, emphasizes synergy and is complementary in professional areas.

During the course of risk management, the Company implements risk management responsibility and puts pressure into each business unit through risk manager system, and transmits to every grass-roots responsible person from level to level. Vice president level will assume the role of risk manager, responsible for setting up professional risk management system in businesses of which they take in charge, promoting the application of the professional risk management tools and methods used by professionals for risk identification, analysis, monitoring and necessary response. The risk management and internal control system of the Company is a set of comprehensive and self-contained risk management system which absorbs the insights from others' strengths. For example, the construction of internal control system uses the five elements of COSO[1] framework model and Guidelines for Internal Control jointly issued by five ministries for reference; the establishment of risk database learned from the "Risk Intelligence Map" of a professional risk management organization and the Guidelines for Comprehensive Risk Management issued by State-owned Assets Supervision and Administration Commission of the State Council. The entire risk management and internal control system has the following features:

1. A comprehensive system. The first line of defense builds a risk prevention and control network involving all staff and full value chains that based on process system, risk database and internal control manuals.

[1] COSO is abbreviation of the Committee of Sponsoring Organizations of the Treadway Commission. In September 1992, COSO released the Internal Control – Integrated Framework (COSO Report), which was supplemented in 1994. In accordance with the Sarbanes-Oxley Act Section 404 and corresponding implementation standards of the U.S. Securities and Exchange Commission, the COSO framework has formally become a reference standard for an internal control framework of companies listed in the U.S.

2. Highlight the key points. The second line of defense actively promotes professional risk management philosophy via professional methods carried out by professionals through risk manager system to implement risk responsibility, from level to level and sets up the Risk Management Committee, of which the president personally serving as the chairman, each vice president as the risk manager and responsible for the establishment of a set of professional risk management team consisting of risk specialists, risk liaison officers and risk internal trainer. The unit responsible of risk management department is responsible for establishing a set of key risk reporting mechanisms on a monthly basis.

3. Professional synergy. The implementation of the professionalism of the professional risk management carried out by professionals through professional methods is achieved through risk manager system. In respect of the relatively high risk items, all units cooperate fully for the preparation of risk response, and activate contingency plans if necessary.

The Group conducts a comprehensive self-evaluation work which covers the relevant year for the comprehensive risk management and internal control system once a year, using evaluations to hundreds of indicators from the two dimensions of the design integrity and the running availability to undertake the system assessment (the self-evaluation work for risk and internal control for the year of 2017 has 735 indicators in total, including 256 design integrity indicators and 479 running availability indicators). In respect of the flawed entries discovered during the evaluation, the Company adopts special rectification work, assigns a person of primary responsibility, clarifies the rectification plans, deliverables and schedule requirements as well as completes the rectification work within a time limit.

The procedures of processing and releasing inside information

The Group establishes a compliance system of internal monitor and control information reporting which consists of internal major information contacts, which mainly including regular material information reporting and temporary material information reporting, for the purpose of ensuring the high efficiency and order of the transmission and usage of the Group's internal information. Meanwhile, the information disclosure management department combines the Group's actual operating environment, changes to regulatory policies and the major concern of capital markets as well as in accordance with the regulatory requirements, proactively acquiring and discriminating the sensitive information which will result in the abnormal fluctuation of the Group's stock price, ensuring the proactively acquiring and discriminating of the Group's inside information and forming a bilateral and two-dimensional compliance system of information monitor and control with the functions of "reporting proactively" and "monitoring proactively".

The Company formulated and published systems including Management System of Information Disclosure and the Measures for the Administration of Major Internal Information Reporting as the internal monitor and control and safeguard measures for processing and releasing inside information procedures and applied them within the Group.

AUDITORS' REMUNERATION

The Company has appointed PwC and PwC Zhong Tian as the auditors of the Company's 2017 consolidated financial statements prepared under IFRSs and PRC Accounting Standards, respectively. The Company also authorized the management to determine its service remuneration.

The remuneration for the year 2017 paid or payable to the above Company's auditors, for audit and audit-related services amounted to RMB8.8 million and there was no non-audit services fee.

COMMUNICATION WITH THE SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes that effective communication with the Shareholders is very important 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 for Shareholders and investors to make informed investment decisions.

INFORMATION DISCLOSURE

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

In 2017, the Company released a total of 74 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.hkex.com.hk and www.baicmotor.com.

COMMUNICATION WITH INVESTORS

In order to promote effective communication, the Company has set out policies of Shareholder communication 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 general meeting has provided an opportunity for Shareholders and Directors to communicate directly. The Company's chairman and chairmen of the Special Committees under the Board will try their best to attend the general meeting to answer queries from the Shareholders, while the Company's external auditors will also attend the above meeting to answer questions thereon.

SHAREHOLDERS' RIGHTS

In order to protect the interests and rights of the Shareholders, the Company shall present resolutions in the form of stand-alone motion to the general meeting for consideration (including the election of individual Directors). The motions presented to the general meeting for consideration shall be voted in accordance with the Listing Rules, and the voting results shall be published on the websites of the Company and the Stock Exchange in a timely manner after the meeting.

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

According to the Articles of Association, Shareholders individually or collectively holding more than 3% of the Shares may submit an extraordinary proposal to the Board in writing 10 days before the date of the general meeting. The Board shall notify other Shareholders within two days upon the receipt of the proposal and include it for consideration at the general meeting. The written proposal shall be addressed to the Board. Please visit the Company's website for relevant procedures for election of Directors. Shareholders who want to make inquiries regarding the Company to the Board of Directors can do so through the above-mentioned communication channels.

ARTICLES OF ASSOCIATION

On December 5, 2017, several amendments to the Articles of Association of the Company were considered and approved at the second extraordinary general meeting for 2017. The amended Articles of Association of the Company has been published on the website of the Company for public access.

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

DIRECTORS

Mr. Xu Heyi (徐和誼), aged 60, 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 of Directors, 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 directors and secretary of the party committee of BAIC Group, and also serves as the chairman of the board of directors of Beijing Benz, the chairman of the board of directors of Fujian Benz, the chairman of the board of directors of Beijing Electric Vehicle. Mr. Xu also serves as a representative of the 18th National Congress of the Communist Party of China and the 19th National Congress of the Communist Party of China, a representative of the 12th National People's Congress, a member of the 11th Beijing Municipal Committee, a standing member of the 12th Beijing Municipal Committee of the Chinese People's Political Consultative Conference and a member of the 13th National Committee of Chinese People's Political Consultative Conference and the deputy chairman of the CAAM, among others.

Mr. Xu has more than 30 years of experience in the industry and in management. He has held various positions since he worked in BAIC Group in July 2002, including the chairman of the board of directors and the secretary of the party committee of Beijing Automotive Industry Holding Co., Ltd. ("BAIC Holding") and BAIC Group. He has been the chairman of the Board of Directors and non-executive Director of the Company since its establishment on September 20, 2010.

Mr. Zhang Xiyong (張夕勇), aged 54, holds a doctoral degree in management and is a senior accountant, senior economist and senior engineer. **At present, Mr. Zhang is a non-executive Director of the Company.** He is also a director, deputy secretary of the party committee and general manager of BAIC Group. In addition, he is the chairman of the board of directors of Beiqi Foton Motor Co., Ltd. ("Foton"), among others.

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

Mr. Zhang Jianyong (張建勇), aged 41, holds a doctoral degree in management science and engineering and is a senior accountant. **At present, Mr. Zhang is a non-executive Director of the Company.** He is also the deputy general manager of BAIC Group, a director of Foton, an executive director of BAIC Group Industrial Investment Co., Ltd., the chairman of the board of directors of BAIC Finance, and a director of the Bank of Jiujiang, among others.

Mr. Zhang Jianyong has over 15 years of experience in finance and management. He served in various positions, including as the chief accountant of the finance and asset department of the State Electric Power Research Institute from July 2001 to December 2003, the assistant to manager of asset and finance department, deputy manager of finance department and manager of finance department of BAIC Holding from December 2003 to December 2010, the head of finance department and deputy chief financial officer and concurrently the head of finance department of BAIC Group successively from December 2010 to May 2015, and the deputy general manager of BAIC International Development Co. Ltd. from April 2013 to June 2014.

Mr. Chen Hongliang (陳宏良), aged 53, holds a master's degree in engineering and is a researcher-level senior engineer. **At present, he works as the executive Director,** president and the deputy secretary of the party committee of the Company, concurrently a director of Beijing Benz, the chairman of the board of directors of Beijing Hyundai, a director of MBLC, the chairman of the board of directors in BAIC Hong Kong Investment Corp. Limited ("BAIC Hong Kong"), a standing director of the CAAM, the deputy chairman of Beijing Association of Automobile Manufacturers (北京汽車行業協會), a standing director of Beijing Automobile Economic Research Association (北京汽車經濟研究會) and the vice president of Beijing Federation of Industrial Economics.

Mr. Chen Hongliang has about 30 years of experience in the automobile industry. From February 1988 to March 2017, he acted as the deputy workshop director, the workshop director and the deputy factory director of Nanjing Automobile Factory (南京汽車制造廠), the deputy director of the vehicle body plant, the deputy director of the general manager office, the head of the procurement department, the director and the secretary of the party committee of the assembly plant, the deputy general manager and the deputy secretary of the party committee of NAVECO Ltd., the deputy general manager of the Passenger Vehicle Business Department of BAIC Group, the general manager and secretary of the party committee of Zhuzhou Branch, a member of the party committee and the specialized vice president of the Company, and concurrently the secretary of the party committee and the senior executive vice president of Beijing Benz.

Mr. Qiu Yinfu (邱銀富), aged 50, holds a master's degree in business administration and is a senior engineer of metallurgical equipment. **At present, Mr. Qiu is a non-executive Director of the Company.** He is also a director of BAIC Investment, a director of Beijing Shougang Company Limited ("Shougang Shares"), the secretary of the party committee and the chairman of the board of directors of Shougang Jingtang United Iron and Steel Company Limited and a director of Foton.

Mr. Qiu has more than 20 years of experience in the industry and in management. He served in various positions, including, among others, the assistant to the general manager and the deputy general manager of Hebei Shougang Qian'an Iron & Steel Co.,Ltd. from July 2010 to November 2012; the chairman of the board of directors, the deputy secretary of the party committee and the general manager of Beijing Shougang Cold-Rolled Sheet Co., Ltd. from November 2012 to August 2014; a member and the deputy secretary of the party committee, the chairman of the labor union, a director and the deputy general manager of Shougang Shares from August 2014 to September 2017; and the secretary of the party committee, the chairman of the board of directors and other positions of Shougang Jingtang United Iron and Steel Company Limited since September 2017.

Mr. Hubertus Troska, aged 58, German, holds a bachelor's degree in English language and literature. **At present, Mr. Troska is a non-executive Director of the Company, the deputy chairman of the board of directors** and director of Beijing Benz. He is also a member of the management committee 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 management committee 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 passenger vehicles. 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 global person-in-charge 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 58, 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 management committee of Daimler AG.

Mr. Uebber has more than 30 years of experience in finance and management. He was a representative member of the board of management and chief financial officer of Daimler Financial Services AG (formerly known as: DaimlerChrysler Services AG) in Berlin from 2001 to 2003, a standing representative of the board of management of Daimler AG and the chairman of the board of management of Daimler Financial Services AG from 2003 to 2004. Furthermore, he was a member of the board of supervisors of TALANX AG from May 2006 to August 2011, and a member representative and the chairman of the board of directors of EADS N.V. successively from May 2007 to March 2013.

Mr. Guo Xianpeng (郭先鵬), aged 51, holds a master's degree in automotive engineering and is a senior engineer. **At present, Mr. Guo is a non-executive Director of the Company** and the deputy general manager of China Aerospace Investment Holdings Co., Ltd.

Mr. Guo is familiar with the automobile industry and has more than 20 years of experience in corporate management, investment and financing and capital operation. From 2002 to 2015, he successively served as various posts including the deputy director general of the business investment department of China Aerospace Science and Technology Corporation, an executive director and the vice president of China Aerospace International Holdings Limited, a company listed on the Hong Kong Stock Exchange, and the vice president of China Aerospace International Holdings Ltd.

Ms. Wang Jing (王京), aged 46, holds a 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,** also a director of Beijing Electric Vehicle, a director of BOE Technology Group Co., Ltd., a director of China Resources Pharmaceutical Group Limited, and a supervisor of CSC Financial Co., Ltd.

Ms. Wang has more than 20 years of experience in the industry and management. She served as an assistant to the manager and deputy manager of the financing department of Beijing Enterprises Holdings Limited (Hong Kong headquarters), the manager of the corporate department in Beijing Enterprises Holdings Investment Management Co., Ltd., the deputy general manager of Beijing Jingtai Investment Management Center, the manager of the enterprise operation management department and the assistant to the 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., the general manager of the investment management department and the general manager of investment management division No. 1 of Beijing State-owned Capital Operation and Management Center and she has been the deputy general manager of Beijing State-owned Capital Operation and Management Center since January 2014.

Mr. Zhu Baocheng (朱保成), aged 44, holds a doctoral degree in accounting and is a senior accountant. **At present, Mr. Zhu is a non-executive Director of the Company** and the chief financial officer of Beijing Energy Group Co., Ltd., also a director of Beijing Energy Group Finance Co., Ltd., a director of Beijing Jing Guo Rui Equity Investment Funds Management Co., Ltd., a director of Beijing Jingneng Clean Energy Co., Limited and a director of Bank of Chengdu Corporation Limited.

Mr. Zhu has more than 10 years of experience in energy and management. From 2007 to 2014, he served as the manager of finance department of Beijing Jingneng International Power Co., Ltd., the chief accountant of Beijing Jingneng Thermal Power Co., Ltd., the chief accountant of Beijing Jingneng Clean Energy Co., Limited and the chief financial officer of Beijing Energy Investment Holding Co., Ltd.

Mr. Ge Songlin (葛松林), aged 62, holds a doctoral degree in mechanical engineering. **At present, Mr. Ge is an independent non-executive Director of the Company** and the deputy secretary of Society of Automotive Engineering of China and a senior engineer at researcher level.

Mr. Ge has more than 20 years of experience in the automobile industry. From 1997 to 2016, he served as a senior engineer in the auto industry department of the Ministry of Machine Industry, an associate professor of the automotive department of Hefei University of Technology and senior engineer in the industry department of the Ministry of Machine Industry. He also served successively as editor-in-chief of the academic journal Automotive Engineering, part-time professor at Hefei University of Technology, part-time professor at Jiangsu University, part-time professor at Changsha University of Science and Technology and a member of the academic committee of Shanghai Jiaotong University from 2012 to 2016.

Mr. Wong Lung Tak Patrick (黃龍德), aged 70, 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 also serves as an independent non-executive director of C C Land Holdings Limited, Galaxy Entertainment Group Limited, National Arts Entertainment and Culture Group Limited, Sino Oil and Gas Holdings Limited, Water Oasis Group Limited, Winox Holdings Limited and Li Bao Ge Group Limited. Mr. Wong served as an independent non-executive director of Real Nutriceutical Group Limited from March 28, 2008 to October 12, 2017, independent non-executive director of Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. (formerly known as Guangzhou Pharmaceutical Company Limited) from June 28, 2010 to May 9, 2017, an independent non-executive director of Munsun Capital Group Limited (formerly known as China Precious Metal Resources Holdings Co., Ltd.) from June 19, 2004 to October 3, 2016 and of Bisu Technology Group International Limited (formerly known as Excel Development (Holdings) Limited) from November 21, 2013 to August 10, 2015.

Mr. Bao Robert Xiaochen (包曉晨), aged 51, 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/A.T. Kearney 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 and Asia-Pacific business platform director of electronics and safety of Delphi Automotive System (China) Holdings Co., Limited, and director manager of Accenture (China) Co., Ltd. and Accenture (Detroit, U.S.) Co., Ltd.

Mr. Zhao Fuquan (趙福全), aged 54, holds a doctoral degree in engineering. **At present, Mr. Zhao is an independent non-executive Director of the Company,** a professor and doctoral supervisor of the department of automotive engineering, the head of the Automotive Industry and Strategy Research Institute in Tsinghua University, a visiting professor of Jilin University and an independent director of China Automotive Engineering Research Institute Co., Ltd.

Mr. Zhao has more than 20 years of experience in the industry. Mr. Zhao served as the senior engineering specialist and research director of US Daimler Chrysler AG 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 from November 2006 to May 2013.

Mr. Liu Kaixiang (劉凱湘), aged 53, 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., Beijing Orient Landscape Co., Ltd., Beijing Ultrapower Software Co., Ltd. and Beijing Hanjian Heshan Pipe Co., Ltd.

SUPERVISORS

Mr. Gu Zhangfei (顧章飛), aged 51, holds a bachelor's degree in management and a MBA degree and is a senior engineer. **At present, he works as the chairman of the Board of Supervisors** and a full-time deputy director-level supervisor of the Beijing Municipal State-owned Enterprises Supervisory Board.

Mr. Gu Zhangfei has over 20 years of experience in enterprise management. He served as the section head, the deputy division head, the head of the raw materials division and assistant to the general manager of Shougang's Beigang Company, the deputy head and the head of the spare parts division of the Mechanics Department in Shougang's headquarter, the deputy general manager and the general manager of Shougang Sales Company, the deputy general manager of Xingang Company, the director, the general manager and the deputy secretary of the party committee of Qinhuangdao Shouqin Metal Materials Co., Ltd., assistant to the general manager of Shougang's headquarter, the deputy secretary and the secretary of the party committee and the secretary of the discipline inspection commission of Shougang Jingtang United Iron and Steel Co., Ltd. (首鋼京唐鋼鐵聯合有限責任公司), and the secretary of the party committee and the chairman of board of directors of Beijing Shougang Shareholding Investment Management Co., Ltd. (北京首鋼股權投資管理有限公司).

Mr. Wang Min (王敏), aged 52, holds a master's degree in industrial engineering and is a senior accountant. **At present, Mr. Wang is a shareholder representative Supervisor of the Company.** Mr. Wang is also the designated full-time supervisor of BAIC Group.

Mr. Wang Min has over 30 years of experience in financial management and business management. He served in various positions, including the profit tax administrator, office head assistant and deputy office head of price and tax office of audit and finance department of Shougang's headquarters, the chief accountant of Shougang Shares, the vice president of the Company, the general manager of Beijing Rocar Automotive Trading Co., Ltd. (北京鵬龍行汽車貿易有限公司) ("Rocar") and the general manager of BAIC ROCAR Automobile Services & Trade Co. Ltd., among others.

Mr. Yao Shun (姚舜), aged 36, holds a bachelor's degree and a master's degree in material processing engineering and a part-time master's degree in finance and is a middle class steel-rolling engineer. **At present, he works as a shareholder representative Supervisor of the Company,** the deputy secretary of the party committee and the general manager of Shougang Cold-Rolled.

Mr. Yao Shun has more than 10 years of working experience in relevant business and management. He served as a researcher of the plate and strip department, a specialist of the technology management division, the team head of the general management team of the automobile sheet improvement division, the director assistant and the deputy director of the automobile sheet improvement division of Shougang Technology Research Institute (首鋼技術研究院), the deputy head of the technology and quality department of Shougang Shares and the deputy general manager of Shougang Cold-Rolled and the deputy head of the manufacturing department of Shougang Shares and the deputy general manager and the general manager of Shougang Cold-Rolled.

Mr. Jiang Dali (姜大力), aged 38, holds a bachelor's degree in law and a master's degree in sociology. **Currently, he works as a shareholder representative Supervisor of the Company** and the deputy general manager of Beijing Industry Investment Management Co., Ltd.

Mr. Jiang Dali has more than 10 years of working experience in relevant business and management. He worked as a clerk of Yong Shun Town, Tongzhou District, Beijing, and the deputy director and the secretary of the youth league committee of the Investment Promotion Center, the deputy general manager of Beijing Tongzhou Business Park Development Co., Ltd. (北京通州商務園開發建設有限公司), the deputy director of the Administration Commission of Beijing Tongzhou Xincheng Financial Service District (北京市通州新城金融服務區), the chairman, general manager and a researcher of Beijing Tongzhou Business Park Development Co., Ltd. and a researcher of the Administration Commission of Beijing Tongzhou Xincheng Financial Service District.

Mr. Zhang Guofu (張國富), aged 40, holds a master's degree in engineering majoring in project management and is an engineer. **At present, Mr. Zhang is an employee representative Supervisor of the Company and the deputy secretary to the party committee and chairman of the labor union.**

Mr. Zhang has more than 10 years of experience in management. He successively served as the secretary of the youth league committee of BAIC Holding, the deputy secretary to the party committee and the leader of the labor union of BAIC ROCAR Automobile Services & Trade Co., Ltd., the deputy secretary of the party committee and chairman of the labor union of Beijing Hainachuan Automotive Parts Co., Ltd., the secretary of the party committee and chairman of the labor union of the automobile research institute of the Company.

Mr. Li Shuangshuang (李雙雙), aged 36, holds a master's degree in materials processing engineering and a master's degree in business administration and is a senior political work professional. **He currently works as an employee representative Supervisor of the Company**, the deputy secretary of the party committee, the secretary of the discipline inspection commission and the chairman of the Labor Union of Beijing Hyundai.

Mr. Li has over ten years of management experience. He worked as a workshop employee, a member of the party-mass department, the deputy secretary and the secretary of the youth league committee of Beijing Hyundai Sedan Factory, the party building director of the organization department of the party committee in BAIC Group, the deputy secretary of the party committee, the secretary of the discipline inspection commission and the chairman of the labor union of BAIC International, the head of the organization department of the party committee, the deputy director of the dispatched personnel management office and the secretary of the discipline inspection commission of the Company.

Ms. Wang Bin (王彬), aged 36, holds a bachelor's degree in law and a master's degree in business administration and is an assistant political work professional. **At present, Ms. Wang is the employee representative Supervisor of the Company, the deputy secretary of the party committee, secretary of the discipline inspection commission and chairman of the labor union of the automobile research institute of the Company.**

Ms. Wang has over ten years of experience in management. She worked as the director of the public relations department and the secretary of the youth league committee of the party committee office in Beijing Hyundai, the deputy head of the administrative department of Beijing Automotive Technology Center Co., Ltd. (in charge of relevant work), the secretary of the youth league committee of BAIC Group, the secretary of the youth league committee, the deputy head of the work department of the party committee and the director of the party committee office, the secretary of the party committee of the automobile research institute and the leader of the labor union in the Company.

Mr. Pang Minjing (龐民京), aged 62, holds a bachelor's degree and is a senior lawyer. **At present, Mr. Pang is an independent Supervisor of the Company.**

Mr. Pang has more than 30 years of experience in the law industry. He graduated from China University of Political Science and Law and received his bachelor's degree. 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. He worked as a cadre of Beijing Municipal Public Security Bureau, a lawyer at Beijing Municipal Second Law Firm, a partner of Beijing North Law Firm and a director of Beijing North Law Firm.

Mr. Zhan Zhaohui (詹朝暉), aged 48, holds a master's degree and is a certified accountant, certified public assets 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 corporate management. He worked as an assistant to general manager of the lubricant company of the Shaowu Branch of Fujian Province Petroleum Corporation, a project team leader of Environmental Science Institute in Beijing General Research Institute of Mining and Metallurgy, a project manager of Beijing Huaxia Tianhai Certified Public Accountants and Beijing Huarongjian Asset Appraisal Firm, a department manager and a partner of Huaxia Zhongcai (Beijing) Certified Public Accountants, the chairman of the board of directors of Huaxia Jiacheng (Beijing) Asset Appraisal Co. Ltd., a deputy general manager of Beijing Tianyuankai Asset Appraisal Co. Ltd. Since 2013, he has been an expert in the evaluation report review committee of the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

SENIOR MANAGEMENT

See "DIRECTORS" of this Section for the profile of **Mr. Chen Hongliang**.

Mr. Liu Yu (劉宇), aged 41, holds a bachelor's degree in engineering and MBA. **At present, Mr. Liu is the vice president of the Company,** the director of the Procurement Center, the president of the Automobile Research Institute and the director of Beijing Hyundai.

Mr. Liu has more than ten years of experiences in automobile industry. From 1999, he successively acted as the researcher of the North Technology and Information Research Institution (北方科技信息研究所), the regional manager of the Audi Sales Division in FAW-Volkswagen Sales Company Ltd. (一汽大眾銷售有限公司), the head of the Southern-Region Business Department of Beijing Hyundai, the vice general manager of the passenger vehicle business division of BAIC Group, the deputy head of the sales department of the Company, vice general manager and general manager of BAIC Motor Sales Co. Ltd., the director of the procurement center of the Company and the president of the automobile research institute of the Company.

Mr. Wang Zhang (王璋), aged 54, holds a master's degree in automobile engineering from Tsing Hua University, and is a senior engineer (professor level). **At present, Mr. Wang is the vice president of the Company,** in charge of the off-road vehicle business. He is also the deputy managing president of Beijing Automotive Technology Center, the president of the Off-road Vehicle Research Institute and the general manager of the off-road vehicle business department of BAIC Group.

Mr. Wang has more than 20 years of experience in the automobile industry. From 1988, he successively served as director, deputy chief and chief of the Institute of Auto Accessories of BAIC Motor, deputy chief engineer, chief engineer and deputy general manager of Beijing Automobile and Motorcycle United Company, the chief engineer, vice president and president of Beijing Automobile Works Co., Ltd., director of industrial layout office of BAIC Group, general manager of Guangzhou Company, and deputy general manager and head of the production department of Beijing Hyundai and general manager of the off-road branch company of BAIC Group.

Mr. Chen Guixiang (陳桂祥), aged 54, holds a master's degree in engineering and is a senior engineer. **At present, Mr. Chen is a vice president of the Company,** the secretary of the party committee and standing deputy general manager of Beijing Hyundai.

Mr. Chen has more than 30 years of experience in the automobile industry. From 1984, he successively 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 client business director of the marketing company of Foton, head of technical center, deputy head of procurement of Beijing Hyundai and assistant to the president, and vice president of the Company.

Mr. Chen Wei (陳巍), aged 48, holds a bachelor's degree in engineering and a EMBA degree and is a senior engineer. **At present, he acts as the vice president of the Company**, the secretary of the party committee and senior executive vice president of Beijing Benz.

Mr. Chen has more than 20 years of experience in the automobile industry. He successively worked as an assistant engineer and an engineer of the product engineering department, an onsite engineer of the U.S. office, the leader of the interior trimming team of the vehicle body engineering section, the head of the vehicle model development section and the production planning section in Beijing Jeep Motor Co., Ltd., the department director and the manager of the assembly workshop, the general manager of the corporate and legal affairs department and the secretary of the general party branch in Beijing Benz-Daimler Chrysler Automotive Co., Ltd., the general manager of the corporate and legal affairs department, the secretary of the general party branch, the member of the party committee and the vice president of production and manufacturing in Beijing Benz.

Mr. Wu Zhoutao (吳周濤), aged 42, holds a MBA degree. **At present, Mr. Wu serves as vice president of the Company, and an executive director and the general manager of BAIC Motor Sales Co., Ltd.**

Mr. Wu Zhoutao has about twenty years of experience in marketing and enterprise management. He successively acted as the regional manager of the coach chassis factory in FAW Group Corporation (一汽集團公司), the regional manager and network manager of FAW Car Trading Co., Ltd. (一汽轎車貿易有限公司), an employee of the sales department, the chief of the sales logistics section, the head of the north business department, the head of the sales management department and the deputy head of sales in Beijing Hyundai Motor Co., Ltd., and the deputy general manager of Beijing Hyundai from August 1999.

Mr. Li Deren (李德仁), aged 51, holds a bachelor's degree in economics, a master's degree in laws and a MBA degree and is a senior accountant. **At present, he works as the vice president** and the director of the Finance and Economics Center of the Company, a director of Beijing Hyundai, a supervisor of Beijing Mercedes-Benz Sales Service Co., Ltd. ("Benz Sales"), a supervisor of Fujian Benz, a director of BAIC Finance, a director of Hyundai Auto Finance, a visiting lecturer of School of Accountancy, Central University of Finance and Economics and a career mentor of Beijing City University.

Mr. Li Deren has over 20 years of experience in finance, audit and business management. He worked as the deputy secretary of the youth league committee of Hebei Chengde School of Economics and Finance (河北承德財經學校), the deputy chief accountant of Hebei Chengde Iron & Steel Group (河北承德鋼鐵集團), the chief financial officer and the audit director of Beijing Jianlong Steel Group (北京建龍鋼鐵集團), the chief financial officer of Beijing Baiduoan Technology Co., Ltd. (北京百多安科技有限公司), the general manager of Shandong Branch of such company, the deputy leader of the project construction team and the deputy general manager of the Beijing Branch of the Company, the deputy director of the Finance and Economics Center of the Company, the head of the R&D and Finance Department of the Center, a member of the party committee of BAIC Motor Powertrain, the assistant to president of the Company.

Mr. Huang Wenbing (黃文炳), aged 45, holds a bachelor's degree and is a senior engineer. **At present, he served as the vice president of the Company,** the director of the production and technology center, the director of the operation center, an executive director of Powertrain, an executive director of Guangzhou Company, an executive director of Beijing Beinei Engine Parts and Components Co., Ltd., a director and the chairman of China Automobile Development United (Beijing) Technology Investment Co., Ltd., a director and the chairman of Beijing Hyundai Information Technology Co., Ltd. and an executive director of Zhuzhou BAIC Automotive Systems Ltd.

Mr. Huang has more than 20 years of experience in the automotive industry. From 1995, he served in various positions including the technician of quality management department in Yuejin Motor Group (躍進汽車集團公司), the quality supervisor of the assembly plant of Nanjing FIAT, head of the quality management department in Wu Xi Branch of Yuejin Motor Group, director of quality management of Changsha Zotye Auto Industrial Company Limited (長沙眾泰汽車工業有限公司), person-in-charge of the quality management department, director of quality control department and deputy general manager of Zhuzhou branch of the Company, deputy head of quality centre of the Company, and the general manager of Zhuzhou branch of the Company.

Mr. Yang Xueguang (楊學光), aged 45, holds a bachelor's degree in engineering and is an engineer. **At present, he serves as the vice president of the Company** and the director of the Quality Center and the Management Center.

Mr. Yang Xueguang has more than 20 years of experience in the automotive industry. From 1995, he successively served as an employee of Beijing Light Duty Automobile Co., Ltd., a technical support engineer of Beijing Beizhao Olympus Optical Co., Ltd. (北京北照奧林巴斯光學有限公司), the director of the Processing Center of the Institute of Electronics, Chinese Academy of Sciences, an employee of the assembly shop in the Sedan Factory, the head of the No.2 assembly inspection section of the quality department of Beijing Hyundai, the head of the quality department, the head of the Quality Control Department of Beijing Branch of the Quality Center, the deputy director of the Quality Center, the deputy director of the Procurement Center and the head of the Parts Purchase Department of Beijing Branch of the Company.

Mr. Gu Xin (顧鑫), aged 41, holds a bachelor's degree in management and a MBA degree. **At present, he serves as the secretary to Board and company secretary** and the director of the investor relationship management center of the Company.

Mr. Gu Xin has over 10 years of extensive experience in capital operation and enterprise management. From July 2005, Mr. Gu successively worked as the brand and strategy director of the operation and development department of China Quality Certification Center, an industry analyst and the deputy head of the strategy and operation department and the deputy head of the securities and reform department of Beijing Jingcheng Machinery Electric Holding Co., Ltd., the deputy head of the capital operation department and the deputy head of the securities and finance management department of BAIC Group.

PERSONNEL STRUCTURE

As at the end of 2017, the Group had 22,844 full-time employees and the number of employees of different functions is set out in the table below:

Classification	Beijing Brand	Beijing Benz	Total
Production workers	6,310	9,157	15,467
Technical staff	3,078	1,374	4,452
Sales and marketing personnel	739	31	770
Others	1,435	720	2,155
Total	11,562	11,282	22,844

EMPLOYEE MOTIVATION

The Group has established a comprehensive performance evaluation system to link the annual business objectives with the performance evaluation of different departments and 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 as well as effective implementation and achievement of indicators by level-by-level management. Through multiple measures and approaches, the Group's business and individual motivation are connected, thereby stimulating the creative capability of the organization and the individuals. 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 actively conducts a full range of training for employees at different levels to enhance its talent team construction for the realization of the growth of the staff together with that of the Company. In 2017, in accordance with the company strategy and key undertakings of the year, we have carried on the aspects of systems, training courses, trainer qualification. On that basis, we have planned and implemented several corporate-level training programs, and served and controlled the training of the business sector and its subordinate units. As of the end of 2017, the Group provided training to 298,633 employees with a total of 1,813,393 learning hours and an average of 79.3 learning hours per employee. The Group continues to improve the training structure, to lay a solid foundation for the construction of learning ecosystem in BAIC MOTOR under the age of the Internet.

EMPLOYEES' REMUNERATION

Through integrating human resources strategy and based on different job classification, the Group has established a performance and competence oriented remuneration system and competitive remuneration standards with reference to the remuneration level of relevant enterprises in Beijing and in the industry, providing effective guarantee for recruiting, retaining and motivating talents, as well as the pursuit of human resources strategy of the Group.

PENSION PLAN

In 2017, the Group has a total of 67 retired individuals who enjoy the social pension insurance plan granted by the social labour security department of the local government.

The Group has established a pension system to provide the qualified and voluntary employees with the supplementary pension plan with certain guarantee on retirement income. The employees participating in the plan shall make relevant payment by a certain proportion. A third party legal person trustee is entrusted to act as 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.

pwc

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of BAIC Motor Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 117 to 198, which comprise:

- the consolidated balance sheet as at December 31, 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Capitalization of internal development costs;
- Impairment assessment of the property, plant and equipment, land use right and the intangible assets related to the Beijing Brand passenger vehicle business;
- Provision for warranties.

Key Audit Matter

Capitalization of internal development costs

Refer to Note 5 (Critical accounting estimates and judgements) and the Note 9 (Intangible assets) of the consolidated financial statements.

The Group launches new vehicle model which requires expenditure on the internal research and development projects. Management capitalises the costs on development projects when the criteria set out in the accounting standard for capitalization of such costs have been met. RMB2,363 million of internal development costs have been capitalized and recorded as addition to intangible assets for the year ended December 31, 2017.

We focused on this area due to the fact that there is significant judgement involved in assessing whether the criteria set out in the accounting standard for capitalization of expenditure on the internal research and development projects has been met, particularly:

- The timing to start capitalization;
- The technical feasibility of the projects; and
- The likelihood of the projects that will deliver sufficient future economic benefits.

How our audit addressed the Key Audit Matter

We have understood and evaluated the design of the controls identified by the management surrounding the capitalization of internal development costs and subsequent measurement which we considered as key. We tested such controls and performed substantive test of details on the projects with significant expenditure on the internal development as follows.

- We obtained the bases of considerations from management to determine the projects which were considered under development stage, in terms of how the specific requirements of the relevant accounting standards were met and whether it is appropriate to start the capitalization of the costs attributable to the projects.
- We also conducted interviews with individual project development managers responsible for the projects selected to obtain corroborative evidence such as project progress reports to support the explanations provided by the management.
- We tested samples of cost incurred by selected individual project and through our understanding of the projects and assessing the nature and necessity of such costs to evaluate whether such cost items selected for testing were directly attributable to the projects.

Based on above, we found that the judgment applied by management in assessing the criteria for capitalization of internal development costs were supported by the evidence we gathered and consistent with our understanding.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment, land use right and intangible assets related to Beijing Brand passenger vehicle business Refer to Note 5 (Critical accounting estimates and judgements), Note 7 (Property, plant and equipment), Note 8 (Land use right) and Note 9 (Intangible assets) of the consolidated financial statements. The Group has material balances of property, plant and equipment, land use right and intangible assets related to Beijing Brand passenger vehicle business, a separate cash generating unit ("CGU") with operating losses for the year ended December 31, 2017. Management has engaged an independent valuer to determine the recoverable amount of this CGU, being the value in use. Such assessment involved complex and subjective judgements and assumptions, such as future cash flow projections using revenue, gross margin and other operating costs projections, long-term growth rates of revenue, and discount rate. Based on above management's assessment, the value in use of this CGU is larger than its carrying value as of December 31, 2017. We focused on this area due to the material balances of property, plant and equipment, land use right and intangible assets related to Beijing Brand passenger vehicle business, and the fact that judgement and assumptions are involved to determine the recoverable amount of this CGU.	The recoverable amount of the Beijing Brand passenger business was determined based on value in use, which is the present value of the future cash flows expected to be derived from this CGU, and we performed the following major audit procedures: 1. We assessed the competence, independence and integrity of the valuer. We read the valuer's report and assessed the valuation methodology. 2. We tested the consistency and assessed the reasonableness of the data used and evaluated the management's key assumptions adopted in the discounted cash flow projections, mainly in relation to: • the budgeted sales, gross margin and other operating costs, by comparing them with actual performance and historical financial data of this CGU. For the budgeted sales, we also compared to the Group's strategic plan; • the long-term growth rate of revenue, by comparing it with the relevant economic and industry forecasts; and • discount rate, by comparing it with the cost of capital of comparable companies and historical weighted average cost of capital, as well as considering territory specific factors. Based on available evidence, we found the data used and the key assumptions adopted in management's discounted cash flow projection were supported by the evidence we gathered.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for warranties Refer to Note 5 (Critical accounting estimates and judgements) and Note 24 (Provision) of the consolidated financial statements. The Group recognizes estimated warranty costs for vehicles sold principally at the time of sale of the vehicles or when it is determined that such obligations are probable and can be reasonably estimated. As disclosed in Note 24, the Group's warranties provision balance is RMB4,340 million as at December 31, 2017. The key judgment adopted by management as part of this process includes determining the estimated warranty cost per unit of vehicle sold. We focused on this area given the estimates are adjusted from time to time based on facts and circumstances that impact the status of claims and involving the judgement and assumptions.	In assessing the provision for warranties, we obtained an understanding on the management's process to identify and quantify the provisions and inspected related controls. We also tested the provision for warranties attributable to vehicles with significant sales volume as follows: • We tested the mathematical accuracy of the management's calculation of the provision for warranties which is based on the cost-per-unit and sales volume, and traced the volume data in current period to related sales records for each type of vehicle. • We assessed the reasonableness of the cost-per-unit provision estimates of each type of vehicle sold in the year with the Group's data sources that reported warranty costs in the past, and benchmarked the cost-per-unit provision estimates with similar types of vehicle produced and sold by the Group. • In respect of the provision for warranties previously recorded and subsequently settled during the year, we compared the provision amount with the settlement amount and investigated if significant variance exists and the reasonableness of the reassessment of the adequacy of the provision for warranties previously made by the management. We also discussed with management the existence of any indicators of significant product defect occurred during the year and subsequent to the year-end that would significantly affect the estimates of the year end warranty provision. We found the assumptions adopted and judgment applied by management were supported by the available evidence and reasonable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Brian Ming Yan Choi.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 22, 2018

		As at December 31,	
	Note	**2017** **RMB'000**	2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**42,370,945**	40,071,342
Land use rights	8	**7,462,383**	5,482,557
Intangible assets	9	**13,738,986**	13,446,115
Investments accounted for using equity method	11,12	**14,706,908**	17,913,651
Available-for-sale financial assets	13	**2,355,239**	536,480
Deferred income tax assets	14	**7,035,788**	5,504,386
Other long-term assets		**938,824**	972,847
		88,609,073	83,927,378
Current assets			
Inventories	15	**16,875,871**	14,166,927
Accounts receivable	16	**19,882,114**	27,188,927
Advances to suppliers	17	**563,410**	1,163,249
Other receivables and other current assets	18	**4,102,529**	4,802,738
Restricted cash	19	**545,073**	1,587,258
Cash and cash equivalents	20	**36,824,906**	36,063,909
		78,793,903	84,973,008
Total assets		**167,402,976**	168,900,386

Consolidated Balance Sheet

As at December 31, 2017

	Note	As at December 31, 2017 RMB'000	2016 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	**7,595,338**	7,595,338
Other reserves	22	**18,982,383**	17,636,248
Retained earnings		**14,258,311**	14,928,521
		40,836,032	40,160,107
Non-controlling interests		**18,804,890**	17,873,214
Total equity		**59,640,922**	58,033,321
LIABILITIES			
Non-current liabilities			
Borrowings	23	**13,166,960**	7,809,091
Deferred income tax liabilities	14	**877,807**	808,608
Provisions	24	**2,498,714**	2,067,044
Deferred income	25	**4,157,716**	2,021,757
		20,701,197	12,706,500
Current liabilities			
Accounts payable	26	**35,559,081**	41,892,244
Advances from customers		**405,371**	463,128
Other payables and accruals	27	**27,061,979**	24,413,446
Current income tax liabilities		**3,715,161**	2,326,451
Borrowings	23	**18,478,051**	27,569,624
Provisions	24	**1,841,214**	1,495,672
		87,060,857	98,160,565
Total liabilities		**107,762,054**	110,867,065
Total equity and liabilities		**167,402,976**	168,900,386

The notes on pages 125 to 198 are an integral part of these consolidated financial statements.

The financial statements on pages 117 to 198 were approved by the Board of Directors on March 22, 2018 and were signed on its behalf.

Xu Heyi, Director

Chen Hongliang, Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2017

	Note	For the year ended December 31 2017 RMB'000	2016 RMB'000
Revenue	6	**134,158,541**	116,198,983
Cost of sales	29	**(98,659,286)**	(89,967,328)
Gross profit		**35,499,255**	26,231,655
Selling and distribution expenses	29	**(11,919,545)**	(10,603,075)
General and administrative expenses	29	**(5,006,953)**	(4,297,442)
Other (losses)/gains, net	28	**(1,054,684)**	189,115
Operating profit		**17,518,073**	11,520,253
Finance income	31	**659,503**	417,905
Finance costs	31	**(1,107,422)**	(885,767)
Finance costs, net		**(447,919)**	(467,862)
Share of (loss)/profit of investments accounted for using equity method		**(33,791)**	4,216,700
Profit before income tax		**17,036,363**	15,269,091
Income tax expense	32	**(6,038,062)**	(3,732,936)
Profit for the year		**10,998,301**	11,536,155
Profit attributable to:			
Equity holders of the Company		**2,252,813**	6,366,930
Non-controlling interests		**8,745,488**	5,169,225
		10,998,301	11,536,155
Earnings per share for profit attributable to equity holders of the company for the year			
(expressed in RMB per share)			
Basic and diluted	33	**0.30**	0.84

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2017

	For the year ended December 31	
	2017	2016
	RMB'000	RMB'000
Profit for the year	**10,998,301**	11,536,155
Other Comprehensive Income:		
Items that may be reclassified to profit or loss		
Cash flow hedges, net of tax	**172,984**	(152,267)
Fair value gains on available-for-sale financial assets, net of tax	**538,627**	–
Currency translation differences	**(1,175)**	65
Other comprehensive income/(loss) for the year	**710,436**	(152,202)
Total comprehensive income for the year	**11,708,737**	11,383,953
Attributable to:		
Equity holders of the Company	**2,878,782**	6,289,309
Non-controlling interests	**8,829,955**	5,094,644
	11,708,737	11,383,953

The notes on pages 125 to 198 are an integral part of these consolidated financial statements.

	Attributable to equity holders of the Company					
	Share capital RMB'000 (Note 21)	Other Reserve RMB'000 (Note 22)	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2016	7,595,338	17,680,657	9,733,988	35,009,983	12,059,419	47,069,402
Profit for the year	–	–	6,366,930	6,366,930	5,169,225	11,536,155
Other comprehensive income	–	(77,621)	–	(77,621)	(74,581)	(152,202)
Total comprehensive income for the year	–	(77,621)	6,366,930	6,289,309	5,094,644	11,383,953
Transactions with owners						
Appropriation to reserve fund	–	33,096	(33,096)	–	–	–
Dividends relating to 2015 declared in May 2016	–	–	(1,139,301)	(1,139,301)	–	(1,139,301)
Deregister of a partially owned subsidiary (Note 10)	–	–	–	–	(27,256)	(27,256)
Dividends to non-controlling interests holder of a subsidiary	–	–	–	–	(41,017)	(41,017)
Acquisition of a subsidiary (Note 37)	–	–	–	–	44,790	44,790
Contribution from non-controlling interests holders of a subsidiary	–	–	–	–	742,634	742,634
Others	–	116	–	116	–	116
	–	33,212	(1,172,397)	(1,139,185)	719,151	(420,034)
Balance at December 31, 2016	7,595,338	17,636,248	14,928,521	40,160,107	17,873,214	58,033,321

Consolidated Statement of Changes in Equity

For the year ended December 31, 2017

	Attributable to equity holders of the Company					
	Share capital RMB'000 (Note 21)	Other Reserve RMB'000 (Note 22)	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2017	7,595,338	17,636,248	14,928,521	40,160,107	17,873,214	58,033,321
Profit for the year	–	–	2,252,813	2,252,813	8,745,488	10,998,301
Other comprehensive income	–	625,969	–	625,969	84,467	710,436
Total comprehensive income for the year	–	625,969	2,252,813	2,878,782	8,829,955	11,708,737
Transactions with owners						
Appropriation to reserve fund	–	720,375	(720,375)	–	–	–
Dividends relating to 2016 declared in June 2017	–	–	(2,202,648)	(2,202,648)	–	(2,202,648)
Dividends to non-controlling interests holders of subsidiaries	–	–	–	–	(8,616,017)	(8,616,017)
Contribution from non-controlling interests holders of a subsidiary	–	–	–	–	717,738	717,738
Others	–	(209)	–	(209)	–	(209)
	–	720,166	(2,923,023)	(2,202,857)	(7,898,279)	(10,101,136)
Balance at December 31, 2017	7,595,338	18,982,383	14,258,311	40,836,032	18,804,890	59,640,922

The notes on pages 125 to 198 are an integral part of these consolidated financial statements.

	Note	For the year ended December 31, 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	35(a)	**26,016,553**	21,666,405
Interest paid		**(957,284)**	(761,338)
Interest received		**659,504**	417,905
Income tax paid		**(6,216,010)**	(4,676,659)
Net cash generated from operating activities		**19,502,763**	16,646,313
Cash flows from investing activities			
Acquisition of a subsidiary (Note 37)		**–**	7,973
Purchase of property, plant and equipment		**(6,924,853)**	(7,040,405)
Purchase of land use rights		**(1,878,200)**	(269,613)
Addition of intangible assets		**(2,573,012)**	(2,449,229)
Addition of investments accounted for using equity method		**(1,130,843)**	(2,426,987)
Investments in available-for-sales		**(480,874)**	(532,480)
Receipt of government grants for capital expenditures		**1,765,394**	427,203
Proceeds from disposals of property, plant and equipment and intangible assets	35(b)	**23,708**	20,664
Dividends received from investments accounted for using equity method		**3,618,212**	3,760,907
Decrease/(Increase) of restricted cash		**1,042,185**	(123,598)
Net cash used in investing activities		**(6,538,283)**	(8,625,565)

Consolidated Statement of Cash Flows

For the year ended December 31, 2017

	For the year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Cash flows from financing activities		
Proceeds from borrowings	**29,334,624**	29,714,863
Repayments of borrowings	**(33,191,240)**	(24,675,890)
Dividends paid by the Company	**(2,202,648)**	(1,139,301)
Contributions from non-controlling interest holders of a subsidiary	**–**	742,634
Dividends paid to non-controlling interests holders of subsidiaries	**(6,094,611)**	(635,603)
Net cash (used in)/generated from financing activities	**(12,153,875)**	4,006,703
Net increase in cash and cash equivalents	**810,605**	12,027,451
Cash and cash equivalents at January 1	**36,063,909**	23,946,496
Exchange (loss)/gains on cash and cash equivalents	**(49,608)**	89,962
Cash and cash equivalents at December 31	**36,824,906**	36,063,909

The notes on pages 125 to 198 are an integral part of these consolidated financial statements.

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 A5-061, Unit 101, 5th Floor, Building No. 1, Courtyard No. 99 Shuanghe Street, Shunyi District, Beijing, the PRC.

The Company was incorporated in the PRC on September 20, 2010 as a joint stock company with limited liability under Company Law of the PRC. The immediate parent company of the Company is Beijing Automotive Group Co., Ltd. ("BAIC Group"), which is beneficially owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality (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 22, 2018.

2 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") and disclosure requirements of the Hong Kong Companies ordinance Cap 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, as appropriate.

As at December 31, 2017, the current liabilities of the Group exceeded its current assets by approximately RMB8,267 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 RMB205 million and RMB23,240 million respectively as at December 31, 2017.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

2 BASIS OF PREPARATION (CONTINUED)

New/revised standards, amendments to standards and interpretations

(a) Adoption of new standards and amendments to standards

The Group has adopted the following new standard and amendments and interpretation which are mandatory for the financial year beginning on January 1, 2017:

IAS 7 (Amendment)	Disclosure on changes in liabilities arising from financing activities
IAS 12 (Amendment)	Deferred tax assets for unrealised losses

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

(b) Standards and amendments which are not yet adopted

The following are new standards and amendments to standards that have been issued but are not yet effective for December 31, 2017 reporting period, and have not been early adopted by the Group.

IFRS 2 (Amendment)	Clarification and Measurement of Share-based Payment Transactions(1)
IAS 40 (Amendment)	Transfers of investment property(1)
IFRIC 22	Foreign Currency Transactions and Advance Consideration(1)
IFRS 10 and IAS 28 (Amendment)	Sale or distribution of assets between an investor and its associate or joint venture(3)
IFRIC 23	Uncertainty over Income Tax Treatments(2)
IFRS 9	Financial Instruments (1) (i)
IFRS 15	Revenue from Contracts with Customers (1) (ii)
IFRS 16	Lease (2) (iii)

(1) Change effective for the accounting period beginning on January 1, 2018
(2) Change effective for the accounting period beginning on January 1, 2019
(3) Effective date to be determined

Except for the followings, most of above new standards and amendments to standard are not expected to have a significant effect on the consolidated financial statements of the Group.

2 BASIS OF PREPARATION (CONTINUED)

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

(b) Standards and amendments which are not yet adopted (Continued)

(i) IFRS 9 "Financial instruments"

IFRS 9 "Financial Instruments" addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets given fair value through other comprehensive income ("FVOCI") election is available for the equity instruments which are currently classified as available-for-sale ("AFS").

There will not be a significant impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss. The derecognition rules have been transferred from IAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, at this stage the Group does not expect to identify any new hedge relationships. It would appear that the Group's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 9 must be applied for financial years commencing on or after January 1, 2018. The Group does not expect this new standard to have a material impact to the financial statements.

2 BASIS OF PREPARATION (CONTINUED)

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

(b) Standards and amendments which are not yet adopted (Continued)

(ii) IFRS 15 "Revenue from contracts with customers"

The International Accounting Standards Board ("IASB") has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

IFRS 15 is mandatory for financial years commencing on or after January 1, 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognized in retained earnings as of January 1, 2018 and that comparatives will not be restated.

Management has identified the following areas that are likely to be affected:

- bundle sales – the application of IFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue.

- accounting for costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognized as an asset under IFRS 15.

Based on preliminary assessment, management considers that the adoption of the new standard of IFRS 15 will not have a significant impact on the Group's financial position and results of operations.

(iii) IFRS 16 "Leases"

IFRS 16 was issued in January 2016. It will results in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. The Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim period within annual reporting period beginning on or after January 1, 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Subsidiaries

(a) Consolidation

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Subsidiaries (Continued)

(b) Separate financial statements

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

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

(c) Disposal of subsidiaries

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

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. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of joint ventures and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill.

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

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 to "Share of (loss)/profit of investments accounted for using equity method" in the statement of comprehensive income.

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

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

3.4 Segment reporting

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

3 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 related to borrowings, accounts payable, other payables, accounts receivable, other receivables, advances to suppliers and cash and cash equivalents are presented in the statement of comprehensive income within "other (losses)/gains, net".

(c) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting currency translation differences are recognized in other comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (losses)/gains – net" in the statement of comprehensive income.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Intangible assets (Continued)

(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.

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 acquire.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 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 financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

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" and "cash and cash equivalents" in the balance sheet.

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

(b) Recognition and measurement

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial assets (Continued)

(b) Recognition and measurement (Continued)

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.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included through profit or loss as "other (losses)/gains, net".

(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.

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

3.11 Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of derivative instruments used for hedging purposes are disclosed in Note 18. Movements on the hedging reserve in shareholders' equity are shown in Note 22. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Derivative financial instruments and hedging activities (Continued)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately through profit or loss within "other (losses)/gains – net".

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized through profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss within "other (losses)/gains – net".

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised through profit or loss.

3.12 Inventories

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

3.13 Accounts and other receivables

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

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

3.14 Cash and cash equivalents

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Share capital

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

3.16 Accounts payable

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

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

3.17 Borrowings

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

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

3.18 Borrowing costs

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

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

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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 recognized.

Deferred income tax assets are recognized 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 financial costs.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.23 Interest income

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

3.24 Leases

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

3.25 Government grants

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

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

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

3.26 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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk

(i) Foreign exchange risk

The Group has international purchase transactions and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("US$") 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.

Management has set up a policy to manage their foreign exchange risk against their functional currency. The Group uses forward foreign exchange contract to hedge anticipate cash flows (mainly purchase of inventory) in major foreign currency for the subsequent periods.

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

	Profit for the year
	RMB'000
As at and for the year ended December 31, 2017	
US$	**(88,624)**
Euro	**940,506**
As at and for the year ended December 31, 2016	
US$	(93,275)
Euro	714,616

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

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

As at December 31, 2017, 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, 2017 would have been approximately RMB119,190,000 (2016: RMB111,737,000) lower/higher respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

As at December 31, 2017, 100% (December 31, 2016: 100%) of the Group's restricted cash, term deposits and cash at banks are held in reputable local joint-stock commercial banks, state-owned banks, other financial institutions and world-wide reputable banks, which management believes are of high credit quality. Management does not expect any losses from non-performance by these counterparties.

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.

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, 2017, the Group has net current liabilities of approximately RMB8,267 million (December 31, 2016: RMB13,188 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 23 to these financial statements.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

	Less than 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000
At December 31,2017				
Borrowings	**19,729,102**	**619,873**	**9,102,253**	**4,992,903**
Accounts payable	**35,559,081**	**–**	**–**	**–**
Other payables	**24,137,326**	**–**	**–**	**–**
At December 31, 2016				
Borrowings	28,539,991	983,380	5,321,238	2,612,716
Accounts payable	41,892,244	–	–	–
Other payables	22,101,042	–	–	–

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.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

As of December 31, 2017 and 2016, the balance of cash and cash equivalents exceeded the balance of total borrowing.

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (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).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at fair value				
At December 31, 2017	**–**	**2,351,239**	**–**	**–**
At December 31, 2016 (Note 18)	–	17,253	–	17,253
Liabilities				
Financial liabilities at fair value				
At December 31, 2017 (Note 27)	**–**	**(304,959)**	**–**	**(304,959)**
At December 31, 2016	–	–	–	–

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 technical 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 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 long-lived assets can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain areas including management's expectations of (i) future unlevered free cash flows; (ii) long-term growth rates; and (iii) the selection of discount rates to reflect the risks involved.

The property, plant and equipment, land use right and intangible assets related to Beijing Brand passenger vehicle business are tested for impairment based on the recoverable amount of the CGU to which these assets are related. The recoverable amount of the CGU was determined based upon value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. 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 2017 include a 15.64% (2016: 15.46%) 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 discount rate used is pre-tax and reflects specific risks relating to the relevant business.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Provisions

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

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

(d) 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 and has the following reportable segments:

- Passenger vehicles of Beijing Brand: 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.

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 Brand RMB'000	Passenger vehicles – Beijing Benz RMB'000	Elimination RMB'000	Total RMB'000
For the year ended December 31, 2017				
Total revenue	17,502,463	116,772,928	(116,850)	134,158,541
Inter-segment revenue	(116,850)	–	116,850	–
Revenue from external customers	17,385,613	116,772,928	–	134,158,541
Gross profit/(loss)	(2,679,696)	38,178,951	–	35,499,255
Other profit & loss disclosure:				
Selling and distribution expenses				(11,919,545)
General and administrative expenses				(5,006,953)
Other loss, net				(1,054,684)
Finance cost, net				(447,919)
Share of loss of investments accounted for using equity method				(33,791)
Profit before income tax				17,036,363
Income tax expense				(6,038,062)
Profit for the year				10,998,301
Other information:				
Significant non-cash expenses				
Depreciation and amortization	(2,579,812)	(3,268,244)	–	(5,848,056)
Provisions for impairments on assets	(122,793)	(73,413)	–	(196,206)
As at December 31, 2017				
Total assets	85,232,084	93,706,055	(11,535,163)	167,402,976
Including:				
Investments accounted for using equity method	14,706,908	–	–	14,706,908
Total liabilities	(52,642,332)	(55,138,746)	19,024	(107,762,054)

The total of non-current assets other than financial instruments and deferred tax assets of Beijing Motor and Beijing Benz of December 31, 2017 is RMB31,998,960,000 and RMB32,512,179,000 respectively.

6 SEGMENT INFORMATION (CONTINUED)

	Passenger vehicles – Beijing Brand RMB'000	Passenger vehicles – Beijing Benz RMB'000	Elimination RMB'000	Total RMB'000
For the year ended December 31, 2016				
Total revenue	30,965,269	85,312,009	(78,295)	116,198,983
Inter-segment revenue	(78,295)	–	78,295	–
Revenue from external customers	30,886,974	85,312,009	–	116,198,983
Gross profit	857,075	25,374,580	–	26,231,655
Other profit & loss disclosure:				
Selling and distribution expenses				(10,603,075)
General and administrative expenses				(4,297,442)
Other gains, net				189,115
Finance cost, net				(467,862)
Share of profit of investments accounted for using equity method				4,216,700
Profit before income tax				15,269,091
Income tax expense				(3,732,936)
Profit for the year				11,536,155
Other information:				
Significant non-cash expenses				
Depreciation and amortization	(2,092,726)	(2,844,406)	–	(4,937,132)
Provisions for impairments on assets	(120,137)	(194,816)	–	(314,953)
As at December 31, 2016				
Total assets	96,976,562	83,730,882	(11,807,058)	168,900,386
Including:				
Investments accounted for using equity method	17,913,651	–	–	17,913,651
Total liabilities	(64,719,639)	(47,185,379)	1,037,953	(110,867,065)

6 SEGMENT INFORMATION (CONTINUED)

There is no customer accounting for 10 percent or more of the Group's revenue for each of the years ended December 31, 2017 and 2016.

The Group is domiciled in PRC. The percentage of its revenue from external customers residing in the PRC is approximately 99.9% for the year ended December 31, 2017 (the year ended December 31, 2016: 99.5%).

As at December 31, 2017, the percentage of the Group's non-current assets, other than financial instruments and deferred income tax assets, located in the mainland of the PRC is approximately 98.2% (as at December 31, 2016: 98.3%).

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, 2017	13,730,637	14,673,869	362,541	1,909,690	3,510,073	5,884,532	40,071,342
Additions	112,028	29,672	11,218	30,066	1,527	6,326,301	6,510,812
Transfers upon completion	2,505,742	2,377,579	62,003	248,111	363,642	(5,557,077)	–
Disposals	–	(71,020)	(12,010)	(13,003)	(2,655)	–	(98,688)
Depreciation	(766,564)	(1,890,314)	(75,058)	(537,874)	(842,711)	–	(4,112,521)
Net book amount at December 31, 2017	15,581,843	15,119,786	348,694	1,636,990	3,029,876	6,653,756	42,370,945
At December 31, 2017							
Cost	17,959,495	21,256,182	649,616	3,734,494	5,793,752	6,653,756	56,047,295
Accumulated depreciation and impairment	(2,377,652)	(6,136,396)	(300,922)	(2,097,504)	(2,763,876)	–	(13,676,350)
Net book amount	15,581,843	15,119,786	348,694	1,636,990	3,029,876	6,653,756	42,370,945

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Furniture and office equipment RMB'000	Mouldings RMB'000	Construction in progress RMB'000	Total RMB'000
Net book amount at January 1, 2016	13,324,039	14,726,372	335,756	2,084,305	3,022,883	4,859,684	38,353,039
Acquisition of a subsidiary (Note 37)	–	15,203	–	11	–	211	15,425
Additions	290	46,512	13,113	17,592	403	5,360,778	5,438,688
Transfers upon completion	831,795	1,601,444	96,099	535,361	1,271,442	(4,336,141)	–
Disposals	(3,708)	(7,915)	(12,534)	(2,218)	–	–	(26,375)
Depreciation	(421,779)	(1,707,747)	(69,893)	(725,361)	(784,567)	–	(3,709,347)
Impairment	–	–	–	–	(88)	–	(88)
Net book amount at December 31, 2016	13,730,637	14,673,869	362,541	1,909,690	3,510,073	5,884,532	40,071,342
At December 31, 2016							
Cost	15,341,725	18,991,987	593,636	3,471,705	5,443,944	5,884,532	49,727,529
Accumulated depreciation and impairment	(1,611,088)	(4,318,118)	(231,095)	(1,562,015)	(1,933,871)	–	(9,656,187)
Net book amount	13,730,637	14,673,869	362,541	1,909,690	3,510,073	5,884,532	40,071,342

Notes:

(a) There was no property, plant and equipment being pledged as security for borrowings at December 31, 2017 and 2016.

(b) The Group has capitalized borrowing costs amounting to RMB126,119,000 on qualifying assets of property, plant and equipment for the year ended December 31, 2017 (December 31, 2016: RMB127,138,000). Borrowing costs were capitalized at the weighted average of its borrowing rate of 3.87% during the year (2016: 4.03%).

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

	For the year ended December 31, **2017** **RMB'000**	2016 RMB'000
Cost of sales	**3,776,090**	3,466,389
Selling and distribution expenses	**10,102**	6,378
General and administrative expenses	**290,376**	208,434
	4,076,568	3,681,201
Transfer to intangible assets – development costs	**35,953**	28,146
	4,112,521	3,709,347

(d) As at December 31, 2017, the Group has not obtained the formal ownership certificates for certain buildings with carrying values of approximately RMB475,232,000 (December 31, 2016: RMB570,360,000). In the opinion of the directors, the absence of formal title to these buildings does not impair their values to the Group as the probability of the Group being evicted on the ground of absence of formal title is remote.

8 LAND USE RIGHTS

	For the year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Cost		
At January 1	**5,964,875**	5,569,747
Additions (note (a))	**2,126,753**	395,128
At December 31	**8,091,628**	5,964,875
Accumulated amortization		
At January 1	**(482,318)**	(347,684)
Amortization	**(146,927)**	(134,634)
At December 31	**(629,245)**	(482,318)
Net book amount		
At December 31	**7,462,383**	5,482,557

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,	
	2017	2016
	RMB'000	RMB'000
Cost of sales	**3,557**	–
General and administrative expenses	**143,370**	134,634
	146,927	134,634

(c) As at December 31, 2017, the Group has not obtained the formal land use rights for certain land use rights with carrying values of approximately RMB1,880,126,000 (December 31, 2016: RMB1,970,000). In the opinion of the directors, the absence of formal title to these land use rights does not impair their values to the Group as the probability of the Group being evicted on the ground of absence of formal title is remote.

9 INTANGIBLE ASSETS

	Development costs (note (c)) RMB'000	Computer software RMB'000	Goodwill (note (a),(b)) RMB'000	Total RMB'000
Net book amount at January 1, 2017	**12,164,696**	**379,474**	**901,945**	**13,446,115**
Additions	**2,363,370**	**130,402**	**–**	**2,493,772**
Disposals	**(558,965)**	**–**	**–**	**(558,965)**
Amortization	**(1,501,015)**	**(140,921)**	**–**	**(1,641,936)**
Net book amount at December 31, 2017	**12,468,086**	**368,955**	**901,945**	**13,738,986**
At December 31, 2017				
Cost	**15,798,530**	**741,960**	**901,945**	**17,442,435**
Accumulated amortization	**(3,301,938)**	**(401,511)**	**–**	**(3,703,449)**
Net book amount	**12,496,592**	**340,449**	**901,945**	**13,738,986**
Net book amount at January 1, 2016	10,405,761	259,958	807,505	11,473,224
Additions	2,770,857	241,858	–	3,012,715
Acquisition of a subsidiary (Note 37)	670	–	94,440	95,110
Disposals	–	(220)	–	(220)
Amortization	(1,012,592)	(122,122)	–	(1,134,714)
Net book amount at December 31, 2016	12,164,696	379,474	901,945	13,446,115
At December 31, 2016				
Cost	14,211,375	640,064	901,945	15,753,384
Accumulated amortization	(2,046,679)	(260,590)	–	(2,307,269)
Net book amount	12,164,696	379,474	901,945	13,446,115

9 INTANGIBLE ASSETS (CONTINUED)

Notes:

(a) The goodwill amounted to RMB807,505,000 acquired in the acquisition of Beijing Benz in 2013 is fully allocated to the CGU 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 2017 include 16.40% (2016: 17.20%) 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 discount rate used is pre-tax and reflects specific risks relating to the relevant business.

(b) The goodwill amounted to RMB94,440,000 from the business combination of China Automobile Development United (Beijing) Technology Investment Co., Ltd. ("CADU") completed in September 2016 is fully allocated to the CGU of passenger vehicle of Beijing Brand (Note 37).

(c) The Group has capitalized borrowing costs amounting to RMB233,894,000 on qualifying intangible assets for the year ended December 31, 2017 (2016: RMB263,743,000). Borrowing costs were capitalized at the weighted average of its borrowing rate of 3.96% during the year (2016: 3.90%).

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

	For the year ended December 31,	
	2017 **RMB'000**	2016 RMB'000
Cost of sales	**1,603,855**	1,098,157
General and administrative expenses	**20,706**	23,140
	1,624,561	1,121,297
Transfer from computer software to development cost	**17,375**	13,417
	1,641,936	1,134,714

10 SUBSIDIARIES

(a) The Group deregistered Beijing Hainachuan Investment Co., Ltd., one of the Group's subsidiaries, in December 2016. The deregistration resulted in the proceeds of RMB27,256,000 distributed to non-controlling interest holder of Beijing Hainachuan Investment Co., Ltd.

(b) In September 2016, the Group obtained additional equity interests in CADU, which became the Group's subsidiary since then (Note 37).

(c) 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,	
	2017	2016
	RMB'000	RMB'000
Non-current assets	**39,535,504**	35,901,485
Current assets	**54,170,551**	47,829,397
Total assets	**93,706,055**	83,730,882
Non-current liabilities	**6,463,440**	3,915,007
Current liabilities	**48,675,306**	43,270,372
Total liabilities	**55,138,746**	47,185,379
Net assets	**38,567,309**	36,545,503
The Group's non-controlling interests in Beijing Benz	**18,502,303**	17,511,618

10 SUBSIDIARIES (CONTINUED)

(c) Material non-controlling interests (Continued)

(ii) Summarized statement of comprehensive income

	For the year ended December 31, 2017 RMB'000	2016 RMB'000
Revenue	**116,772,928**	85,312,009
Net profit	**17,884,052**	10,373,656
Other comprehensive income/(loss)	**172,984**	(152,267)
Total comprehensive income	**18,057,036**	10,221,389

Below represented the attributable amount to non-controlling interests in Beijing Benz as in the Group's consolidated statements of comprehensive income:

	For the year ended December 31, 2017 RMB'000	2016 RMB'000
Net profit attributable to non-controlling interests	**8,763,185**	5,083,091
Other comprehensive income/(loss) attributable to non-controlling interests	**84,761**	(74,611)
Total comprehensive income attributable to non-controlling interests	**8,847,946**	5,008,480
Contribution from non-controlling interest holders	**717,738**	742,634
Dividends declared to non-controlling interests	**8,575,000**	–

(iii) Summarized statement of cash flows

	For the year ended December 31, 2017 RMB'000	2016 RMB'000
Net cash flows generated from operating activities	**22,311,232**	16,775,751
Net cash flows used in investing activities	**(4,855,371)**	(5,185,931)
Net cash flows (used in)/generated from financing activities	**(15,513,242)**	327,650
Exchange gains on cash and cash equivalents	**71,744**	89,810
Net increase in cash and cash equivalents	**2,014,363**	12,007,280

(d) The list of the principal subsidiaries at December 31, 2017 is disclosed in Note 40.

11 INVESTMENTS IN JOINT VENTURES

	For the year ended December 31,	
	2017	2016
	RMB'000	RMB'000
At January 1	**15,143,746**	12,902,015
New investments (note (a))	**–**	693,688
Additional investments (note (a), (b))	**85,263**	1,351,643
Transferred from investment in associate (note (c))	**184,428**	–
Share of (loss)/profit for the year:		
– (Loss)/Profit before income tax	**(606,215)**	5,222,283
– Income tax credit/(expense)	**151,555**	(1,305,571)
	(454,660)	3,916,712
Dividends received	**(3,555,657)**	(3,720,312)
At December 31	**11,403,120**	15,143,746

Notes:

(a) In June 2016, the Group entered into a share transfer agreement with Fujian Motor Industry Group Co. ("Fujian Motor", an independent third party) with regard to its acquisition of 35% equity interests in Fujian Benz Automotive Co., Ltd. ("Fujian Benz") with the total consideration of RMB693,688,000. A subsequent adjustment of investment cost of RMB85,263,000 was made in 2017. The Group and Fujian Motor hold 35% and 15%, respectively, of the equity interests in Fujian Benz, and Daimler Vans Hong Kong Limited holds the remaining 50% in Fujian Benz. Fujian Motor shall act in concert with the Group in terms of the operations and management of Fujian Benz and other relevant matters, as such, Fujian Benz is considered as a joint venture of the Group.

(b) In March 2016, Beijing Hyundai Motor Co., Ltd. ("Beijing Hyundai") increased its registered capital by RMB2,703,286,000 with each of 50% contributed by the Group and the other joint venture partner in cash.

(c) The Group had completed investment of 2% additional equity interests in Beijing Bai Das Auto System Co., Ltd. in February 2017. After the increase of capital from 48% to 50%, Beijing Bai Das Auto System Co., Ltd. became a joint venture of the Group since then.

11 INVESTMENTS IN JOINT VENTURES (CONTINUED)

Notes: (Continued)

(d) Summarized financial information for joint ventures

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

(i) Summarized balance sheet of a material joint venture

	Beijing Hyundai	
	2017 RMB'000	2016 RMB'000
Current assets		
Cash and cash equivalents	**1,652,402**	970,228
Other current assets	**38,700,505**	35,128,841
	40,352,907	36,099,069
Non-current assets	**26,575,726**	27,629,869
Current liabilities		
Financial liabilities	**41,281,372**	27,437,600
Other current liabilities	**3,462,179**	3,881,862
	44,743,551	31,319,462
Non-current liabilities		
Financial liabilities	**–**	1,400,000
Other non-current liabilities	**2,173,893**	2,393,952
	2,173,893	3,793,952
Net assets	**20,011,189**	28,615,524

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

	2017 RMB'000	2016 RMB'000
Opening net assets	**28,615,524**	25,533,226
Additions in paid-in capital	**–**	2,703,286
Total comprehensive (loss)/income for the year	**(1,497,085)**	7,814,789
Dividends declared	**(7,107,250)**	(7,435,777)
Closing net assets	**20,011,189**	28,615,524
Group's share in %	**50%**	50%
Carrying amount	**10,005,595**	14,307,762

11 INVESTMENTS IN JOINT VENTURES (CONTINUED)

Notes: (Continued)

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

(ii) Summarized statements of comprehensive income of Beijing Hyundai:

	2017 **RMB'000**	2016 RMB'000
Revenue	**69,460,612**	110,132,621
Depreciation and amortization	**(2,390,608)**	(1,927,283)
Interest income	**124,312**	64,415
Interest expenses	**(737,976)**	(642,546)
Other cost and expenses	**(68,448,152)**	(97,188,550)
Income tax credit/(expense)	**494,727**	(2,623,869)
Other comprehensive income	**–**	–
Total comprehensive (loss)/income	**(1,497,085)**	7,814,788

(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,	
	2017 **RMB'000**	2016 RMB'000
Aggregate carrying amount of the net assets of individually immaterial joint ventures	**3,130,640**	1,975,786
Aggregate amounts of the Group's share thereon	**1,397,526**	835,984
Aggregate total comprehensive income	**782,671**	8,667
Aggregate amounts of the Group's share of total comprehensive income	**293,883**	9,317

(e) List of the principal of joint ventures at December 31, 2017 is disclosed in Note 40.

12 INVESTMENTS IN ASSOCIATES

	For the year ended December 31,	
	2017	2016
	RMB'000	RMB'000
At January 1	**2,769,905**	1,680,360
New investments (note (a))	**–**	16,671
Additional investments (note (a), (b))	**359,998**	850,567
Transferred to investment in joint venture (Note 11 (c))	**(184,428)**	–
Share of profits for the year		
– Profit before income tax	**561,159**	399,984
– Income tax expense	**(140,290)**	(99,996)
	420,869	299,988
Dividends received	**(62,556)**	(33,782)
Transferred to subsidiary from investment in associate (Note 37)	**–**	(43,899)
At December 31	**3,303,788**	2,769,905

Notes:

(a) In November 2016, the Group entered into an agreement for the establishment of BAIC Automobile SA Proprietary Limited, a company incorporated in South Africa. The Group contributed RMB16,671,000 with 20% interests in this associate. In February 2017, BAIC Automobile SA Proprietary Limited increased its registered Capital by RMB64,990,000, with RMB44,998,000 contributed by the Group and RMB19,992,000 contributed by the other shareholders.

(b) The additional investments in associates are mainly comprised of:

(i) In June 2016, Beijing Hyundai Auto Finance Co., Ltd. ("BHAF") increased its registered capital by RMB2,000,000,000, with RMB660,000,000 contributed by the Group and RMB1,340,000,000 contributed by the other investors. The Group's equity interests in BHAF remain the same at 33% before and after this capital contribution.

(ii) In 2016, Mercedes-Benz Leasing Co., Ltd. ("MBLC") increased its registered capital by RMB500,000,000 with RMB175,000,000 contributed by the Group and RMB325,000,000 contributed by the other investors.

In 2017, MBLC further increased its registered capital by RMB900,000,000 with RMB315,000,000 contributed by the Group and RMB585,000,000 contributed by the other investors. The Group continues to hold 35% equity interests in MBLC upon completion of above capital increase.

(c) None of the associates are considered individually material as at December 31, 2017.

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

Notes: (Continued)

(d) Individually immaterial associates

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

	As at December 31, 2017 RMB'000	2016 RMB'000
Aggregate carrying amount of the net assets of associates	**11,184,516**	8,714,773
Aggregate amounts of the Group's share thereon	**3,303,768**	2,769,905
Aggregate total comprehensive income	**1,323,613**	853,963
Aggregate amounts of the Group's share of total comprehensive income	**420,869**	299,988

(e) List of the principal of associates at December 31, 2017 is disclosed in Note 40.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at December 31, 2017 RMB'000	2016 RMB'000
At January 1	**536,480**	4,000
Additions (note (a))	**1,185,080**	532,480
Increase in fair value	**633,679**	–
At December 31	**2,355,239**	536,480

Notes:

(a) On March 24, 2016, the Group entered into the capital increase agreement with Beijing Electric Vehicle Co., Ltd. ("BJEV"), a subsidiary of BAIC Group, pursuant to which, the Group subscribed for 6.5% equity interests in BJEV, representing 208 million shares issued additionally by BJEV, for a cash consideration of RMB532,480,000.

On July 20, 2017, the Group entered into another capital increase agreement with BJEV, pursuant to which, the Group subscribed for 223.6 million shares additionally issued by BJEV for a total considerations of RMB1,185,080,000 in cash and assets. Upon completion of this capital increase, the Group held 8.15% of BJEV's total equity interests but does not have significant influence in BJEV.

(b) The investment in BJEV was re-measured with fair value as at December 31, 2017 and a gain of RMB538,627,000 (net of tax), was recognized in other comprehensive income in 2017.

14 DEFERRED INCOME TAXES

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Deferred income tax assets:		
– to be recovered after more than 12 months	**1,994,223**	1,916,714
– to be recovered within 12 months	**5,041,565**	3,587,672
	7,035,788	5,504,386
Deferred income tax liabilities:		
– to be settled after more than 12 months	**(740,856)**	(764,421)
– to be settled within 12 months	**(136,951)**	(44,187)
	(877,807)	(808,608)

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, 2017	**213,259**	**4,744,926**	**546,201**	**5,504,386**
Credited/(Charged) to statement of comprehensive income	**(26,745)**	**794,653**	**763,494**	**1,531,402**
At December 31, 2017	**186,514**	**5,539,579**	**1,309,695**	**7,035,788**
At January 1, 2016	181,909	3,696,780	329,920	4,208,609
Credited to statement of comprehensive income	31,350	1,048,146	216,281	1,295,777
At December 31, 2016	213,259	4,744,926	546,201	5,504,386

Deferred income tax liabilities	Capitalized interest RMB'000	Valuation surplus upon acquisition of a subsidiary RMB'000	Others RMB'000	Total RMB'000
At January 1, 2017	**(44,188)**	**(764,420)**	**–**	**(808,608)**
Credited/(Charged) to statement of comprehensive income	**2,289**	**23,565**	**(95,053)**	**(69,199)**
At December 31, 2017	**(41,899)**	**(740,855)**	**(95,053)**	**(877,807)**
At January 1, 2016	(44,304)	(795,667)	–	(839,971)
Credited to statement of comprehensive income	116	31,247	–	31,363
At December 31, 2016	(44,188)	(764,420)	–	(808,608)

14 DEFERRED INCOME TAXES (CONTINUED)

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 RMB18,917,452,000 (2016: RMB13,539,063,000) that can be carried forward against future taxable income as at December 31, 2017. The unrecognized tax loss amounting to RMB17,627,529,000 (December 31,2016: RMB12,942,691,000) can carry forward for utilization in future but are expiring within five years.

15 INVENTORIES

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Raw materials	**6,570,107**	5,432,749
Work in progress	**652,816**	517,187
Finished goods	**9,871,571**	8,623,048
	17,094,494	14,572,984
Less: provision for impairment (note (a))	**(218,623)**	(406,057)
	16,875,871	14,166,927

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 cost of sales for the year ended December 31, 2017 amounted to RMB86,929 million (2016: RMB81,439 million).

(c) As at December 31, 2017 and 2016, no finished goods were pledged as collateral.

16 ACCOUNTS RECEIVABLE

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Trade receivables, gross (note (a))	**11,670,328**	12,549,502
Less: provision for impairment	**(49,286)**	(1,037)
	11,621,042	12,548,465
Notes receivable (note (b))	**8,261,072**	14,640,462
	19,882,114	27,188,927

16 ACCOUNTS RECEIVABLE (CONTINUED)

Notes:

(a) The majority of the Group's sales are on credit. A credit period of 1 month to 6 months for trade receivables and up to 3 to 6 months for notes receivable 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,	
	2017	2016
	RMB'000	RMB'000
Current to 1 year	**7,766,546**	12,384,642
1 to 2 years	**3,806,594**	144,618
2 to 3 years	**83,503**	18,400
Over 3 years	**13,685**	1,842
	11,670,328	12,549,502

As at December 31, 2017 and 2016, the ageing analysis of past due but not impaired receivables is as follows:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Within 1 year	**37,723**	72,855
1 to 2 years	**95,075**	144,618
2 to 3 years	**83,503**	16,685
Over 3 years	**10,128**	1,842
	226,429	236,000

As at December 31, 2017 and 2016, movement on the provision for impairment of trade receivables is as follows:

	2017	2016
	RMB'000	RMB'000
As at January 1	**1,037**	1,047
Provision for impairment recognised during the year	**48,249**	–
Reversal of provision for impairment	**–**	(10)
As at December 31	**49,286**	1,037

(b) Substantially all notes receivable are with maturity period 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,	
	2017	2016
	RMB'000	RMB'000
Pledged notes receivable	**5,286,310**	7,334,597

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 OTHER CURRENT ASSETS

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Value-added tax to be deducted and prepaid consumption tax	**3,365,230**	2,168,603
Service fee	**83,306**	456,390
Deposit	**7,647**	174,787
Receivable from sales of raw materials	**451,325**	1,555,787
Government grants	**–**	150,000
Disposal of property, plant and equipment	**139,431**	139,431
Derivative financial instruments (note (a))	**–**	17,253
Others	**189,144**	163,945
	4,236,083	4,826,196
Less: provision for impairment	**(133,554)**	(23,458)
	4,102,529	4,802,738

Note:

(a) Derivative financial instruments represented forward foreign exchange contracts entered by the Group to hedge against the currency movements for settlement of Euro denominated trade payables (the hedged forecast transactions).

19 RESTRICTED CASH

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Pledged deposits	**545,073**	1,587,258

Pledged deposits are maintained with banks mainly for issuance of notes payable. They earn interests at annual rates ranging from 0.35% to 1.55% in 2017 (2016: 0.30% to 1.75%).

20 CASH AND CASH EQUIVALENTS

	As at December 31, 2017 RMB'000	2016 RMB'000
Cash at bank and on hand	**11,497,369**	11,796,637
Short-term deposits (note (a))	**25,327,537**	24,267,272
	36,824,906	36,063,909

Notes:

(a) As at December 31, 2017, short-term deposits of RMB11,072,988,000 (December 31, 2016: RMB10,873,080,000) were deposited at BAIC Group Finance Co., Ltd. ("BAIC Finance"; a 20% owned associate), which was approved by the China Banking Regulatory Commission as a non-bank financial institution. The remaining 80% equity interests of this associate is owned by BAIC Group. These deposits can be withdrawn on demand.

(b) As at December 31, 2017, approximately 96% (December 31, 2016: 96%) 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 and December 31, 2017, and January 1 and December 31, 2016	7,595,338	7,595,338

22 OTHER RESERVES

	Capital reserve RMB'000 (note (a))	Statutory reserve RMB'000 (note (b))	Cash flow hedge RMB'000	Available-for-sale financial assets RMB'000	Currency translation differences RMB'000	Total RMB'000
At January 1, 2017	**15,742,363**	**1,971,506**	**(77,656)**	**–**	**35**	**17,636,248**
Cash flow hedge	**–**	**–**	**88,221**	**–**	**–**	**88,221**
Available-for-sale financial assets	**–**	**–**	**–**	**538,627**	**–**	**538,627**
Currency translation differences	**–**	**–**	**–**	**–**	**(879)**	**(879)**
Appropriation to reserve fund	**–**	**720,375**	**–**	**–**	**–**	**720,375**
Others	**(209)**	**–**	**–**	**–**	**–**	**(209)**
At December 31, 2017	**15,742,154**	**2,691,881**	**10,565**	**538,627**	**(844)**	**18,982,383**

	Capital reserve RMB'000 (note (a))	Statutory reserve RMB'000 (note (b))	Cash flow hedge RMB'000	Currency translation differences RMB'000	Total RMB'000
At January 1, 2016	15,742,247	1,938,410	–	–	17,680,657
Cash flow hedge	–	–	(77,656)	–	(77,656)
Currency translation differences	–	–	–	35	35
Appropriation to reserve fund	–	33,096	–	–	33,096
Others	116	–	–	–	116
At December 31, 2016	15,742,363	1,971,506	(77,656)	35	17,636,248

Notes:

(a) Capital reserve

Capital reserve includes share premium and reserves arising from capital contributions from equity holders. Share premium represents the difference between the fair value of shares issued and their respective par value. Incremental costs directly attributable to the issue of new shares are shown as a deduction.

(b) Statutory reserve

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

23 BORROWINGS

	As at December 31, 2017 RMB'000	As at December 31, 2016 RMB'000
Non-current		
Unsecured borrowings		
– Bank borrowings	**3,077,269**	818,219
– Corporate bonds (note (a))	**10,089,691**	6,990,872
Total non-current borrowings	**13,166,960**	7,809,091
Current		
Unsecured borrowings		
– Bank borrowings	**15,716,263**	18,708,977
Add: current portion of non-current bank borrowings	**762,480**	831,220
Corporate bonds (note (a))	**1,999,308**	8,029,427
Total current borrowings	**18,478,051**	27,569,624
Total borrowings	**31,645,011**	35,378,715

Maturity of borrowings

	As at December 31, 2017 RMB'000	As at December 31, 2016 RMB'000
Within 1 year	**18,478,051**	27,569,624
Between 1 and 2 years	**166,480**	688,480
Between 2 and 5 years	**7,400,560**	4,622,774
Over 5 years	**5,599,920**	2,497,837
	31,645,011	35,378,715
Wholly repayable:		
– within 5 years	**26,045,091**	32,880,878
– over 5 years	**5,599,920**	2,497,837
	31,645,011	35,378,715

23 BORROWINGS (CONTINUED)

Contractual repricing dates upon interest rate changes

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Within 6 months	**16,520,000**	18,348,786
6 to 12 months	**504,660**	403,600
	17,024,660	18,752,386

Weighted average annual interest rates

	As at December 31,	
	2017	2016
Borrowings	**3.71%**	3.95%
Corporate bonds	**3.99%**	3.66%

Currency denomination

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
RMB	**29,682,159**	33,598,358
Euro	**1,962,852**	1,780,357
	31,645,011	35,378,715

Undrawn facilities at floating rates

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Within 1 year	**205,000**	350,000
Over 1 year	**23,240,275**	22,140,971
	23,445,275	22,490,971

23 BORROWINGS (CONTINUED)

Notes:

(a) Corporate bonds are analyzed as follows:

Issuer	Issue date	Interest rate per annum	Par value RMB'000	Carrying value RMB'000	Maturity
At December 31, 2017					
BAIC Investment Co., Ltd. ("BAIC Investment")	**10 December 2015**	**3.60%**	**1,500,000**	**1,498,169**	**5 years**
BAIC Investment	**17 March 2016**	**3.15%**	**1,500,000**	**1,498,023**	**5 years**
BAIC Investment	**20 January 2017**	**4.29%**	**800,000**	**799,521**	**7 years**
The Company	**10 September 2014**	**5.74%**	**400,000**	**399,400**	**7 years**
The Company	**22 September 2014**	**5.54%**	**300,000**	**299,550**	**7 years**
The Company	**22 September 2014**	**5.54%**	**300,000**	**299,550**	**7 years**
The Company	**12 February 2015**	**4.68%**	**500,000**	**499,500**	**5 years**
The Company	**22 April 2016**	**3.45%**	**2,500,000**	**2,498,095**	**7 years**
The Company	**4 July 2017**	**4.72%**	**2,300,000**	**2,297,883**	**7 years**
The Company	**21 July 2017**	**4.41%**	**2,000,000**	**1,999,308**	**270 days**
				12,088,999	
At December 31, 2016					
BAIC Investment	January 29, 2010	5.18%	1,435,500	1,432,476	7 years
BAIC Investment	December 10, 2015	3.60%	1,500,000	1,497,590	5 years
BAIC Investment	March 17, 2016	3.15%	1,500,000	1,497,446	5 years
The Company	August 12, 2014	5.40%	1,000,000	999,386	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	April 22, 2016	3.45%	2,500,000	2,497,837	7 years
The Company	August 12, 2016	2.65%	2,500,000	2,499,015	270 days
The Company	October 12, 2016	2.72%	2,500,000	2,498,549	270 days
Beijing Benz	December 11, 2014	5.20%	600,000	600,000	3 years
				15,020,299	

(b) Balances at December 31, 2017 include borrowings of RMB3,616 million (December 31, 2016: RMB3,187 million) obtained from BAIC Finance, an associate of the Group. The remaining balance of borrowings were obtained from banks.

(c) For the borrowings, the fair value are not materially different to their carrying amounts, since the interest payable on these borrowings is either close to current rate or the borrowings are of a short-term nature.

24 PROVISIONS

Warranties

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Current	**1,841,214**	1,495,672
Non-current	**2,498,714**	2,067,044
Total	**4,339,928**	3,562,716

Movements of warranties for each of the years ended December 31, 2017 and 2016 are as follows:

	For the year ended December 31,	
	2017	2016
	RMB'000	RMB'000
At January 1	**3,562,716**	2,146,175
Additions	**1,599,957**	2,146,354
Amortization of discount to non-current provisions (Note 31)	**154,777**	48,092
Payments	**(977,522)**	(777,905)
At December 31	**4,339,928**	3,562,716

25 DEFERRED INCOME

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

Movements of deferred income for each of the year ended December 31, 2017 and 2016 are as follows:

	For the year ended December 31,	
	2017	2016
	RMB'000	RMB'000
At January 1	**2,021,757**	1,260,294
Additions	**2,859,360**	1,083,477
Amortization	**(723,401)**	(322,014)
At December 31	**4,157,716**	2,021,757

26 ACCOUNTS PAYABLE

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Trade payables	**26,152,675**	31,975,338
Notes payable	**9,406,406**	9,916,906
	35,559,081	41,892,244

Aging analysis of trade payables is as follows:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Current to 1 year	**26,073,357**	31,939,550
1 year to 2 years	**68,632**	25,678
2 years to 3 years	**8,885**	8,033
Over 3 years	**1,801**	2,077
	26,152,675	31,975,338

27 OTHER PAYABLES AND ACCRUALS

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Sales discounts and rebates	**7,724,930**	7,713,850
Payable for property, plant and equipment and intangible assets	**3,181,802**	3,618,402
Payable for services	**2,876,349**	2,748,737
Dividend payable	**2,706,338**	902,670
Advertising and promotion	**2,697,697**	2,090,552
Payable for general operations	**2,599,870**	2,627,133
Other taxes	**1,869,813**	1,373,248
Payables for transportation and warehouse expenses	**1,082,664**	644,113
Wages, salaries and other employee benefits	**1,054,840**	939,156
Derivative financial instruments (note (a))	**304,959**	–
Interests payable	**287,520**	296,937
Deposits	**195,846**	483,739
Others	**479,351**	974,909
	27,061,979	24,413,446

Note:

(a) Derivative financial instruments represented forward foreign exchange contracts entered by the Group to hedge against the relative currency movements for settlement of Euro denominated trade payables (the hedged forecast transactions).

28 OTHER (LOSS)/GAINS, NET

	For the year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Government grants	**312,950**	302,178
Gain from sales of scrap materials	**3,720**	41,770
Gain on measuring existing interests upon business combination of a subsidiary (Note 37)	**–**	8,864
Gain/(Loss) on disposal of property, plant and equipment and intangible assets	**22,019**	(3,886)
(Loss)/Gain 0n forward foreign exchange contracts with fair value through profit or loss	**(957,151)**	248,654
Foreign exchange losses	**(408,859)**	(334,282)
Others	**(27,363)**	(74,183)
	(1,054,684)	189,115

29 EXPENSES BY NATURE

	For the year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Raw materials, finished goods and work-in-progress used	**85,544,688**	77,970,562
Depreciation and amortization (Note 7(c), 8(c), 9(d))	**5,848,056**	4,937,132
Services fee and charges	**5,609,201**	3,950,713
Employee benefit costs (Note 30)	**5,232,168**	4,825,777
Taxes and levies	**3,856,090**	3,256,123
Advertising and promotion	**2,651,509**	2,681,166
Transportation and warehouse expenses	**2,522,595**	1,970,788
Warranty expenses	**1,379,896**	2,099,758
Daily operating expenses	**1,642,331**	2,023,490
Provision for impairment of assets	**196,206**	314,953
Auditor's remuneration-Audit services	**8,822**	9,365
Others	**1,094,222**	828,018
Total cost of sales, selling and distribution expenses, and general and administrative expenses	**115,585,784**	104,867,845

30 EMPLOYEE BENEFIT COSTS

	For the year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Wages and salaries	**3,819,112**	3,656,544
Pension scheme and other social security costs	**625,954**	562,942
Housing benefits	**289,570**	251,876
Welfare, medical and other expenses	**497,532**	354,415
	5,232,168	4,825,777

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group did not include director (2016: Nil) and supervisor (2016: Nil) for the year ended December 31, 2017. The directors' and supervisors' emoluments are reflected in the analysis shown Note 42. The emoluments payable to the five (2016: five) highest individuals are as follows:

	For the year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Salaries, allowances and other benefits	**15,220**	14,516
Employer's contribution to pension scheme	**147**	171
	15,367	14,687

The emoluments of the individuals fell within the following bands:

	For the year ended December 31,	
	2017	2016
	Number of individuals	Number of individuals
Emolument bands (in HK dollar)		
HK$3,000,001 – HK$3,500,000	**5**	5

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 (2016: Nil).

31 FINANCE COSTS, NET

	For the year ended December 31, 2017 RMB'000	2016 RMB'000
Finance income		
Interest on bank deposits	**659,503**	417,905
Finance costs		
Interest expense on borrowings	**783,894**	688,130
Interest expense on corporate bonds	**528,764**	540,426
Amortization of discount on non-current provisions (Note 24)	**154,777**	48,092
	1,467,435	1,276,648
Less: amount capitalized in qualifying assets (Notes 7 (b) and Note 9 (c))	**(360,013)**	(390,881)
	1,107,422	885,767
Finance costs, net	**447,919**	467,862

32 INCOME TAX EXPENSE

	For the year ended December 31, 2017 RMB'000	2016 RMB'000
Current income tax	**7,603,125**	5,060,076
Deferred income tax	**(1,565,063)**	(1,327,140)
	6,038,062	3,732,936

32 INCOME TAX EXPENSE (CONTINUED)

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

	Period with preferential rate
– The Company	2015 to 2017
– Beijing Beinei Engine Parts and Components Co., Ltd.	2015 to 2017
– BAIC Motor Powertrain Co., Ltd.	2016 to 2018

Except for the aforementioned companies and a subsidiary which is subject to Hong Kong profits tax at a rate of 16.5% and one subsidiary in Germany with income tax rate of 32.8%, 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, 2017 and 2016 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,	
	2017	2016
	RMB'000	RMB'000
Profit before income tax	**17,036,363**	15,269,091
Tax calculated at the statutory tax rate of 25%	**4,259,091**	3,817,273
Preferential tax rates on profit or loss	**415,899**	177,050
Impact on share of results of investments accounted for using equity method	**8,448**	(1,053,272)
Income not subject to tax	**(3,042)**	(33,927)
Expenses not deductible for tax purposes	**43,250**	83,387
Utilization of previously unrecognized tax losses	**–**	(1,454)
Tax losses/deductible temporary differences for which no deferred tax was recognized	**1,345,855**	724,596
Additional deduction on research and development expenses	**(31,439)**	(102,770)
Payment of income tax of previous years	**–**	122,053
Tax charge	**6,038,062**	3,732,936

33 EARNINGS PER SHARE

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

	For the year ended December 31,	
	2017	2016
Profit attributable to equity holders of the Company (RMB'000)	**2,252,813**	6,366,930
Weighted average number of ordinary shares in issue (thousands)	**7,595,338**	7,595,338
Earnings per share for profit attributable to equity holders of the Company (RMB)	**0.30**	0.84

During the years ended December 31, 2017 and 2016, there were no potential dilutive ordinary shares and diluted earnings per share was equal to basic earnings per share.

34 DIVIDENDS

	For the year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Proposed final dividend of RMB0.1 per share (2016: RMB0.29 per share) (note (a))	**759,534**	2,202,648

Note:

(a) The 2017 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, 2018.

The dividend of approximately RMB2,202,648,000 (RMB0.29 per share) relating to the year ended December 31, 2016 was approved by the shareholders at a meeting held on June, 2017 and paid in September 2017.

35 CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from operations:

	For the year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Profit before income tax	**17,036,363**	15,269,091
Adjustments for:		
Share of loss/(gain) of investments accounted for using equity method	**33,791**	(4,216,700)
Gain on remeasuring existing interest in an associate upon business combination	**–**	(8,864)
(Gain)/Loss on disposal of property, plant and equipment and intangible assets	**(22,019)**	3,886
Depreciation and amortization	**5,848,056**	4,937,132
Provision for impairment of assets	**196,206**	314,953
Net foreign exchange loss/(gain)	**167,976**	(43,291)
Finance costs, net	**447,919**	467,862
Amortization of deferred income	**(272,781)**	(80,951)
	23,435,511	16,643,118
Changes in working capital:		
– Decrease/(increase) in accounts receivable	**5,708,365**	(16,386,735)
– Decrease in advances to suppliers, other receivables and other current assets	**4,944,113**	1,519,358
– Increase in inventories	**(2,521,510)**	(4,447,140)
– (Decrease)/increase in accounts payable	**(6,625,388)**	20,220,292
– Increase in advance from customers, other payables and accruals	**1,023,611**	3,725,950
– Increase in provisions	**51,851**	391,562
Cash generated from operations	**26,016,553**	21,666,405

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

	For the year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Net book amount	**30,452**	24,550
Loss on disposal	**(6,744)**	(3,886)
Decrease in receivables	**–**	–
Cash proceeds	**23,708**	20,664

35 CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(c) Non-Cash investing activities

On July 20, 2017, the Group entered into a capital increase agreement with BJEV, pursuant to which, the Group subscribed for 223.6 million shares additionally issued by BJEV for a total consideration of RMB1,185,080,000, including cash of RMB480,874,000, and intangible assets and fixed assets valued at RMB704,206,000 in aggregate with a disposal gain recognised of RMB28,763,000 (Note 13).

(d) Non-Cash financing activities

In 2017, the non-controlling interests of Beijing Benz used RMB717,738,000 out of the dividends declared to them previously to increase the capital of Beijing Benz.

36 COMMITMENTS

(a) Capital commitments

The Group has the following capital commitments for property, plant and equipment not provided for as at December 31, 2017 and 2016 respectively.

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Contracted but not provided for	**4,690,950**	4,571,657
Authorized but not contracted for	**2,079,143**	3,899,043

(b) Operating lease commitments

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

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Up to 1 year	**131,075**	134,576
1 to 5 years	**35,072**	36,762
	166,147	171,338

37 BUSINESS COMBINATIONS

Prior to September 2016, the Group has 45% equity interests in CADU and had been accounted for as investment in associate. In September 2016, as one of the investors defaulted its committed capital injection to CADU, the Group obtained additional 9% equity interests in CADU based on its proportional share in CADU. Since then, the Group obtained control of CADU which became a subsidiary of the Group.

	RMB'000
Deemed consideration of the fair value of 54% equity interest in CADU at acquisition date	52,763
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	7,973
Property, plant and equipment (Note 7)	15,425
Development costs (included in intangibles) (Note 9)	669
Inventories	5,026
Accounts receivable	7,538
Advances to suppliers	27,138
Other receivables	745
Accounts payable	(39,491)
Advances from customers	(1,433)
Borrowings	(20,478)
Total identifiable net assets	3,112
Goodwill (included in intangibles) (Note 9 and note (a))	94,441
Non-controlling interests	(44,790)
The fair value of 54% equity interest in CADU (note (b))	52,763

37 BUSINESS COMBINATIONS (CONTINUED)

Notes:

(a) CADU, together with its subsidiary, are primarily engaged in the design, research and development of passenger vehicle models. The Group recognised goodwill of approximately RMB94,441,000 which is arisen from CADU's capacities of researching and developing the passenger vehicle of Beijing Brand.

(b) The carrying value of the original investment of 45% equity interests in CADU was approximately RMB43,899,000. Upon the business combination mentioned above, the Group was allocated the additional 9% equity interests and remeasured the carrying value of the investment in CADU to RMB52,763,000.

38 RELATED PARTY TRANSACTIONS

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

The immediate parent company of the Company is BAIC Group, a 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, 2017 and 2016.

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties:

	For the year ended December 31,	
	2017	2016
	RMB'000	RMB'000
Sale of goods, materials and technologies to		
– BAIC Group	**127**	1,562
– subsidiaries of BAIC Group	**12,906,942**	10,776,617
– joint ventures	**948,256**	609,191
– other related companies	**952,817**	961,010
Services provided to		
– subsidiaries of BAIC Group	**3,617**	7,347
– associates	**–**	23,530
– other related companies	**182,906**	126,883
Purchases of goods and materials from		
– subsidiaries of BAIC Group	**18,532,029**	22,453,006
– a joint venture	**10,109**	12,544
– an associate	**21,355**	63,318
– other related companies	**37,791,279**	28,481,169
Services received from		
– BAIC Group	**518,953**	355,057
– subsidiaries of BAIC Group	**2,691,044**	2,969,234
– joint ventures	**1,198,221**	913,843
– other related companies	**4,476,285**	3,130,559
Rental expenses paid/payable to		
– subsidiaries of BAIC Group	**162,848**	148,598
– BAIC Group	**–**	31,397
Interest income received from		
– an associate	**134,781**	97,250
Interest expenses paid/payable to		
– an associate	**126,393**	109,898
Key management compensations		
– salaries, allowances and other benefits	**11,978**	16,675
– employer's contribution to pension scheme	**740**	706
– discretionary bonuses	**4,637**	13,011

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties:

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Assets		
Other long-term assets		
– subsidiaries of BAIC Group	**–**	58,997
Available-for-sale financial assets		
– one subsidiary of BAIC Group	**2,351,239**	532,480
Accounts receivable		
– BAIC Group	**846**	1,155
– subsidiaries of BAIC Group	**1,827,040**	4,449,343
– joint ventures	**146,443**	79,100
– an associate	**214,066**	304,552
– other related companies	**381,451**	587,339
Advances to suppliers		
– subsidiaries of BAIC Group	**284,912**	481,767
– other related companies	**126,747**	180,950
Other receivables		
– BAIC Group	**–**	27,215
– subsidiaries of BAIC Group	**252,762**	1,641,864
– a joint venture	**1,224**	1,140
– associates	**–**	24,942
– other related companies	**317,639**	179,024
Notes receivables		
– subsidiaries of BAIC Group	**485,160**	5,700
– other related companies	**3,980**	–
Cash and cash equivalents		
– an associate	**11,072,988**	10,873,080

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant balances with related parties (Continued):

	As at December 31,	
	2017	2016
	RMB'000	RMB'000
Liabilities		
Accounts payable		
– BAIC Group	**4,964**	63,298
– subsidiaries of BAIC Group	**5,059,992**	12,412,418
– an associate	**21,691**	13,013
– a joint venture	**686**	–
– other related companies	**10,305,554**	7,958,593
Advances from customers		
– subsidiaries of BAIC Group	**22,513**	12,361
– joint ventures	**–**	237
– an associate	**327**	327
– other related companies	**–**	196
Other payables		
– BAIC Group	**460,097**	674,738
– subsidiaries of BAIC Group	**1,855,145**	1,613,560
– joint ventures	**215,275**	203,739
– an associate	**68**	11,643
– other related companies	**2,437,370**	2,256,686
Dividends payable to		
– other related companies	**2,706,338**	902,670
– BAIC Group	**–**	1,020,000
Notes payable		
– subsidiaries of BAIC Group	**1,703,168**	578,128
– other related companies	**90,291**	9,060
Borrowings from		
– an associate (Note 23(b))	**3,615,660**	3,187,440

39 EVENTS AFTER THE REPORTING PERIOD

(a) On January 22, 2018, BAIC Guangzhou Automotive Co., Ltd. ("BAIC Guangzhou", a wholly-owned subsidiary of the Company), BAIC Group, Daimler Greater China Ltd., Bohai Automotive System Co., Ltd., Beijing Shougang Lvjie Venture Capital Co., Ltd. and other shareholders of BJEV, entered into the agreement on asset swap and acquisition of shares to be issued by Chengdu Qianfeng Electronics Co., Ltd. ("QianFeng"), pursuant to which, BAIC Guangzhou agreed to dispose all of its 8.15% equity interest in BJEV to QianFeng in exchange for 62,409,505 shares to be issued to BAIC Guangzhou by QianFeng. Upon completion of this transaction, BAIC Guangzhou will hold 6.51 % equity interest in QianFeng.

(b) On February 23, 2018, the Company and Beijing Benz, a non wholly-owned subsidiary of the Company, entered into a asset transfer agreement, pursuant to which the Company agreed to dispose of, and Beijing Benz agreed to purchase, certain of the Groups' assets in the Beijing Branch of the Company at a total considerations of approximately RMB5,837 million.

40 PARTICULARS OF PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Company name	Place and date of establishment/ incorporation	Issued and paid-up capital (million)	Attributable equity interests	Principal activities
Subsidiaries				
BAIC Guangzhou Automotive Co., Ltd.	The PRC August 18, 2000	RMB1,360	100%	Manufacture of passenger vehicles
BAIC Investment Co., Ltd.	The PRC June 28, 2002	RMB3,500	97.95%	Investment holding
Beijing Beinei Engine Parts and Components Co., Ltd.	The PRC September 2, 2003	RMB471	98.98%	Manufacture of auto parts
Beijing Benz Automotive Co., Ltd.	The PRC August 8, 2005	USD2,320	51%	Manufacture and sales of passenger vehicles
BAIC Hong Kong Investment Corp. Limited	Hong Kong October 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
China Automobile Development United (Beijing) Technology Investment Co., Ltd.	The PRC December 18, 2013	RMB104	54.0865%	Investment management
Joint Ventures				
Beijing Hyundai Motor Co., Ltd.	The PRC October 16, 2002	USD2,036	50%	Manufacture and sales of passenger vehicles
Beijing Mercedes-Benz Sales Service Co., Ltd.	The PRC December 7,2012	RMB102	49%	Marketing and sales of vehicles
Fujian Benz Automotive Co., Ltd.	The PRC June 8, 2007	Euro287	35%	Manufacture and sales of passenger vehicles
Beijing Bai Das Auto System Co., Ltd.	The PRC June 27, 2011	USD41	50%	Manufacture and sales of automobile interior decoration parts

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

Company name	Place and date of establishment/ incorporation	Issued and paid-up capital (million)	Attributable equity interests	Principal activities
Associates				
BAIC Group Finance Co., Ltd.	The PRC November 9, 2011	RMB1,500	20%	Auto financing and currency settlement
Beijing Hyundai Auto Finance Co., Ltd.	The PRC June 26, 2012	RMB4,000	33%	Automobile financing services
Mercedes-Benz Leasing Co., Ltd.	The PRC Jan 9, 2012	RMB2,098	35%	Finance lease services

41 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	As at December 31, 2017 RMB'000	As at December 31, 2016 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**10,531,181**	8,729,139
Land use rights	**1,274,735**	1,091,973
Intangible assets	**9,845,460**	9,598,355
Investments in subsidiaries	**22,193,909**	21,446,864
Investments accounted for using equity method	**1,665,396**	1,265,145
Available-for-sale financial assets	**2,355,239**	536,480
Other long-term assets	**14,012**	128,542
	47,879,932	42,796,498
Current assets		
Inventories	**738,495**	717,169
Accounts receivable	**14,473,020**	13,880,212
Advances to suppliers	**112,236**	449,595
Other receivables and other current assets	**15,341,026**	17,993,019
Restricted cash	**195,455**	1,008,549
Cash and cash equivalents	**466,536**	551,982
	31,326,768	34,600,526
Total assets	**79,206,700**	77,397,024

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

Balance sheet of the Company (Continued)

		As at December 31, 2017 RMB'000	2016 RMB'000
EQUITY			
Capital and reserves attributable to equity holders			
Share capital		**7,595,338**	7,595,338
Other reserves	note (a)	**23,133,187**	21,874,394
Retained earnings	note (a)	**7,565,797**	3,654,585
Total equity		**38,294,322**	33,124,317
LIABILITIES			
Non-current liabilities			
Borrowings		**7,352,478**	4,759,837
Deferred income tax liabilities		**95,052**	–
Deferred income		**400,032**	314,472
Provisions		**38,279**	53,315
		7,885,841	5,127,624
Current liabilities			
Accounts payable		**10,045,356**	13,209,806
Advances from customers		**1,018**	1,375
Other payables and accruals		**6,737,752**	7,936,859
Current income tax liabilities		**–**	–
Borrowings		**16,215,613**	17,970,386
Provisions		**26,798**	26,657
		33,026,537	39,145,083
Total liabilities		**40,912,378**	44,272,707
Total equity and liabilities		**79,206,700**	77,397,024

The balance sheet of the Company was approved by the Board of Directors on March 22, 2018 and was signed on its behalf.

Xu Heyi, Director Chen Hongliang, Director

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

Note:

(a) Reserve movement of the Company is as set out below:

	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Available-for-sale financial assets RMB'000	Retained earnings RMB'000	Total RMB'000
At January 1, 2017	**20,586,468**	**1,287,926**	**–**	**3,654,585**	**25,528,979**
Profit for the year	**–**	**–**	**–**	**6,834,235**	**6,834,235**
Appropriation to statutory surplus reserve	**–**	**720,375**	**–**	**(720,375)**	**–**
Dividends declared/paid (Note 34)	**–**	**–**	**–**	**(2,202,648)**	**(2,202,648)**
Available-for-sale financial assets	**–**	**–**	**538,627**	**–**	**538,627**
Others	**(209)**	**–**	**–**	**–**	**(209)**
At December 31, 2017	**20,586,259**	**2,008,301**	**538,627**	**7,565,797**	**30,698,984**
At January 1, 2016	20,586,468	1,254,830	–	4,524,798	26,366,096
Profit for the year	–	–	–	302,184	302,184
Appropriation to statutory surplus reserve	–	33,096	–	(33,096)	–
Dividends declared/paid (Note 34)	–	–	–	(1,139,301)	(1,139,301)
At December 31, 2016	20,586,468	1,287,926	–	3,654,585	25,528,979

42 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, 2017

	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							
Cheng Hongliang (陳宏良) (Chief Executive) [2]	362	38	16	–	–	–	416
Li Feng (李峰) (Chief Executive) [3]	571	29	374	–	–	–	974
Non-executive director							
Xu Heyi (徐和誼)	–	–	–	–	–	–	–
Zhang Xiyong (張夕勇)	–	–	–	–	–	–	–
Qiu Yinfu (邱銀富)	–	–	–	–	–	–	–
Hubertus Troska	–	–	–	–	–	–	–
Bodo Uebber	–	–	–	–	–	–	–
Wang Jing (王京)	–	–	–	–	–	–	–
Zhang Jianyong (張建勇)	–	–	–	–	–	–	–
Yang Shi (楊實) [4]	–	–	–	–	–	–	–
Shang Yuanxian (尚元賢) [5]	–	–	–	–	–	–	–
Guo Xianpeng (郭先鵬) [6]	–	–	–	–	–	–	–
Zhu Baocheng (朱保成) [7]	–	–	–	–	–	–	–

42 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, 2017 (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)[8]	–	–	–	–	67	–	67
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
Ge Songlin (葛松林)[9]	–	–	–	–	53	–	53
Supervisor							
Zhang Guofu (張國富)	756	73	427	–	–	–	1,256
Pang Minjing (龐民京)	–	–	–	–	120	–	120
Zhan Zhaohui (詹朝暉)	–	–	–	–	120	–	120
Wang Min (王敏)	–	–	–	–	–	–	–
Zhang Yuguo (張裕國)[10]	–	–	–	–	–	–	–
Zhu Zhenghua (朱正華)[11]	–	–	–	–	–	–	–
Li Chengjun (李承軍)[12]	465	73	176	–	–	–	714
Yu Wei (余威)[13]	–	–	–	–	–	–	–
Wang Jianping (王建平)[14]	–	–	–	–	–	–	–
Gu Zhangfei (顧章飛)[15]	–	–	–	–	–	–	–
Yao Shun (姚舜)[16]	–	–	–	–	–	–	–
Jiang Dali (姜大力)[17]	–	–	–	–	–	–	–
Li Shuangshuang (李雙雙)[18]	–	–	–	–	–	–	–
Wang Bin (王彬)[19]	–	–	–	–	–	–	–

42 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, 2017 (Continued)

Notes:

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

(2) Appointed in June 2017.

(3) Resigned in June 2017.

(4) Resigned in April 2017.

(5) Resigned in April 2017.

(6) Appointed in April 2017.

(7) Appointed in April 2017.

(8) Resigned in April 2017.

(9) Appointed in April 2017.

(10) Resigned in December 2017.

(11) Resigned in December 2017.

(12) Resigned in December 2017.

(13) Resigned in December 2017.

(14) Resigned in December 2017.

(15) Appointed in December 2017.

(16) Appointed in December 2017.

(17) Appointed in December 2017.

(18) Appointed in December 2017.

(19) Appointed in December 2017.

42 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, 2016

	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)	728	40	550	–	–	–	1,318
Non-executive director							
Xu Heyi (徐和誼)	–	–	–	–	–	–	–
Zhang Xiyong (張夕勇)	–	–	–	–	–	–	–
Qiu Yinfu (邱銀富)	–	–	–	–	–	–	–
Yang Shi (楊實)	–	–	–	–	–	–	–
Hubertus Troska	–	–	–	–	–	–	–
Bodo Uebber	–	–	–	–	–	–	–
Wang Jing (王京)	–	–	–	–	–	–	–
Zhang Jianyong (張建勇) [2]	–	–	–	–	–	–	–
Shang Yuanxian (尚元賢) [3]	–	–	–	–	–	–	–
Ma Chuanqi (馬傳騏) [4]	–	–	–	–	–	–	–
Li Zhili (李志立) [5]	–	–	–	–	–	–	–
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

42 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, 2016 (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
Supervisor							
Zhang Yuguo (張裕國)	–	–	–	–	–	–	–
Yin Weijie (尹維劼) [6]	–	–	–	–	–	–	–
Zhu Zhenghua (朱正華)	–	–	–	–	–	–	–
Li Chengjun (李承軍)	–	–	–	–	–	–	–
Zhang Guofu (張國富)	734	40	269	–	–	–	1,043
Yu Wei (余威)	–	–	–	–	–	–	–
Wang Jianping (王建平)	–	–	–	–	–	–	–
Pang Minjing (龐民京)	–	–	–	–	120	–	120
Zhan Zhaohui (詹朝暉)	–	–	–	–	120	–	120
Wang Min (王敏) [7]	–	–	–	–	–	–	–

Notes:

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

(2) Appointed in December 2016.

(3) Appointed in December 2016.

(4) Resigned in December 2016.

(5) Resigned in December 2016.

(6) Resigned in December 2016.

(7) Appointed in December 2016.

42 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)

(b) During the year ended December 31, 2017, 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 (2016: nil).

(c) During the year ended December 31, 2017, 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 (2016: nil).

(d) During the year ended December 31, 2017, no consideration was provided to or receivable by third parties for making available director's services (2016: nil).

(e) There are no loans, quasi-loans or other dealings in favour of the director, his controlled bodies corporate and connected entities (2016: 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 (2016: nil).

"Articles of Association"	the Articles of Association of BAIC Motor Corporation Limited considered and amended at the second extraordinary general meeting of the Company for 2017 held on December 5, 2017
"Audit Committee"	audit committee of the Board of the Company
"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 Finance"	BAIC Group Finance Co., Ltd., a company incorporated in the PRC on November 9, 2011 and a Connected Person of the Company
"BAIC Hong Kong"	BAIC Hong Kong Investment Corp. Limited, a company incorporated in Hong Kong on October 21, 2009, a wholly-owned subsidiary of the Company
"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, 38.67% owned by Daimler AG and 10.34% owned by Daimler Greater China Ltd.
"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

Definitions

"Beijing Brand"	When referring to a brand, "Beijing Brand" means the passenger vehicle business of our proprietary brand, including Senova, BJ, Wevan and relevant new energy series business. When referring to a business segment, means the consolidated business of our Company and its subsidiaries (excluding Beijing Benz). Segment profits of Beijing Brand included the share of profits of Beijing Hyundai and other invested enterprises
"BAIC Automobile SA Proprietary Limited"	BAIC Automobile SA Proprietary Limited, a private company duly incorporated and registered in accordance with the laws of South Africa. The Company holds 20% interests by BAIC Hong Kong
"Beijing Electric Vehicle" or "BJEV"	Beijing Electric Vehicle Co., Ltd., a company incorporated in the PRC on October 23, 2009 and a Connected Person of the Company
"Benz Sales"	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
"BHAF"	Beijing Hyundai Auto Finance Company Limited
"Board of Directors" or "Board"	the Board of Directors of the Company
"Board of Supervisors"	the Board of Supervisors of the Company
"CAGR"	compound annual growth rate
"China Accounting Standards" or "PRC Accounting Standards"	Chinese Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC
"Company Law"	the Company Law of the PRC, as amended and adopted by the Standing Committee of the Twelfth National People's Congress on December 28, 2013 and effective from March 1, 2014, as amended, supplemented or otherwise modified from time to time

"Connected Person(s)"	has the same meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto in the Listing Rules
"Controlling Shareholder(s)"	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
"Daimler Greater China"	Daimler Greater China Ltd., a wholly-own subsidiary of Daimler AG in the PRC
"Date of Issue of the Report"	March 22, 2018, i.e. the date on which the annual report is submitted to the Board of Directors for approval
"Latest Practicable Date"	April 15, 2018, being the latest practicable date prior to the printing of the annual report for the purpose of ascertaining the relevant information contained in the annual report
"Director(s)"	director(s) of the Company
"Domestic Share(s)"	ordinary shares in the Company's share capital, with a nominal value of RMB1.0 each, which are subscribed for and paid up in Renminbi
"general meeting"	the Shareholder's general meeting of the Company
"FJMOTOR"	Fujian Motor Industry Group Co.
"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

Definitions

"Fujian Benz"	Fujian Benz Automotive Co., Ltd.
"Guangzhou Company"	BAIC Guangzhou Automotive Co., Ltd.
"H share(s)"	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.0 each, to be subscribed for and traded in HK dollars and listed and traded on the Stock Exchange
"HK$"	the lawful currency of Hong Kong
"Hong Kong"	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 Stock Exchange
"Listing Date"	December 19, 2014
"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
"Nomination Committee"	nomination committee of the Board of the Company
"PBOC"	the People's Bank of China
"Powertrain"	BAIC Motor Powertrain Co., Ltd.
"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 of the Company
"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 otherwise modified from time to time
"Share(s)"	Domestic Share(s) and H Share(s)
"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"	collectively, Strategy Committee, Audit Committee, Remuneration Committee and Nomination Committee
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

Definitions

"Strategy Committee"	strategy committee of the Board of the Company
"subsidiary(ies)"	has the meaning ascribed thereto in section 2 of the Company Ordinance
"Supervisor(s)"	supervisor(s) of the Company
"Company"	BAIC Motor Corporation Limited
"Group", "our Group" or "We" or "our"	the Company and its subsidiaries
"end of 2017"	December 31, 2017
"2017" or "the year 2017" or "the year"	the year ended December 31, 2017
"end of 2016"	December 31, 2016
"the year 2016"	the year ended December 31, 2016
"CAAM"	China Association of Automobile Manufacturers
"CBRC"	China Banking Regulatory Commission
"MBLC"	Mercedes-Benz Leasing Co., Ltd., a company incorporated in the PRC on January 9, 2012 and a Connected Person of the Company

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